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EDITORIAL

As We See It

The inexorable course of events is beginning to force some of the economic facts of life into the consciousness of even the reluctant disciples of the New Deal. It is becoming clear—it has definitely become clear to the thoughtful—that it is no longer possible to enlarge so-called welfare expenditures of government without either adopting deficits as a way of life or of imposing taxes which hurt not only the rich but the very rank and file which are the supposed beneficiaries of largesse — and hurt them in a very direct way which can hardly escape popular notice. This is the kernel of the innumerable controversies now under way in Washington and in so many of the state capitals.

The often boldly stated thought of New Dealers in the early days was to the effect that the poor (or the politically useful) elements in the population could and should be the recipients of various benefits at the expense of the rich. The theory that the tax burden should be carried largely by the wealthy was invoked again and again—an idea which was made popular by Adam Smith at about the time of the birth of this nation. The other general principles laid down by the father of the *laissez-faire* school of economics, which plainly implied that taxation of the wealthier elements in the population could or should not be carried so far as to interfere with the normal functioning of the economy were forgotten or ignored—as they are today.

Progressive Taxation

Highly progressive individual income taxes were, of course, the main reliance in implement-

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Will Good Economics Prove To Be Good Politics?

By NEIL H. JACOBY*

Dean, Graduate School of Business Administration
University of California, Los Angeles, Calif.

Dr. Jacoby indicts his fellow economists for failing to emulate their great predecessors' devotion to solving decisive public policy issues and for not making greater use of familiar concepts of economic analysis. Taking one problem, the reconciliation of full employment with a stable price level in a freely growing economy, the former Economic Council Advisor formulates a broad theory of creeping inflation, outlines reforms in principal public policy areas, and advocates greater structural flexibility in prices and movement of resources as well as improved monetary and fiscal controls.

My theses are simple but fundamental. I hold that the economist performs his highest and best function when applying his craft to the great issues of public policy in his times, and that American economists should devote more time to this activity. We stand in greater need today of lucid and courageous application of familiar concepts of economic analysis than we do of new tools of thought. These propositions are illustrated by our failure so far to deal effectively with the problem of reconciling full employment with a stable price level in a growing, free-market economy. I shall try to diagnose this problem and to show how traditional economic theory suggests the elements of a solution.

Neil H. Jacoby

It is hardly necessary to remind economists that their science had its origins and growth in efforts to analyze contemporary issues of public

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*Dr. Jacoby's lecture was one in a series sponsored by the Brookings Institution, Feb. 5, 1959, Washington, D. C., and will be published in Volume I, No. 3 of the *California Management Review* in April, 1959.

Taking a Real Look Ahead

By WALTER E. HOADLEY, JR.*

Treasurer, Armstrong Cork Company, Lancaster, Pa.

Industrial economist discusses contradictory views businessmen generally hold about the future and stresses the crucial gravity of the problem of inflation in laying down a program to avert the national dangers involved. Mr. Hoadley's short run view optimistically expects: 3-5% increased volume of total business over current level, inflationary lull will continue for next nine to fifteen months, and a better housing and mortgage market. Mr. Hoadley expresses thankfulness that the general public is still not really concerned about inflation and skeptically asks how sure are we inflation will not take over. Calls for utmost in anti-inflation leadership now.

The safest forecast which any one can now make about the American economy is an optimistic one—that there will be much more growth but also many changes.

Obviously, it is much more difficult to predict just what rate of growth will prevail and to identify and time the changes which lie so certainly ahead. Each one of us has in mind some rough idea of what we expect will happen to our economy not only during 1959 but for some longer period ahead. This must be true because every one of us make decisions daily which necessarily are rooted in our beliefs and hunches about future short term and longer term developments.

W. E. Hoadley, Jr.

For some years, almost as a hobby, I have endeavored through various poll techniques and interviews to keep abreast of the forward thinking of a representative cross section of American business leadership. From a current analysis plus recent visits to several sections of the country, I must reluctantly and unhappily conclude that at least

*An address by Mr. Hoadley before the 56th Savings and Mortgage Conference, American Bankers Association, New York City, March 4, 1959.

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PICTURES IN SECTION TWO — Candid photos taken at the 35th Annual Mid-winter Dinner of the Investment Traders Association of Philadelphia appear in SECTION TWO of today's issue.

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

South Shore Oil & Development Co. — G. Shelby Friedrichs, Partner, Howard, Weil, Labouisse, Friedrichs & Co., New Orleans, La. (Page 2)

Garlock Packing Company—Wilbur H. Holly, Vice-President and Secretary, Sage, Rutty & Co., Rochester, N. Y. (Page 2)

G. SHELBY FRIEDRICHS

Partner, Howard, Weil, Labouisse, Friedrichs & Co., New Orleans, La.

South Shore Oil and Development Co.

There are very few companies which provide investors with a direct participation in the potential of land and oil and gas exploration in southern Louisiana. South Shore Oil and Development Company is one such company, which combines the operations of both a royalty company and an oil company. The success of these operations is largely determined by the capabilities of management and South Shore has been extremely fortunate in acquiring the services of Mr. John F. Bricker to head a well-balanced management team.

G. Shelby Friedrichs

Mr. Bricker is a highly regarded and widely experienced oil and land man. After 20 years with a major oil company as head of the Land Department in the southern area of the United States, Mr. Bricker resigned to continue as a land consultant and an independent oil operator. His knowledge of land in southern Louisiana has proved invaluable to South Shore and the company has made excellent progress since his election as President in June, 1957.

South Shore operates primarily as a royalty company, deriving income from its mineral interests in 46,372 acres located in southern Louisiana. These mineral rights were granted to South Shore by the South Coast Corporation until Sept. 12, 2035. On these royalty properties, South Shore receives income from the production of 37 oil wells and 17 gas wells in six different fields.

The properties are divided into three general divisions: the Oaklawn Division in St. Mary Parish, the Georgia Division in Lafourche Parish and the Ashland-Terrebonne Division in Terrebonne Parish. During the past fiscal year which ended July 31, 1958, royalty income from these divisions totaled $514,700—$99,000 from the Oaklawn Division, $378,000 from the Georgia Division, and $37,700 from the Ashland-Terrebonne Division. This royalty income should show a sizable increase in the current fiscal year, as present shut-in gas wells are put into production. There are now six gas wells on South Shore's properties which are shut-in, awaiting pipeline connections.

In the Oaklawn Division, Humble Oil and Refining Company completed a wildcat test as a shut-in gas distillate well on its one-fourth royalty lease of 1,192 acres from South Shore. This discovery lies about 2½ miles from the prolific Charenton Field, where Fifteen Oil Company has 21 producing oil wells on South Shore's property. The latest well in the Charenton Field, completed in October, 1958, tested 193 barrels of oil, plus 1,165 MCF of gas per day.

The Georgia Division contains three shut-in gas wells which will go into production very shortly. They will be put on the new pipeline to this area which Transcontinental Gas Pipeline Company is now completing. The largest of these wells tested 200 barrels of distillate, plus 6,000 MCF of gas per day. Based upon official tests, the production of gas and distillate from the three wells will increase the royalty income to South Shore from the Georgia Division by about $125,000 annually. The major portion of last year's royalty revenues from this division came from the production obtained from seven oil wells in the Raceland Field and from five oil wells and six gas wells in the Valentine Field.

The Ashland-Terrebonne Division has two large shut-in gas wells in the Montegut Field, which also contains two producing oil wells. The first gas well was dually-completed and the second gas well, completed in June, 1958, tested 6,300 MCF of gas, plus 166 barrels of distillate per day. Royalty income from this division will be considerably augmented when these two wells are put into production.

While no official reserve estimates have ever been released, it has been reliably estimated that the value of the reserves under these royalty lands, net to South Shore's interest, approximate $42 a share on the 543,139 shares presently outstanding.

South Shore's great potential for capital appreciation lies not only in the development and expansion of its royalty income from the mineral rights acquired from South Coast, but also in the employment of this royalty income in purchasing royalty, mineral and fee land interests in an attempt to build reserves and future income. In this program, South Shore has been very successful. Of three prospects drilled, two have resulted in important discoveries.

One of these discoveries was the Little Bayou Pigeon Field in Iberia Parish, where South Shore has a 25% interest in 3,493 acres. This well was completed on Oct. 28, 1958, in two sands—the lower sand tested 64 barrels of distillate plus 2,400 MCF of gas per day, and the upper sand tested 318 barrels of distillate plus 1,060 MCF of gas per day. A second well is now being dually-completed in this field and a location has been tentatively selected for a third well.

The second discovery was in the East Golden Meadow Area of Lafourche Parish, where South Shore holds a 25% interest in 2,300 acres. The first well logged 131 net effective feet of gas-distillate sands and is now awaiting completion. The second well in this field is now being tested after having logged multiple sands in excess of 100 net effective feet.

Accurate estimates of the reserves resulting from the discoveries in the East Golden Meadow Area and in the Little Bayou Pigeon Field are difficult to make until further development work is done. However, present estimates are that the value of these reserves, net to South Shore's interest, are in the neighborhood of $15 per share. It is readily apparent that, with its small capitalization, additional discoveries have a considerable effect upon the per share value of reserves.

Altogether, South Shore holds working interests in a total of 6,773 acres in Louisiana and 5,398 acres in Texas, plus mineral interests in 2,030 acres in Louisiana and 4,362 acres in Texas. The acreage in Louisiana was all purchased during 1958 and South Shore still has about $1.5 million in cash and U. S. Government securities, with which the company can purchase additional land interests as opportunities are presented. South Shore has a strong financial position, with a current ratio of 7.7 to 1. There is no long-term debt and capitalization consists solely of the 543,139 shares of common stock.

For the year ended July 31, 1958, mineral revenues totaled $798,671, an increase of 17.2% over the previous year's revenues of $681,599. However, reduced operating expenses raised net income 38.8% to $321,647. For the first quarter of fiscal 1959 ended Oct. 31, 1958, earnings per share were 19 cents, compared to 13 cents a share earned a year earlier.

It is my opinion that the potential of the employment of this royalty income in the building of oil and gas reserves, under the direction of capable, aggressive management, has been underestimated by investors. I believe that at its present market price, the common stock of South Shore Oil and Development Company is undervalued, and offers an attractive opportunity for capital appreciation. The stock is traded in the Over-the-Counter Market.

WILBUR H. HOLLY

Vice-President and Secretary, Sage, Rutty & Company, Rochester, N. Y.

Member National Association of Securities Dealers

The Garlock Packing Company

A few weeks ago, the Garlock Packing Company announced that they had been instrumental in developing a critical insulating product for solid fuel missiles, and it is my belief that this company may be on the threshold of important new growth.

W. H. Holly

Because of this new development solid fuel missiles have become more reliable and the operational characteristics have been improved. Consequently a number of substantial contracts have been placed with Garlock to produce these critical insulating products.

At present this installation is in the development-production state but Garlock officials state that they soon expect to move into full scale production for such programs as the Navy's ballistic missile known as the Polaris, and the Air Force's universal missile known as the Minute Man.

For 72 years The Garlock Packing Company has been furnishing essential products to all kinds of industries. Customers today buying mechanical packings from Garlock number about 40,000. Subsidiaries include the U. S. Gasket Company and Fluorocarbon, Inc., both of Camden, New Jersey; The Garlock Packing Company of Canada, Ltd., Mechanical Leathers, Inc., and Belmont Packing and Rubber Company, both of Philadelphia, Pa., and Dealers Steam Packing Company of Palmyra. Maragin, jointly owned by U. S. Gasket and

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Applying Realism to Investing In a Revolutionary Era

By SIDNEY B. LURIE*
Research Partner, Josephthal & Co., New York City

Before analyzing the upward business trend, Mr. Lurie speaks realistically on "why it isn't easy to accumulate wealth in the securities market." The Wall Street research partner adds the reminder that we are in a period of unprecedented demand for and supply of common stock, and that there are important differences which should prevent another 1932. Becoming specific regarding investment advice, Mr. Lurie stresses issues are more important than averages; expects real test of business outlook to occur between second and third quarters; and suggests seeking values in oils, textiles, metals, and names several firms to illustrate other advice given.

Ours is the most fascinating, the most exciting business in the world.

It's exciting, because the Stock Market daily represents either a Drama — a Musical Comedy—or even a Burlesque show. Sometimes we hear soft words and sweet music—sometimes a Wagnerian opera —and sometimes we play to an empty house.

Sidney B. Lurie

It's fascinating too, because the Stock Market is "people"—all of us in this great country—not a mysterious "they." Being "people," the market reflects all the all the human frailties: fear, greed, stupidity, etc.

If you doubt that this is the "greatest show on earth," just think of the primary and primitive urges which motivate man's actions: a search for food, clothing, shelter, sex and security. Each, however, has his own way of attempting to attain these objectives. For example, the Egyptians sought security in the Hereafter by being buried with food and jewels as well as their personal possessions.

Today, to judge by the financial pages, all America is seeking security in the Stock Market. Frankly, some would be better off in Churchill Downs; at least, they'd be out in the sunshine. To others, and this means the majority of security buyers, this is a business of diligence and effort.

Believe me, Wall Street is a business — a business of common sense—a business which represents an applied, intuitive art. It is not an inexact science — or a business where the key to success is the ability to read or multiply. If it were easy to get fat financially, there would not be enough reducing salons to accommodate all of us.

Provides Reality on Investing

There are several reasons why it isn't easy to accumulate wealth in the securities markets.

For one thing, Wall Street is not an obvious business where 2+2 always equal 4. Timing is important — and the anticipation can be greater than the realization. Secondly, all too often, and we're seeing it today when the space stocks are in orbit, people act with their emotions rather than intellect. There is nothing you and I can do about a mass hysteria—except take advantage of it. Thirdly, there's too much loose talk about the Stock Market—and not enough intelligent discussion of individual stocks. This is a business of specifics—not generalizations.

I want to emphasize the last point—for the most futile question in the world is "What do you think of the Market?" The only reason people talk about the Market is that it is easy to quote the headlines. It's difficult, however, to talk about an individual stock intelligently — for this requires knowledge and should be the end result of a never-ending process of comparative evaluation.

Proof of the soundness of this observation can be found almost each day. Let me refresh your memory with a few illustrations. (1) If you were bearish in the Winter of 1957-58, you missed an opportunity to quadruple your capital in Lorillard. (2) If you were concerned about the Averages, last Spring, you missed an opportunity to double your capital in Raytheon. (3) If Chrysler's problems bothered you last Summer, you missed an opportunity of tripling your money in American Motors.

But I'll bow to the popular interest in generalities with a few which may be a key to the biggest Market Wall Street has ever known:

(1) We're living in an era of an unprecedented supply-demand equation. Last year, for example, only $1.3 billion of new common stocks were issued by American Industry — as compared with an average of $2.3 billion in the previous three years. This is far below the Nation's net savings—which are being magnified by the fact that the American Public has become more stock-minded than ever before in history. In other words, industry is not tapping our accumulated, and accumulating, wealth.

(2) In addition, more people in effect are competing for the same merchandise—and particu-

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*From a talk by Mr. Lurie before the Management and Business Forum, University of Louisville, sponsored by Stein Bros. & Boyce, March 4, 1959.

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Texas Eastern Transmission Corporation—Prosperous Pipeline

By DR. IRA U. COBLEIGH

Enterprise Economist

A current look at this remarkable enterprise, which in just 12 years has become a profit-laden $800 million transporter of invisible freight.

The saga of Texas Eastern is a corporate romance of the first magnitude. As is well known, during World War II deliveries of foreign oil to our shores, through sub-infested seas, created a critical problem in vital supply. So the government acted. It built, in 14 months, the famous Big Inch (24 inches in diameter actually) pipeline from Longview, Texas to the East Coast. The line had a through-put capacity of 300,000 barrels of crude a day—equal to 25,000 fully loaded railway tank cars. A single line was not enough. A second one was needed for transmission of refined petroleum products; so Little Big Inch was built following, for the most part, the same route as its Big Brother. This line was a 20 inch one, with a capacity 20% less. These two Inches performed a remarkable and indispensable service in the war; but when peace came and foreign crudes could again enter Eastern seaboard ports without either convoy or peril, the lines delivered far more crude than could possibly be effectively used. And, essentially, the government did not belong in the oil transport business anyway.

Ira U. Cobleigh

At this juncture a group of men with vision, under the leadership of a petroleum engineer, Mr. E. Holley Poe developed a plan to finance the purchase of these lines which might perform a great economic function if they switched from crude to natural gas delivery. Natural gas was in great surplus in Texas, but had a huge market waiting for it in the Northeast. All that was needed was transportation.

From this sound thinking Texas Eastern Transmission Corporation was born. The aforementioned group (in competition with 13 others) made a bid to purchase these pipelines from the government. Their bid of $143,127,000 was the highest, and actually just about what it had cost its government to build the lines. The properties acquired by the new corporation were 3,182 miles of pipeline and 1,993 miles of right-of-way. At first there were no compressors and the long cylindrical snakes of gas had to go all the way from Texas to Staten Island, propelled only by original field pressure.

There's no need to detail too precisely, expansion from that point. Compressor stations were built; capacities were constantly expanded; and in 1951 a new 30 inch line was constructed along a new route from Kosciusko, Miss., to Pittsburgh, Pa., at which point it joined the older lines across Pennsylvania and New Jersey. Finally a 30 inch line was extended Scuth from Beaumont, Texas into Mexico to tap the rich reserves of natural gas in that area.

With the bigger diameter lines serving the expanding gas requirements so effectively, it was decided last year, with the approval of the Federal Power Commission, to reconvert Little Big Inch back to its original use—oil. So now for 1,179 miles, from Baytown, Texas, to Moundsville, West Virigina, and with an interconnection to Chicago and the Midwest, the smallest bore unit is delivering r e f i n e d petroleum products.

On the supply side, Texas Eastern acquired, in 1957, La Gloria Oil and Gas Company with a large modern refinery in Tyler, Texas, a large gas processing plant, and owning extensive oil and gas production in Oklahoma, Louisiana and Texas.

As to markets, they are in the Midwest, Eastern Seaboard and in New England (served through Algonquin Gas Transmission Co. in which Texas Eastern has a 28% stock interest.) Gas is sold to large distributing utilities which in turn, deliver to residential, commercial and industrial users. Natural gas now provides home heating for more than 25 million Americans; and Texas Eastern supplies, at wholesale, an important segment of this vast and expanding market.

The recent 1958 report of Texas Eastern makes splendid reading for its stockholders. In a year when many lines of endeavor were in a slump, Texas Eastern moved ahead to new highs in gross and net. Consolidated operating revenues advanced 16% over 1957 to $266.5 million; while net rose to $25,619,912 against $24,918,376 for the preceding year. This worked out to $2.33 per share on the 8,606,383 shares of common outstanding.

While the Congress has not passed a natural gas bill and gives no promise at all of doing so in this session, much encouragement was given the industry by the Supreme Court decision of Dec. 5, 1958, which, in effect, reversed the so-called "Memphis Case" ruling of a lower court. This favorable legal ruling should permit the Federal Power Commission to hear, and act upon, during this year, Texas Eastern's application for a higher rate structure.

Financial structure of Texas Eastern affords considerable leverage for Common stockholders since debt comprises 66.2% of capitalization, preferred stock 14.1% leaving 19.7% for the Common. The present dividend rate of $1.40 per share is handsomely covered by current earnings. Book value at the 1958 year-end was $17.54 per share.

On the supply side, the Company's natural gas reserves at the year-end stood at $13 trillion cubic feet, with 1 trillion c.f. added in 1958 by the purchase of the Rayne Gas Field in Southern Louisiana. Of total gas transported in 1958, 43% came from Texas, 10% from Louisiana, 8% from fields elsewhere, and 37% from pipeline purchases. The balance was company-owned gas.

The expansion, which has been characteristic of Texas Eastern since it was formed, has made necessary an almost continuous program of financing. In 1958 Texas Eastern sold $85 million in securities. The indicated program for this year includes the raising of more than $55 million in new money, and, depending on market conditions and money rates, $30 million additional for the reduction of bank loans.

The magnitude of company operations is indicated by its long-term contracts to sell to 67 customers in 14 states. Ninety-three per cent of daily sales volume however, was delivered last year in Ohio, Pennsylvania, New Jersey and New York.

In the postwar era one of the most satisfactory investment vehicles has been the common stock of a well managed pipeline company. Labor costs take a very small percentage of gross; pipeline maintenance is far less costly a proposition than for example maintenance of a railway right-of-way; and demand for natural gas has been one continuous eager up-curve. The lion's share of new home heating is going to natural gas; and those who have used it are spoiled for any other fuel.

Texas Eastern has enjoyed these advantages to the full. It has carved out, in only 12 years, a major place for itself in American industry. At 34½ today (over the counter), Texas Eastern common represents an interesting value, provides a 4% yield (which a higher cash dividend could improve) and an equity with a record of remarkable growth and generous stock dividends in the past. Texas Eastern is a convertible pipeline delivering, on a big scale—gas, oil and profits.

Cowen & Co. Will Admit Partners

Cowen & Co., 54 Pine Street, New York City, members of the New York Stock Exchange, on April 1 will admit Arthur L. Arnold, Edward Elkan and Joseph Shirk to partnership.

Scudder, Stevens & Clark Admit to Firm

CINCINNATI, Ohio — Haydock, Peabody & Hawley has announced the disolution of their partnership.

Thomas C. Haydock, Frank Peabody and Frank M. Hawley have been admitted to general partnership in Scudder, Stevens & Clark, resident in Cincinnati.

Observations . . .

By A. WILFRED MAY

FITTING THE NEWS TO THE MARKET

The new raising of the discount rate by four Federal Reserve Banks supplies a typical "external" event which the stock market can interpret in two alternative ways — with the interpretation chosen being suited to the particular course of prices that has followed the event. Thus, a *bullish* construction can be, and has been, put on the latest money hike on the ground that it implies the authorities' confidence in the business situation, with a curb to boom activity being in order. In the same "bullish" vein, the rise in the rate can be looked on as proof that the 4,700,000 of still unemployed do not worry the authorities—in line with Reserve Board Governor Szymczak's shortly preceding statement indicating that it was the high level of unemployment that during the preceding week had been keeping the Board from following a more restrictive policy.

A. Wilfred May

Conversely, the rate rise can be looked on as a *bearish* market factor in implying a curb on market speculation, on business activity, on small home buying, as well as on inflation—the impact on the latter being accentuated by the avowed purpose of the help to the Treasury in financing the debt outside the banking system.

The political temperature of the war crisis over Berlin likewise bids fair to lend itself to "double interpretation." At times of war scare, when markets are rising, it is explained as an inflationary force; whereas in the event of market decline, the "obvious" threat to earnings and perhaps the entire capitalistic system is fastened on.

* * *

THAT INSTITUTIONAL FILLIP TO THE MARKET

In anticipating the long-term future of the stock market, great expectations are of course based on the growing participation by institutional investors. The past course of the equity holdings by various investor categories shows great divergence. Thus (consistent with previous Securities and Exchange Commission surveys) a new study by the Bankers Trust Company discloses that of various classes of nonbanking institutions, life insurance companies, mutual savings banks, and fire and casualty companies have since 1952 not increased their common stock holdings at all. The big rise has occurred on the part of the corporate pension funds, from $500 million to $1.2 billion in 1958, and with a further rise to $1.6 billion expected in 1959; with the other investor categories anticipated to remain unchanged from 1958. Two questions about the long-term future come to mind. Will the presently backward institutional categories sooner or later join in the obeisance to the common stock? And what would be the effect of a major market *break*: — would it permanently scare off the burned "Johnny-come-latelys" as the pension funds; or, on the other hand, would such disillusionment be offset by a lower market level's increased appeal to the value conscious?

Continued loyalty to the Blue Chips is shown in the operations of the Ford Foundation's portfolio. The five common stock blocks with the highest market value, as reported by THE EXCHANGE Magazine, are U. S. Steel, I. B. M., General Electric, A. T. & T., and International Nickel.

Disregard of industry uncertainties when encountered by Blue Chip companies is disclosed by the portfolio operations of the college endowment funds. Harvard, Yale, Princeton and Columbia have continued making substantial additions to their oil stock holdings, and at the end of last year this industry accounted for more of the largest blocks than did any other. Such persistent popularity of Blue Chip petroleums has likewise persisted in the portfolio policies of the mutual funds.

* * *

GUTERMA NOTE OF THE WEEK

The latest development in the *cause celebre* Guterma, Federal Court Judge Sugarman's refusal to order receivership for the F. L. Jacobs Company, irrespective of its legal merits is constructive investment-wise. It exhibits this court's primary concern for the rank and file of shareholders, along with the employees, irrespective of possible malfeasance of the accused individual. It is to be hoped that this decision will set a precedent in avoiding needless receiverships.

Whatever else may be thought of Alexander L. Guterma, he surely is the most articulate of the prominent financiers who have come into publicized trouble. His "performance" last week in a half-hour dissertation to the press at a conference in the office of his lawyer, Richard H. Wels, was a forensic masterpiece —violent invective dramatically coupled with outraged martydom, interspersed with a wealth of factual detail—all given extemporaneously without the benefit of a single note. Will this appearance of ability and shrewdness perhaps kick back in working psychologically to his disadvantage when appearing before a jury?

The State of Trade and Industry

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

Steel dominates the current industrial scene as most sectors of business activity continue to push toward new highs, says the Federal Reserve Bank of Chicago.

In its monthly review, "Business Conditions," the Bank terms increasing steel output the most dramatic industrial development of recent weeks. Production in November and December was up 50% from April lows and had gained another 20% by February.

In mid-February, the Bank adds, output was only slightly under the previous high in early 1956. However, steel mills still were running an estimated 14% below capacity, reflecting the expansion of facilities in recent years. In the Midwest, some firms are operating practically at capacity and most types of steel are again on "informal allocation."

Two factors contributing to the rapid rise in steel demand are the need to supply current requirements of steel processing firms and the push to build up inventories against the possibility of a strike mid-year.

Reduction in steel inventories, begun in March, 1957, have just come to a halt, says the Bank, and rapidly filling order books indicate a probable rise in inventories through the second quarter.

Elsewhere on the economic scene, personal income, retail trade and construction had reached new highs in the early months of 1959, while industrial production, corporate profits, business investment and employment all were rising.

Employment in the Midwest is gradually tightening despite continuing problems in some areas, says the Bank, though the rate of rise is slower than in sales and industrial production. Since July, 1958, 10 of the District's 20 major labor markets have shown substantial improvement.

Total business inventories rose late in 1958 for the first time since August, 1957, thanks to a sizable boost in stocks of auto dealers. Other inventories actually declined slightly in November and December as sales exceeded output. A continued accumulation of inventories would be an important factor in output and employment in the coming months.

Retail trade in January equalled the record 17.6 billion level established in December and recent department store reports indicate more of the same in February. Automobile sales, which kept total retail volume in 1958 from surpassing 1957 levels, although much improved, still were a question mark early in 1959.

The dollar volume of sales of automotive stores in January appears to have topped January, 1957, the previous high, but this includes sales of used and foreign cars. In January dealers averaged 16,500 deliveries a day to customers, 13% better than a year earlier but far below the three previous years.

Nationwide Bank Clearings Up 3.5% Again March 7th Week

Bank clearings this week will show an increase compared with a year ago. Preliminary figures compiled by the "Chronicle" based upon telegraphic advices from the chief cities of the country, indicate that for the week ended Saturday, March 7, 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 $24,770,604,106 against $23,941,667,671 for the same week in 1958. Our comparative summary for the week ended March 7 at the principal money centers follows:

	1959	1958	%
New York	$13,454,534,201	$13,054,055,957	+ 3.1
Chicago	1,296,056,122	1,115,518,656	+16.2
Philadelphia	*1,075,000,000	1,023,000,000	+ 5.1
Boston	749,060,622	693,727,274	+ 8.0

*Estimated.

Unemployment Insurance Claims Down 14%

Initial claims for unemployment insurance fell 14% during the week ended Feb. 14, according to Dun & Bradstreet, Inc. The decline was due to the closing of local offices in many states for Lincoln's Birthday as well as to fewer layoffs in the trans-

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The Steel Industry and A "Billion Dollar Bundle"

By ROGER M. BLOUGH*

Chairman, Board of Directors, United States Steel Corporation

Quite aware of the June 30 cut-off date, Mr. Blough refutes the belief that "haggling" over pennies in steel labor negotiations is of little importance by pointing out that a one cent per hour increase adds $15 million to industry's direct employment cost and a similar sum to indirect employment cost, adding a total of $30 million to the inflationary spiral. He lays stress on the inflationary effect of unearned wage cost rise; claims steel's employment costs rose 7.6% in each of the past 17 years whereas output per manhour gained 2.6% per year; compares declining after-tax profits with increasing wages; reveals pressures on steel when it accepted strikes "to help check . . . wage-cost inflation"; and cites his firm's declining share of total output to underscore extent of increased industry competition. The steel head asks labor to ponder the consequences of extending "billion-dollar bundle" demanded to the entire labor force—raising national wages $52 billion. Warns that only public opinion can stop wage inflation at its source.

Over the years, we of United States Steel have suffered a veritable hailstorm of "sugar pills" that have been aimed in our direction by a number of self-appointed critics. It is true, of course, that none of these critics, so far as I can recall, ever accused us of being powerless. Conversely, they have sought, with great unanimity, to prove that we possessed some vast, mysterious and unhappy power to crush our competitors and thus to work great evil upon society. So I have had frequent occasions to ponder, at length, this question of power — or the lack of it; and it has always puzzled me.

Roger M. Blough

It just happens that in 1901 — the first year of its existence — United States Steel produced about two-thirds of all the steel that was made in America—in other words, twice as much as all of its competitors put together. But last year, our company produced only 28% of America's steel; and our competitors turned out more than 2½ times as much as we did.

So you will understand my natural desire to get my hands on this enormous power that we are supposed to have; because if I ever find it, I know exactly what I want to do with it. I want to give it, with my blessing, to Bethlehem, Republic, National, Armco, Jones and Laughlin and one or two hundred other competitors of ours who have been "crushed" to such heights of success since U. S. Steel was born!

Living in ignorance, as a solution to all of the problems that confront us daily in the headlines, sometimes sounds mighty appealing; and despite the rising circulation of newspapers, I suppose that a great many of us would welcome escape from the tidings they so often bring. With pressures and tensions building up on every side of us, we wish perhaps that we might forget the news and seek some quiet wilderness where we could commune, in peace, with nature. But even that word "commune" has lost its restful magic. Today it is usually used as a noun that depicts only terror, oppression and the degradation of human life—as millions of people in China can attest.

No; today there is no escape—no beckoning Walden.

The news is too demanding. It is filled with questions pressing for answers. And only an informed people can hope to come up with the right answers in a Republic such as ours.

So I, for one, am devoutly thankful for the power and the freedom of the press in America —a press which has the energy, initiative, enterprise and integrity to search every corner of the world for meaningful news, whether it be good or bad, to report that news honestly and fully, to comment upon it intelligently, and thus to maintain in this country of ours an informed and enlightened citizenry.

That, as I see it, is the great, unchallenged power of the free American press. And since the power to provoke thought is vastly more important than the power to control thought, it stands today, I think, as our first, best hope of survival.

The production problems which beset us are not merely local. They are not unique to Minnesota, nor to the mining industry. Actually, they resolve themselves into one, basic economic problem that confronts every industry in every state of the nation, and in nations across the world.

And that problem is to keep our production costs competitive with those of other producers both here and abroad.

You know this era that we live in has been called the Atomic Age, the Space Age, and by many similarly imaginative titles; but economic historians of the future may call it—more correctly perhaps — the Age of Competition; for never before in history, probably, has the ability of man to survive depended so directly upon his ability to compete on a national and international scale.

Today the industrial leadership which America has enjoyed throughout the present century is being challenged by nations all over the world and on both sides of the Iron Curtain. The so-called cold war is centering more and more upon the battlefield of industrial production. But to call it merely a war of production is to miss the point. It is primarily a war of productivity—a struggle on the part of every company, every industry and every nation to become the low-cost producer of the things which it offers for sale in world markets.

There is no doubt, for example, that if Minnesota's iron mines were the most economical source of supply for all of the steel mills in America, employment on the Iron Range would increase substantially. And if Minnesota ores could undersell their competitors in foreign markets generally, the Iron Range would be booming. The same thing is true of steel and almost any other product you can name.

So over the years, American industrial management has striven in every conceivable way to increase its productive efficiency and cut down its operating costs. In its laboratories and its factories, it has devised and developed machines which have multiplied the output of its workers enormously. It has discovered and installed the techniques of mass production. It has streamlined its organization and has hammered away at methods improvement and cost reduction programs until it would seem that there is almost nothing left in this field to hammer—although there is still a plenty.

Inevitable Harvest of Inflation

Yes, it has done everything in the book, and has even rewritten the book. Yet all the economies that it has effected so steadily in the costs that it could control have not balanced out the rising costs that lie beyond its control. And so today we see our production costs mounting on every side; we see prices rising as a result; and we see many of the products of our foreign competitors underselling ours—not only in markets abroad, but often here at home.

In short we see the inevitable harvest of inflation!

Now there is a school of thought, of course, which holds that inflation is a kind of Heaven-sent answer to our problems. The adherents of this school believe—sincerely, I am sure—that if government will just quit worrying about the deficits which are one of the major sources of inflation, and will spend its borrowed

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*An address by Mr. Blough before the annual meeting of the Minnesota Editorial Association, Minneapolis, Minn.

What Government Securities in Savings Association Portfolio?

By ROBERT VAN CLEAVE*

Vice-President, Research, C. F. Childs and Company
New York City

The remainder of 1959, according to Mr. Van Cleave, can be expected to contain: (1) a rising demand for money prompted by over-all rise in GNP; (2) increased reliance upon commercial banks by Treasury and private borrowers leading to substantial bank credit expansion marked by increases in both securities and loans; and (3) rising yield trend in all maturities with sharper escalation in money rates. The investment expert cannot see how the Treasury can avoid unpleasant concentrations of short-term paper, inducing steeply rising short-term yields, and advises savings associations that the prudent course is to invest in Treasury bills. He doubts long-term bonds in portfolios containing smaller proportion of securities to total earning assets would add enough to income to compensate for their reduced liquidity. At most he would suggest departing from bills for 2 to 3 year maturities.

To lay the groundwork for a decision about what securities a savings association should buy, it is indispensable to consider the general business and investment climate likely to prevail in the remainder of this year, 1959. An orderly procedure suggests, first, a look at the overall economic picture. This I shall skim lightly, attempting hardly more than a statement of assumptions. Second, the problems and difficulties of the Federal Treasury need attention, and third, the probable attitude of the Federal Reserve System in the light of the first two points. These will set the background for the expectable movements of interest rates, which will be the fourth item, and finally, the question of what will be an appropriate securities investment program for savings associations.

Robert Van Cleave

*An address by Mr. Van Cleave before stockholders of Federal Home Loan Bank of Cincinnati, Cincinnati, Ohio, March 10, 1959.

The Business Outlook

Different people can look at the same statistics and arrive at different conclusions. We all know there is a great deal of skepticism about the ability of the current economic upswing to carry on; there is a pronounced tendency to depreciate a rise of "only" one point in the production index, and to be disappointed because early sales of new automobiles do not suggest a new record sales year exceeding that of 1955; to argue gloomily that because there is not yet a strong upsurge in business inventories and in capital spending plans there is no "zip" to the recovery, which consequently is likely to fall flat and tip us into a new recession almost immediately. Such questioning is fairly typical in the early stages of recovery. It reflects, also, the typical American businessman's attitude, which insists that if new records are not being established daily or weekly, conditions are unsatisfactory. Sam Goldwyn some years ago is said to have been asked about the movie industry's situation. "It's terrible," he moaned, "it's not even colossal!"

I choose to think, however, that a slower and steadier pace is more to be desired, and more likely of accomplishment. Momentum already developed, it seems to me, can be relied upon to carry at least to the end of 1959, so that this expansion movement will at worst equal the average of 12 such periods since 1900, which is more than 19 months.

I think, in particular, that the ordinary seasonal adjustment factors this winter have understated the strength of the recovery. This is especially true in auto sales and in housing starts. Few people will plow through seven-foot snowdrifts to a dealer's salesroom, buy a new car, and get it stalled immediately outside the door. Likewise, it is difficult to build houses under such conditions of snow, cold, and flood as we have experienced in so much of the country during recent months.

Factory employment has held up well, the work week has lengthened, and personal income is one of the indexes actually setting new records. The consumer has reduced past debts and has accumulated large savings; he is in position to buy, and there is no evidence of a buyers' strike.

State and local government expenditures will increase, and those of the Federal Government will at least hold steady. A further, even if slower, rise in the latter is I think more probable. Inventory accumulation has replaced decumulation, even if it is not yet a runaway movement, and business spending for plant and equipment also has turned the corner.

Altogether, my view in terms of GNP is for a continued rise in this and in the second quarter, a leveling or even perhaps a slight dip in the third, and a stronger upturn in the fourth.

All this implies a rising demand for money, from all classes of borrowers.

Treasury Problems

Whatever may be the prospects for a balanced budget in fiscal 1960, they have nothing to do with the probelms immediately facing Treasury management in the present calendar year.

In large part these problems result from decisions made in the past, and one of the so far unanswered questions is whether decisions made this year will compound or reduce the problems of next year and the year after.

More new Treasury issues for cash lie immediately ahead—perhaps $5 billion between now and June 30. Will these be dealt with in the pattern set by the recent issue of tax anticipation bill to mature next September? Already suggestions have been heard that a tax anticipation issue to mature in December would be appropriate, with perhaps some other short-term paper thrown in for other months.

It hardly need be pointed out that this would be only compounding the existing problem of last-half refunding, which already has mounted to nearly $24 billion. The cash deficit for that period, July-December, probably cannot be less than $6 billion, even on the assumptions on which the budget is based, and it can be estimated at as much as $9 billion, or even more. On top of borrowing to cover that gap, several additional billions will be needed to take care of attrition and for the redemption of savings bonds.

Some persons rely upon the non-financial corporations to continue absorption of new Treasury securities at the rate established during the last half of 1958. This, it seems to me, is a rather frail hope. From the end of June to the end of November corporation holdings rose from $13.3 billion to $16.9 billion. I doubt that any such rate will be seen in the corresponding period this year, even though some net accumulation may occur. Between now and June, however, the business corporations are more likely to divest themselves of some of their present holdings as their need for funds rises. Then the temporary borrowings so successfully placed outside the commercial banks last year will have to be done all over again.

Thus I think we must expect a heavy reliance upon commercial banks this year, by the Treasury, by local governments, and by private borrowers. This inescapably means an expansion this year in total bank credit of substantial proportions.

In 1955, a previous year of business recovery, the expansion of bank credit accompanying the cyclical upswing was offset to an important degree by the sale by banks of Government securities to non-banks as their loan portfolios rose. In round numbers, their securities holdings went down a little more than $7 billion while loans were rising about $12 billion, thus limiting the total expansion to about $5 billion. On a chart this can be clearly seen as the lines representing securities and loans diverged steadily, with the first going down while the second went up. This year it is to be feared both will rise together, and thus the inflationary potential of a further expansion of money supply will be present.

Federal Reserve Policy

An "easy money" policy may have been appropriate during the early part of 1958, but it scarcely can be so regarded in the probable circumstances of 1959. A considerable increase in bank reserves and in deposits was facilitated by System action last year, though the rate of growth tapered off after mid-summer. Nevertheless, for the twelve months of 1958 as a whole, demand deposits adjusted rose 3.8%, while time deposits rose 10.3%. This latter item hardly can be ragarded as stable.

The distribution of newly created deposits as between demand and time practically reversed the average experience of the last ten years. Roughly speaking, new bank credit in those years appeared about 60% in the form of demand deposits and 40% in the form of time deposits. A similar growth in the total this year, distributed in accordance with that average, would mean a very much greater increase in demand deposits, which many regard as the only item of money supply deserving consideration. In addition, a switch of present time deposits to demand deposits is a possibility which cannot be ignored.

There is another matter which ought at least to be mentioned in this connection. This is the possibility of a renewed outflow of gold following that of 1958. While the losses from this nation's gold stock so far undoubtedly are endurable, there must be a limit somewhere beyond which a continued outflow would not be endurable, and would have to be stopped. This possibility of further losses is present so long as this country has an adverse balance of payments, enabling foreigners to add to their holdings of dollars. Interest rates are higher in all other countries than here, and if developments in the U. S. encourage fears of further price-inflation, foreigners may decide to take their capital elsewhere.

Last year, in order to avoid the naturally restrictive effects of gold outflow and to hold interest rates down, the Reserve System "offset" gold losses by cutting reserve requirements and by buying securities in the open market. This year such a course may seem much less justifiable. There is the risk that it would only confirm the foreign expectation of inflation here, and thus accelerate the outflow.

Considering both domestic and external factors, therefore, it seems to me likely the Federal Reserve System hardly will be able to view with equanimity an expansion of bank credit of the size that now seems in prospect. Some expansion of course will be unavoidable — Treasury needs must be met, as must also the seasonal requirements of business. The business growth requirement, however, already may have been provided for in last year's expansion of money supply. Indeed, one gets the impression that some Reserve officials consider that expansion fully adequate to take care of this year's capital demands.

Hence it seems to me reasonable to think that while the System will provide adequately for basic and unavoidable needs, additions to bank reserves this year will be made with some reluctance, probably after the need appears rather than in advance of it, and surely not in quantities calculated to depress money rates.

Money Rates and Bond Yields

Thus I expect that both money rates and bond yields will be under upward pressure in the remainder of this year, probably with the former rising more steeply than the latter.

The Treasury's calendar of operations alone will be a big factor in this. Again this year, as in 1958, there will be scarcely an interval in which the market will not be struggling with final placement of an issue just brought out, or making preparations for another just ahead.

Presently expected is a resumption of increases in weekly bill issues before the end of this month. Shortly after that some cash will be needed to replace $3.6 billion of tax securities received for taxes in March, and before mid-May a refunding of $4.5 billion special bills and certificates must be arranged for.

These operations perhaps may get the Treasury through June, but immediately in July another cash offering will be needed, followed at once by refunding of $13.5 billion certificates on Aug. 1. The $1.5 billion bills just sold will mature in September, necessitating another cash offering, and there will be at least one more refunding amounting to about $8.9 billion in November.

Some people seem to hope that the Treasury can avoid unpleasant consequences of such a program simply by offering nothing but new issues of a few months' maturity. I do not think this is likely. The very weight of such huge concentrations of short-term paper is practically certain to be a major cause of steeply rising short-term yields, and I think this cannot fail to be transmitted progressively to yields on longer maturities.

Thus my outlook for a rising trend of yields in all maturities, but probably more pronounced in the shorter end of the maturity scale.

The trend, of course, will not be uninterrupted. There will be intervals when pessimism on business will regenerate optimism for bond prices. A steel strike, if it comes in the third quarter, or a slowdown in production even if it does not, is more than likely to encourage such trends in thinking.

Again, there may be periods in which news reports will suggest that Federal spending actually will be cut sharply, so that the balanced budget in 1960 will seem more probable, besides arousing fears of another business setback. Perhaps there will be moves in Congress suggesting the possibility that the Federal Reserve may be forced to a renewed pegging of Government bonds.

There are likely to be periods of technical adjustment in the market; brief rallies following development of an "over-sold" condition.

But these psychological and technical factors, as it seems to me now, can do no more than produce zig-zags in the trend. These wrinkles may be of considerable size, of course, since the further an upward zig goes, the more people are encouraged to think the worst has been seen and that a real change in trend is developing. But unless there actually is a change in the fundamentals, these hopeful expectations must be disappointed, and the following downward zag made sharper.

What Securities for the Savings Association?

I have a standard prescription for savings associations' choice of securities, and in view of the background I have just presented it seems to me especially appropriate on this occasion. It is that, for most associations and in most circumstances, a program of investing in Treasury bills is the prudent one.

Liquidity is your primary motive in holding securities at all. But liquidity must be real; it must be such that you can realize cash instantly and without substantial loss when the need arises.

If experience of the past decade has taught anything, it must have shown that long-term bonds cannot be relied upon for this sort of liquidity, that is, to provide cash wherewith to meet withdrawals or to make additional mortgage loans. And the latter, after all, is your major business.

When long-term bond prices can fluctuate in price by as much as four times the amount of the annual coupon return within the space of a single year, it seems self-evident that they do not serve the purpose. Moreover, the time when you want cash with which to meet a demand for mortgage money is more likely to be the exact time when bond prices are low.

It should be evident, too, that the smaller the proportion of securities in your total earning assets, the greater the need that they be reliably liquid. Perhaps if 25% of your assets were in securities you might take chances with some part of them for the sake of greater yield, but not when the ratio is 10% or less.

Furthermore, the smaller the ratio of securities to total assets, the more futile it becomes to try to increase total income by seeking higher bond yields. The total return, or the average rate of yield, can be increased only by the ratio of securities to total earning assets.

So, I suggest bills as a rule will meet your needs better than bonds. And there may be times when they will yield just as much. The present year may be one of those times. If there actually are surplus funds not needed in your regular mortgage business, and if liquidity requirements are fully provided for, maturities spaced out to two or three years may be justifiable, and probably will provide as much yield as the longest-term bond.

With B. C. Christopher

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Alfred W. Adt has joined the staff of B. C. Christopher & Co., Board of Trade Building, members of the New York Stock Exchange. Mr. Adt was formerly with Alkow & Co. in New York and prior thereto with Goodbody & Co. in Coral Gables, Fla.

John F. Shields

John F. Shields, manager of the Brunswick, Ga., office of Shields & Company, members of the New York Stock Exchange, passed away March 5 after a prolonged illness. His age was 61.

Mr. Shields had been associated with Shields & Company during most of his business career. At one time he was with the firm's former Chicago office and for the past six years headed the Brunswick office.

Two With Hemphill, Noyes

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Richard A. Haft and Alan L. Opley are now with Hemphill, Noyes & Co., 628 West Sixth 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. 46—Current comments on recent atomic and nuclear developments including government plutonium requirements — Atomic Development Securities Co., Inc., 1033 Thirtieth Street, N. W., Washington 7, D. C.

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

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

Canadian Financial Picture—Review—E. M. Saunders Limited, Victory Building, Toronto 1, Ont., Canada.

Convertible Bond Opportunities — 190 issues — charted in a 2-color conversion ration chart pinpointing buying opportunities—on request—"Convertibles" Dept. CF-3, R. H. M. Associates, 220 Fifth Avenue, New York 1, N. Y.

Copper Industry—Review—Hirsch & Co., 25 Broad Street, New York 4, N. Y. Also in the same circular is a review of the **Steel Industry** and lists of securities in various categories which appear interesting.

Finding and Production Costs in Oil Industry—Study—Boni, Watkins, Jason & Co., Inc., 37 Wall Street, New York 5, N. Y.

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.**

New England Business Conditions — Review — First National Bank of Boston, Boston, Mass.

Magazine Publishing Industry—Discussion of outlook in current issue of "The Exchange"—The Exchange Magazine, 11 Wall Street, New York 5, N. Y.—20 cents per copy, $1.50 per year. Also in the same issue is a discussion of the oil stocks favored by college endowments; common stock financing through rights; odd lot investors, etc.

New York City Bank Stocks—Earnings comparison of 21 leading New York City Bank stocks—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

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

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

Puerto Rico — Quarterly report — Government Development Bank for Puerto Rico, San Juan, P. R.

Textile Industry—Analysis—W. E. Hutton & Co., 14 Wall St., New York 5, N. Y.

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

Airpax Electronics Incorporated — Analysis — Schuster & Co., Inc., 38 Wall Street, New York 5, N. Y.

Anaconda Company — Survey — Amott, Baker & Co., Incorporated, 150 Broadway, New York 36, N. Y. Also in the same issue of "ABC Investment Letter" are reviews of **Montgomery Ward & Co. Inc., Schering Corporation, Coastal States Gas Producing Company** and **Valley Mould & Iron Corp.**

Argo Oil Corp.—Memorandum—Carl H. Pforzheimer & Co., 25 Broad Street, New York 4, N. Y.

Automation Instrument — Memorandum — Simmons & Co., 56 Beaver Street, New York 4, N. Y. Also available is a memorandum on **Petrosur Oil.**

Belock Instrument Corporation—Analysis—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

Beneficial Finance Co.—Annual report for 1958—Beneficial Finance Co., Beneficial Building, Wilmington, Del.

Blaw-Knox Company — Analysis — Schweickart & Co., 29 Broadway, New York 6, N. Y.

Boston Edison Company — Analysis — Reynolds & Co., 120 Broadway, New York 5, N. Y. Also available are analyses of **Leeds & Northrup Company** and **Monterey Oil Company.**

Budd Company—Analysis—Halle & Stieglitz, 52 Wall Street, New York 5, N. Y.

California Western States Life Insurance Company—Analysis—Walter C. Gorey Co., Russ Building, San Francisco 4, Calif. Also available is an analysis of **West Coast Life Insurance Company.**

Canadian Chemical and Cellulose Company Ltd.—Analysis—W. C. Pitfield & Co., Inc., 30 Broad Street, New York 4, N. Y.

Central Hudson Gas & Electric Corporation—Annual report—Central Hudson Gas & Electric Corp., Poughkeepsie, N. Y.

Central Soya Company—Analysis—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y.

Coastal States Gas Producing Company—Card memorandum—Parker, Ford & Company, Inc., 211 North Ervay, Dallas, Tex.

Commonwealth Edison—Data—du Pont, Homsey & Company, 31 Milk Street, Boston 9, Mass. Also in the same circular are reviews of **Jones & Laughlin Steel, Rockwell Standard** and **United States Rubber.**

Consolidated Foods Corporation—Analysis—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y. Also in the same bulletin is an analysis of **Glidden Company.**

Delhi Taylor Oil Corp. — Memorandum — Dempsey-Tegeler & Co., Houston Club Building, Houston 2, Texas.

Draper Corporation—Analysis—Blair & Co. Incorporated, 20 Broad Street, New York 5, N. Y. Also available is an analysis of **Waukesha Motor Company.**

Eastern Industries, Inc.—Memorandum—Cady, Roberts & Co., 488 Madison Avenue, New York 22, N. Y.

Electrolux Corp.—Memorandum—A. C. Allyn & Co., Inc., 120 South La Salle Street, Chicago 3, Ill. Also available are memoranda on **Mississippi Glass Co., North American Coal** and **Standard Pressed Steel.**

First America Corporation—Report—Dean Witter & Co., 45 Montgomery Street, San Francisco 6, Calif.

General American Transportation Corporation — Analysis — Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

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

General Electric—1958 annual report—General Electric, Dept. AR-119-2, Schenectady, N. Y.

Johnson Service Company—Report—Milwaukee Company, 207 East Michigan Street, Milwaukee 2, Wis. Also available is a report on **Wisconsin Electric Power Company** and a memorandum on **Angelica Uniform Co.**

W. A. Krueger Company—Analysis—Clark, Landstreet & Kirkpatrick, Incorporated, Life & Casualty Tower, Nashville 3, Tenn.

Martin Company—Analysis—Chace, Whiteside & Winslow, Inc., 67 Wall Street, New York 5, N. Y.

National Food Products Corporation—Analysis—Strauss, Ginberg & Co., Inc., 115 Broadway, New York 6, N. Y.

National Old Line Insurance Co.—Report—A. G. Edwards & Sons, 409 North Eighth Street, St. Louis 1, Mo.

Olin Mathieson Chemical Corporation — Report — Thomson & McKinnon, 11 Wall Street, New York 5, N. Y. Also available is a list of progressive companies which appear interesting, and reports on **United Merchants and Manufacturers, Inc.** and **Royal Dutch Petroleum Company.**

Pacific Finance Corporation—Annual report—Pacific Finance Corporation, 621 South Hope Street, Los Angeles 17, Calif. or 15 Broad Street, New York 5, N. Y.

Philips Lamps—Analysis—Granbery, Marache & Co., 67 Wall Street, New York 5, N. Y.

Ralston Purina Co.—Data—Alfred L. Vanden Broeck & Co., 55 Liberty Street, New York 5, N. Y. Also in the same circular are data on **Southam Company, Ltd., International Nickel Company of Canada, Ltd.** and **National Aluminate Co.**

Standard Pressed Steel Company—Analysis—J. R. Williston & Beane, 115 Broadway, New York 6, N. Y.

Steel Improvement & Forge Co.—Memorandum—Fulton Reid & Co., Union Commerce Building, Cleveland 14, Ohio.

Steep Rock Iron Mines Ltd.—Analysis—Osler, Hammond & Nanton Limited, Nanton Building, Winnipeg, Canada.

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

Storer Broadcasting—Bulletin—Bache & Co., 36 Wall Street, New York 5, N. Y.

Stouffer Corporation—Analysis—Boenning & Co., 1529 Walnut Street, Philadelphia 2, Pa.

Syntex Corporation—Analysis—Hill Richards & Co., 621 South Spring Street, Los Angeles 14, Calif.

Taylor Instrument Companies—Analysis—H. Hentz & Co., 72 Wall Street, New York 5, N. Y. Also available is the current "Monthly Review": with data on **Allis-Chalmers, Beaunit Mills, Brown Co., Carrier Corp., J. I. Case, Crown Cork & Seal, Koppers Co., Southern Pacific** and **Sutherland Paper.**

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 1, 1959 (New York City)
Security Traders Association of New York 23rd annual dinner at the Waldorf-Astoria.

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).

June 25-27, 1959 (Hyannis, Mass.)
Consumers Bankers Association Atlantic States Sectional meeting, Wianno Club.

Aug. 9-21, 1959 (Charlottesville, Va.)
School of Consumer Banking, University of Virginia.

Sept. 23-25, 1959 (Milwaukee, Wis.)
National Association of Bank Women 37th annual convention.

Oct. 14-17, 1959 (Philadelphia, Pa.)
Consumers Bankers Association 39th annual convention at the Warwick Hotel.

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.

Cannell Exec. V.-P. Of Chemical Fund

Peter B. Cannell has been elected Executive Vice-President of Chemical Fund, Inc., it was announced following the regular monthly board of directors meeting. All other officers of the fund were reelected for the current year.

Peter B. Cannell

Mr. Cannell is a general partner of the investment banking firm of F. Eberstadt & Co. He had previously been elected a Vice-President of Chemical Fund, Inc. in March 1958. Before joining Chemical Fund he was associated with Merrill Lynch, Pierce, Fenner & Smith in their investment research department.

Invesco Branch

PHOENIX, Ariz.—Invesco, Inc. has opened a branch office in the Securities Building, under the management of Phil C. Franzini.

1959—A Year of Restraint

By JOHN L. ROWE*
Blair & Co., Inc., Tulsa, Oklahoma

Oklahoma security trader's capsulated comparison of expectations for the last year of the "Fabulous Fifties" with earlier episodic years leads him to the conclusion 1959 promises to be a "Year of Restraint" unlike predictions made of "A Year of Opportunity" for 1958. Mr. Rowe wonders whether the present spread between bonds and stocks will again, as in 1957, signal a downward plunging D-J index; questions stocks of particular current interest in one way or another; believes current speculative interest in gold shares is premature and unwarranted; and surmises favorable shares will prove elusive—requiring considerable thoughtful selection.

John L. Rowe

The Fabulous Fifties draw to a close. What an amazing decade! Paper millionaires are almost as commonplace as postmen or newsboys. Money may not be everything yet it gains fast on whatever is now in first place. New World and Old are seconds apart. Man's conquest of space has arrived. Our fabulous technological and scientific advances bring nearer the nationwide 30-hour week, 10-month work year. The intense struggle between private and state capitalism—West vs. East—enters the critical trade-aid arena. The Soviet World mobilizes its vast human and material resources in an effort to prove our cherished free enterprise system overpriced and decadent. Events in Marxist China imply that Napoleon was a keen student of history when he declared, "Let China sleep. When she awakens, the world will be sorry." China moves rapidly to embrace the Marxist slogan, "From each according to his ability; to each according to his needs." With 600 million Chinese divided into 26,000 communes, Dictator Mao aims to substitute family ties—traditionally the cornerstone of Chinese society—for subservience to a benevolent state. With 20,000 Chinese comprising a commune, each of the 26,000 communes vie to outdistance the others in fields of production, agriculture and invention.

In the turbulent Middle East, Egypt's ambitious Nasser, like Yugoslavia's Tito, adroitly plays East against West. To accommodate growing traffic, U. S. army's dredge Essoyan, world's largest, tackles the assignment of widening the nationalized Suez Canal. Nasser accepts Soviet credits for the construction of five airfields. Another $100 million Russian grant will launch at the headwaters of the Nile the Aswan Dam. America answers with $24.9 million of surplus wheat for Egypt. Another $120 million of American aid goes to Yugoslavia. Our foreign policy is directed toward keeping state capitalism checked. Avoiding purposeless warfare is still a critical problem of our time.

Equally critical is the equitable distribution of the enforced leisure our amazing technological triumphs create. To distribute employment, do we shorten the work day? To balance production and consumption, do we lower the enforced retirement age and concurrently step up social security and old age benefits? Do we raise our bid price for gold or save this economic heritage for the inevitable financial and credit morass that follows currency and debt debauchery?

Is Senator Byrd's appraisal valid when he says, ". . . I feel certain the great majority of our people want the integrity of our money protected; want their form of government preserved and want their free enterprise system to survive in order that we may pursue this nation's great mission in the world. . . ." Or does the evidence imply that American voters demand the dynamic and sometimes disturbing economic innovations which characterize 20th Century Democratic political philosophy?

Changed Economic Philosophy

Our last great economic breakdown followed the Republican adventure of the Roaring Twenties. In capsule form, let us contrast those Roaring Twenties, and these Fabulous Fifties. Upwards of $6 billion annually is now the minimum subsidy exacted by our farm population. To balance farm and consumer prices, parity is the accepted practice. Except via the stock market, farmers were excluded from sharing in the industrial boom which characterized the Roaring Twenties. Thirty years ago, the ubiquitous bond salesman was agent for foreign loans. Both the international banker and agent have been displaced by the tax-supported International Bank for Reconstruction and Development, Export-Import Bank and the impending Inter-American Development Bank. From 1816 to 1930, a rigid gold standard facilitated commerce and balanced accounts. Superseding the gold standard is the International Monetary Fund, the Trade Agreement Act (reciprocal trade) and now the historic European Monetary Agreement. Today, labor and farmers are militantly organized. Both segments of society were wholly impotent in the Twenties. Whereas laissez faire characterized the Roaring Twenties, welfare and retirement plans and enforced profit-sharing are now a continuing Federal and State process. Purpose—the equitable distribution of our amazing mechanical and scientific achievements.

In the Twenties, seething multitudes found city life alluring. Today, our exploding population embraces suburban living. Home ownership is encouraged and facilitated by Federal intervention in the field of housing and development. Mounting private debt was the dilemma 30 years ago. Today, Federal debt is the dilemma! We mortgage the wealth of future generations by pumping Federal debt money (U. S. Treasury Certificates and bonds) into our economic bloodstream via the banks at an accelerated pace. For the seven years 1933-39, the price tag on New Deal pump-priming was half the sum of Federal expenditures for this single Federal fiscal year ending June 30. Even the costly Korean War never came close to our current spending record.

Is this modern Republican machine of the Fabulous Fifties taking us again toward the inevitable precipice? Need 1959 like 1929 be epic? Again this year the statutory debt ceiling has the spenders in tight quarters. Could the Republican platform of 1952 become commanding in 1959? Need the combination of rapidly circulating money and whirring bond printing presses be continued in an off-election year? As in 1929, should our discerning and visionary citizenry again distrust credit and fiscal adventures? With these thoughts as a backdrop, let us examine 1959—the business outlook, bond market, stock market, Dow-Jones, inflation and similar intriguing topics of moment.

Examines 1959

Business—Another solid year! It can't miss! Intense and savage competition. Profit margins generally downward. Unemployment still rising. Assuming a $41 billion defense budget, national income should hold above the $420 billion mark. Without accelerated depreciation or special tax inducements, capital expenditures for plant and equipment should remain at least 20% below 1955-57 record levels. With an impending steel strike, inventory accumulation assumes artificial status. Only a modest pick-up — no record! High interest rates will retard new housing starts—subnormal by 1955-57 standards. New domestic car sales under the heralded six million plus goal. Savage trade competition could selectively impede the far-reaching benefits of the 1958 Technical Amendment Act which sanctions corporations with 10 or less stockholders being taxed as partnerships. An exceptional business year—no boom!

Bond Market — Convertible bonds and tax-exempts again share the spotlight. Critical problem is public acceptance of faith in long-term governments. We are reminded daily that bond interest is fixed. It cannot rise as can dividends. On the recent record, who can have confidence in fixed dollar contracts due in some very distant year? Only tax-exempts have now endearing attributes. With minimum risk, where else does one purchase 3% to 5½% of annual income where in 10 years the interest accumulation alone can match the initial outlay by one-third, more or less — this without computing the compound feature? Yield on top-grade corporate credits (example — U. S. Steel 4% coupon $965 per $1,000 bond, or American Telephone 4⅜% at $1,005) soar above 4% whereas quality stocks, investment shares and mutual funds now range from 3½% downward. An almost identical spread favoring bonds over stocks characterized the summer of 1957—just before Dow dropped out of orbit with a resounding thud? High on bonds—tax-exempts especially!

Dow-Jones—Water creeps into this soaring barometer! Assuming no change in composition, industrials could record a 605-505 price range. The high side calculation assumes a 4% basis for American Telephone (bread and butter favorite) or 246 for the old stock—82 after the 3-for-1 split. It assumes directors of Eastman Kodak, American Tobacco, Goodyear, U. S. Steel and General Foods will sanction rumored splits. The low side calculation reckons ailing Chrysler will remain in Dow even should a token stock dividend displace cash. It assumes our advancing space age will adversely affect sales and profits of United Aircraft. It assumes those shares denoting claims on major industrial divisions like drugs, natural gas, banking, insurance or the growing field of recreation will not gain admission to exclusive Dow circles. Without representation by airlines, trucking and pipelines, the Dow rail average is sorely dated. Stability characterizes the Dow utility average — a very narrow range in 1959.

Inflation — The current deficit spending jag could end this June 30. From a 1954 level of $19.1 billion, annual Federal spending soars now to $33.4 billion. From these figures, the $40 billion plus for defense and those billions for foreign aid and nuclear energy are excluded. No less an authority than Virginia's Senator Byrd, chairman of the Joint Committee on Reduction of Non-essential Federal Expenditures, promises vigorous support for President Eisenhower's balanced budget goal. Congress always appropriates, the White House administers and spends. Will the Republican leadership borrow a page from the late President Roosevelt's bag of tricks and this year turn down the Federal spending spigot? In 1937, Franklin Roosevelt admonished the country on inflation. He tempered the boom by restraining the laboring government bond presses. Should a Federal lottery effectively restricted to long-term governments (banks and thrift institutions ineligible) curb our debt money inflation or would a low interest, deep discount 50 year registered government bond with increment always exempt from capital gain tax (long and short term) entice private investors? Everyone knows you cannot talk down inflation while simultaneously pumping Federal debt money exclusively into the banking system. Inflation tempered in 1959?

Assays Stocks of Current Interest

Stock Market—Merit and manipulation are now characteristic. Recent examples—Artloom Carpet and American Motors. During 1945-46, Artloom shares zoomed from 10 to 30. After more than a decade of neglect, this stock last year zoomed again—from 3⅜ to 27! Issued are 505,000 Artloom shares. Yet in a single week last September, 375,000 shares changed hands. This amazing feat despite lower sales and profits 75% under the levels recorded a decade ago. Only a calcified conscience could spark this coup. Merit, not manipulation, characterizes zooming American Motors stock. With vision and purpose, this talented management team correctly assayed public demand for an economy car as companion for our gargantuan modern vehicle. Yet outlook, earnings and a vastly improved balance sheet give American Motors shares reserved speculative stature.

In business as in sports, leadership belongs to restless and determined individuals — not the self-satisfied timid souls who fear challenge, change and obsolescence. Does a lush financial statement or brilliant management distinguish the pennant-winning New York Yankees from other ball clubs? As indicated by the pro ranks, many colleges attract top football talent. Yet how many will consistently have championship teams to match the record of Oklahoma's Bud Wilkinson? Successful business too must have exceptional talent at the helm. In recent years, too many have been floated into positions of responsibility on the headwaters of inflation. In the early Forties, were not Sears and Montgomery Ward formidable rivals? Annual sales were then

Continued on page 30

*The author's views and opinions are his own and not to be construed as those of his firm.

Prospects for Housing in 1959

By ROBINSON NEWCOMB*
Economic Consultant, Washington, D. C.

Well known housing economist presents encouraging evidence regarding the housing investment market. Assuming adequate savings flow into mortgages and low down payments, Mr. Newcomb foresees annual rate of about 1.3 to 1.5 million homes. The economist adjusts household income data in terms of a stable dollar and discovers surprising growth over $5,000 level; defends low down payment; suggests tapping pension funds by, for example, FNMA sale of long-term debentures or by extending ten-year loans to S & L Assns.; and notes S & L's declining growth in accumulating savings.

The Office of Business Economics of the Department of Commerce has just made data available to the Senate Banking and Currency Committee on trends in family and house-house income distribution. Unfortunately these data were not presented in such form as to show in constant dollars what has been happening to the number of families of a given purchasing power. The figures suggested that the number of households with incomes over $7,500 per year in 1957 dollars was rising relatively faster than the number with incomes under $7,500 and that there has been a decline in the number with incomes under $5,000. But the data were not clear. I accordingly put staff on the problem of translating the data made available to the Senate Committee into constant purchasing power tables. The resulting tables showed that the number of households with incomes under $5,000 in 1957 values rose through 1949, but has been declining since. The number with incomes from $5,000-$7,500 has been rising very appreciably. The rise in the number with incomes above $7,500 is quite startling.

Robinson Newcomb

One Million Upgraded Homes Per Annum

Facts on the shift in income distribution are very pertinent to any study of the housing market because the absolute growth in the number of households now represents only roughly half the housing market. The upgrading of housing standards represents the other half today. If 20% of the population upgrade their housing about 10% a year (and this is not far from what appears to be happening), the housing market would grow 2%, or about a million units per year, even though there were no increase at all in the number of households. That could mean that 2% of 50 million families, or one million families, move to better houses each year. They could abandon roughly one million houses.

Actually, of course, we do not abandon a million units a year. Housing is upgraded by improvement of existing stock as well as by abandonment of existing stock. The amount of the improvement depends in part on the cost of new vs. the cost of improving the old.

The Census has recently revised upward its estimate of the probable number of households that will be found in 1960. The desire of people to have good homes and their ability to pay for homes is such that the number of households is rising even more than some have expected, and housing standards also are being improved more than some had anticipated.

The markets to which I am referring have little reference to the needs of the lowest income groups—those without wage earners, those on inadequate pensions, families whose wage earner is incapacitated by sickness or accident, and families living on substandard farms, among others. (The need for what has been called "compassionate housing" is a separate matter. I am referring here merely to the investment market for housing.)

When the market resulting from the increased number of households (about 800,000 per year) is added to the market resulting from upgrading of income (not far from 800,000 a year), there would appear to be an effective demand for something like 1½ million units per year over an extended period of time. Such a demand would appear to be with us today.

Defends Low Down Payment

Demand makes its appearance, of course, only when it can be translated into contracts for purchase or for rent. If the contract calls for a large down payment or for rapid amortization or high monthly payments, the market is reduced. It should be noted that easy-term home purchase contracts have proved to be good contracts. We don't get excited when a family rents and pays only one month's rent in advance. The mortgage behind a property being rented is not imperiled because the tenant may leave at any time. The mortgage behind a house bought with a small down payment is not a hazardous risk either because the purchaser can walk out at any time. The purchaser does not walk out. He is proud of his house. He improves it—he spends time and money on landscaping the outside and on fixing up the inside. The basic question is: Is he an honest man; can be afford the monthly payments? The basic question is not: Was the down payment low?

My comments about the size of the market being in the neighborhood of a million and a half are, therefore, based on the assumption that families able to pay for housing will not be denied housing because they cannot make a large down payment.

Adequate mortgage financing cannot be secured without ready access to savings of the country. Housing funds are being denied access to current savings. Increasing proportions of savings are coming in the form of internally generated corporate funds, time deposits in commercial banks, and pension funds. Corporations invest almost nothing in housing. Commercial banks make a relatively small volume of new housing loans, and pension funds make almost none.

Tapping Pension Funds

Pension funds at least could be tapped very readily. Unless FNMA is willing to sell long-term debentures, it is difficult for pension funds to invest in FHA mortgages, but they could lend funds to Savings and Loan Associations. A 10-year loan to a Savings and Loan Association would be guaranteed by the Savings and Loan Insurance Corporation and, therefore, would be a good investment for the pension funds. Because this loan would not have to be backed by high reserves in the Savings and Loan Association, a higher than usual percentage of it could be invested in mortgages. This is true because reserves must be maintained against deposits by Savings and Loans just as reserves must be maintained by banks to enable them to pay off depositors if requests for payment are made. No such reserve would be required against a loan made by a Savings and Loan so the money could go into mortgages.

The cost of handling a million dollar loan is far less than the cost of handling one thousand $1,000 deposits, so the overhead in handling this money would be less. This means that the spread between the interest rate paid on the loan from the pension fund and the interest charged on mortgages to home buyers could be less than the spread between interest paid depositors and interest charged mortgagors. And the augmented flow of funds to mortgages would help to hold down the interest rate for mortgages, as well as increase the amount of housing that could be built.

With a big demand for housing, and if the institutional framework of the Savings and Loan System can be adjusted quickly to enable S&L's to borrow directly and competitively in the money markets, it would seem that the volume of housing in 1959 should equal or exceed 1.3 million. If action is taken in the Savings and Loan field promptly, the number might rise appreciably above 1.3 million in 1959, and still higher in 1960.

The market for housing is strong. The money is available if it can be tapped. So it would appear that the housing volume in a free market should exceed 1.3 million units in 1959. Should improved access to trust funds be denied and higher interest rates reduce the volume of FHA financing, the volume could drop below a 1.1 rate by late fall.

S & L's Declining Growth

The following table, taken from a recent SEC release on the subject, shows how individual savings have grown in institutions other than S&L's compared to the growth in savings through S&L's. The growth in time and savings deposits of banks in the third quarter of 1958, for instance, was 392% of the growth in S&L's. New sources of funds must be tapped for housing.

Growth in Savings by Individuals In the United States
Ratio S & L to Other Savings
(1955 Ratio S&L's to others=100)

	1955	1956	1957	1958 July-Sept.*
Time & Savs. Dep.	100	123	210	392
Investment Co. Shs.	100	112	125	343
Pension Fds. & Res.	100	106	126	222

*Not seasonally adjusted.

*A statement by Mr. Newcomb before the Joint Economic Committee, Washington, D. C.

Rotan, Mosle & Co. To Admit Partners

HOUSTON, Texas — Rotan, Mosle & Co., Bank of the Southwest Company, members of the New York Stock Exchange, on April 1 will admit Duane V. Geis, Johann L. Mosle Jr. and Henry E. Wilshusen to partnership. Mr. Mosle will make his headquarters in Dallas; Mr. Wilshusen in the Galveston office in the U. S. National Bank Building.

With Hare's Ltd.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—John E. Lotspiech has become associated with Hare's Ltd. Mr. Lotspiech was formerly Beverly Hills representative for Atomic Development Securities Co. and prior thereto was with Dean Witter & Co.

From Washington Ahead of the News

By CARLISLE BARGERON

Prime Minister Macmillan's experience with Khrushchev was quite an interesting one and apparently it had quite an effect on him. He has been softened up and when he comes to Washington next week he is going to try to convince President Eisenhower that perhaps we should unbend in our attitude of no retreat from Berlin. The British Prime Minister is reported to believe that we should be able to work out some sort of a disengagement policy with a denuclear zone in Central Europe. There should be a thinning out of troops, he believes.

Carlisle Bargeron

How we can thin out any of our troops is difficult to understand inasmuch as we only have a corporal's guard in West Germany now. No one believes this force, in itself, could withstand an attack by Russia. We have only a token force and those Democrats who are insisting we should mobilize and reinforce these troops are ignorant of the fact that we could hardly put enough troops in West Germany to stop an attack. We are relying upon atomic weapons.

If we would agree to denuclearized zones we would be giving up our deterrent. Probably we could do this if the Russians were to agree to withdraw to their own borders but this they aren't likely to do.

The British Prime Minister is said to have had little success in selling his ideas to Chancellor Adenauer and DeGaulle of France. He will have little success here.

The American policy and that of France and West Germany is understood to call Khrushchev's bluff. This has worked heretofore, the only attitude that has been successful in dealing with Russia.

The demands by Senators Mundt of South Dakota, and Capehart, of Indiana, that the Senate Rackets Committee investigate the alleged attempts to bride the committee's general counsel, youngish Robert Kennedy, are a reflection of the Republican members' increasing dissatisfaction with the way young Kennedy has been running the committee.

Kennedy said he has been approached by one management influence and several labor leaders with offers of aid to the counsel's brother, Senator John F. Kennedy, in his Presidential aspirations if young Kennedy would go easy on them. He did not report the offers to the committee. The two senators think he should have, holding that any effort to bride the committee is a very serious matter.

Young Kennedy made the disclosure out at Milwaukee at a political gathering of Democrats. He perhaps didn't think it would bring such reaction as it did. It probably will prove very embarrassing to him to have to produce those who made the offers. Whether Mundt and Capehart will get anywhere in their demand for an investigation is problematical. The committee is divided, four Democrats and four Republicans.

The four Republicans contend they never know what the committee is doing. They are asked to attend the hearings in order to have a quorum but are expected only to lend their presence. If they try to extend the questioning of a witness they are told that Counsel Kennedy promised the witness he would not be asked certain questions. Kennedy's purpose is to develop the story he wants to develop and then rest there. Further questioning would frequently reflect upon the credibility of the witness. The committee hearings are a one-man show. Maybe they are being conducted properly and maybe not. But the Republican members insist they have a right to know.

The expected resignation of Secretary of the Defense Neil McElroy has called attention to the heavy turnover in top-level officers of the government. They serve no longer than to learn their jobs and then resign. Some question the wisdom of calling in businessmen for these jobs and some of those on the lower level.

Charles E. Wilson established a record of permanency in office under Mr. Eisenhower, serving four and one half years. Although the attacks on him were incessant, he seemed to enjoy the give and take.

President Truman had an even greater turnover than Eisenhower. He had four secretaries of defense alone. None of them served more than 20 months. That job has had the highest turnover of any of the cabinet posts.

Schroeder Boulton Is Partner in Goodbody

Goodbody & Co., 115 Broadway, New York City, members of the New York Stock Exchange and other leading stock and commodity exchanges, announces that Schroeder Boulton has been admitted to the firm as a general partner in charge of research.

Schroeder Boulton

Mr. Boulton comes to Goodbody & Co. from Baker, Weeks & Co., members of the New York Stock Exchange, where he had been partner-in-charge of research since 1943. A graduate of Columbia University, class of 1930, he has engaged in financial and industrial research work throughout his business career.

Mr. Boulton has written for financial publications on economics, banking, trade and industry, and was the author of "Inflation and the Stock Market," published by Columbia University Press in 1933 and "Open Market Policy of the Federal Reserve," 1934.

K. W. Carlstedt With Amos Treat & Co.

Kenneth W. Carlstedt will open and manage a collateral loan department at Amos Treat & Co., Inc., 79 Wall Street, New York City, the firm has announced. Mr. Carlstedt has resigned as vice-president of G. F. Nicholls & Company, Inc., money brokers, to take his new position.

With Crowell, Weedon

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Donald W. Crowell is now with Crowell, Weedon & Co., 650 South Spring Street, members of the Pacific Coast Stock Exchange.

A Changing America And the Stock Market

By A. W. ZELOMEK*

President, International Statistical Bureau, Inc.
Visiting Professor, Graduate School of Business Administration, University of Virginia

Business economist stresses the impact on business and investment of our sharply raised standard of living and broadened income distribution. Stresses diversion of consumer expenditures for services, particularly including leisure, enhancing the investment attraction of companies making the appurtenances thereto, as boats. Also commends "culture stocks" of companies producing television sets, electric organs, and mass circulation media. Concludes the stock market's new highs have not adequately reflected the long-term prospects for a thus changing America.

The stock market is a component part of our economy and one cannot forecast general business without consideration of the market. I might state that business advisers, as such, are in as good a position (and in some instances even better) than those concerned strictly with the stock market in determining future tendencies. In order to arrive at a composite business outlook we must consider the outlook for various industries. One cannot forecast commodities without a knowledge of inventory policy. One cannot forecast general business without a knowledge of the cost and supply of money. I am sure you will agree with me that every phase of economic activity has some bearing on the over-all economy.

A. W. Zelomek

Our Changing America

Today I am concerned mainly with a changing America, and who can deny that it is a very changed nation as compared with 10 years ago, 20 years ago, and especially 1925 when I first started to analyze and forecast economic trends. America today is truly a land of plenty. We measure our car ownership in millions, our population in hundreds of millions, our income and expenditures in billions. We travel fast and far at home and abroad. We think of ourselves in superlative terms as the most powerful, the richest and most highly industrialized country with the highest standard of living. The middle century American profile can be characterized as follows: We are big, yet corporations are not dominant as generally believed. We are mobile, we are subject to change; and these changes exert a marked influence on our economy.

What does it all mean in terms of our current every-day living, and what does it mean in terms of the stock market? Today we are considered a middle class economy. Our living standard has risen and our purchasing power is much greater than it was years ago. In fact, it is 57% higher than in 1929, despite the dilution of the dollar. Note what has happened. In 1941, 85% of all spending units received less than $3,000 annually. In 1956 it was only 33%, and in 1958 it was probably closer to 30%.

It is a known fact that when an individual moves up the income ladder, he acquires the tastes and wishes of the income group into which he has risen. He wants the nicer and "better things in life." This explains the comparatively more favorable movement of high priced merchandise and it explains the growing volume in the better stores and some of the difficulties encountered by some chain stores. It also explains the increased outlays for items which are gradually being associated with the growth in leisure time and which I shall discuss subsequently.

Revolution in Income Distribution

In addition to this revolution in income distribution, the most important development in recent years has been the tremendous increase in population. In fact, this has dumbfounded the professional population forecasters. Aside from this marked population increase, where the gain between 1950 and 1957 amounted to 18 million, with a further substantial increase in 1958, there also has been a radical change in the relative number of females as compared with males. There are a greater number of women than men, especially in the 45 years and over age group. Since I am entitled to one plus for my book, I would like to call your attention to the chapter on Modern Woman in which the significance of this trend in population is discussed.

Another important development deals with the growing number of family formations, a logical development associated with population growth. The structure of the family is extremely important, for we have finally become a nation of larger families in contrast to the situation in earlier years in which smaller families predominated.

The middle of the century may be characterized by the growth in labor unions, resulting in increased costs, which are, to some extent responsible for the inflationary pressure. Equally important is the marked increase in instalment credit buying. This has lagged, however, as compared with the gain in the consumer's liquid asset position.

Emphasis on Services

Of even greater significance is the way in which we are spending our money. An increasing proportion of our expenditures has been for services, rather than for goods. These increased expenditures for services are a reflection of a higher standard of living. We go to the beauty shops and the barber shops more often. We go to private dentists and doctors, and more frequently, rather than to clinics. We spend more for tranquillizers and more for headache pills. We practically have put the repair man on our payroll. But more important, we are supporting more and more government workers, and this is a large part of our increased service costs.

Before getting down to the stock market as such, I should like to return again to modern woman. The changes that have occurred in her status at home, in business and in the community are among the most significant developments of the present period. More women are educated, more women work, more women participate in community life. More married women work in order to supplement their husband's income. Why is it possible for her to do so and at the same time raise a family? The answer is to be found partly in the mechanization of the home and in the expansion in the packaged food industry. Furthermore, there is little else for the relatively large number of widows to do. Time hangs heavy on their hands.

Importance of Women

Just in passing, may I point out that there has been a tendency to overestimate the power of a woman. Sure the ladies own 52% of all common stocks listed. However, the bulk of it is owned by a few wealthy women, although there are more and more middle income women being added to the list of stockholders. Owning is not necessarily controlling. Women generally leave their investment decisions to men, and prefer men as stock brokers. Women are seldom found on the board of directors. They have little voice in determining policy within a company. Yet women own approximately half or slightly more than half of all savings accounts and government bonds. They also handle the money and pay the bills in 38% of families, and in 31% of families both husbands and wives handle the money together and pay the bills.

This changed America, with a markedly greater population, a growing middle class, a greater female labor force, and more children attending schools, all have a marked impact on the economy. But what about the impact of the shorter work week with resultant greater time for leisure and cultural activities, although leisure and culture may not always be synonymous? A shorter work week has been brought about by an improvement in the machine. Automation, which was a bad word, has become commonplace, even though the labor union leaders are overestimating its impact on employment.

From the standpoint of the stock market, its importance cannot be overestimated. Automation will necessitate increased production of automatic machinery. It may be a machine designed to make bread; it may be a machine designed to help accelerate the assembly line; or it may be a computing machine designed to replace human hands, as in the case of insurance workers, the circulation department in newspaper offices, or payroll departments in mail order organizations.

My first conclusion, therefore, is that you can be exceedingly optimistic regarding your investments in companies which have spent time and effort and money on the development of machinery which will reduce the cost of operations. We are only in the early stages of automation. It is part of the answer to the steadily rising labor costs. The sensational rise, for example, of IBM must be closely associated with the growth in demand for computing machines. There are other companies which fall into this category. But the point I want to emphasize is that in a dynamic and growing economy, automation will mean a higher standard of living and more leisure. In the words of Professor Weiner of M.I.T., "The human's use of human beings."

Impact of Leisure

The problem of leisure will become even more important as forced retirement increases. The number of retired, aged people will grow in proportion to our total population. An important impact on the economy resulting from this trend is the growth of pension funds, which were estimated in 1957 to total over $33 billion and are estimated to increase to $47 billion by 1960. In terms of assets, pension funds have become a major new financial institution dwarfing mutual funds and moving toward the $35 billion level in assets of mutual savings banks and the $54 billion in savings and loan associations.

It is estimated that over three-quarters of the assets of non-insured funds, the important ones from the investment standpoint, have been funneled into securities. These investments have been in high grade securities and what you would call "blue chips." This has reduced the floating supply and certainly has contributed to the strong stock market. There will be an increase in the supply through stock splits, and through additional flotations of common stocks, especially with the yield on bonds much higher than on stocks at the present time. Thus you can understand the correlation between retirement plans and trends in the stock market. Time will not permit me to go into this in greater detail.

The most important fact about the increased leisure time is that time away from work, rather than work itself, is coming to dominate the week. Have you ever realized the extent of our leisure market? During 1957, expenditures for strictly recreational activities, as classified by the Department of Commerce, reached $16 billion. However, if we consider other areas of leisure expenditures, the total would come closer to $30 or $40 billion. Travel inland and abroad alone amounted to $18 billion. We have spent 150% more on recreation in the past 10 years. Crafts and hobbies have shown an incredible volume. There were only 5 million fishing licenses in 1933 and 15 million now, and females are a part of that 15 million. Note the gain in hunting licenses from 6 million to 15 million during this period.

I am sure you are all cognizant of the tremendous rise in production of boats. Is there any reason why this rise should not be sensational? In 1947 there were 2.4 million recreational boats. Ten years later there were 6.5 million. In 1957, 30 million people were interested in boating and spent $1½ billion on this sport.

Just to keep the record straight, the bulk of sports equipment sales is going to the middle and low income brackets. My suggestion is to be sure that you consider in any of your investments, companies which are manufacturing sports equipment and recreational equipment, for I expect both the white and blue collar workers to have more and more leisure time.

Only 30% of our leisure is allotted to sports activities. The other 70% is spent in and around the home. This includes television, gardening and other home activities. "Do-it-yourself" has become a $1½ billion industry. When we sit in the back yard or lounge on the beach we utilize especially designed furniture, clothes, portable radios and photographic equipment.

Electronic industries, in particular, should reflect this greater leisure time the same as those producing outdoor furniture as well as small housewares. The growth in demand for do-it-yourself kits should continue as will the increase in consumption of paint. There is no item relating to home activity, including gardening, that should not reflect this growing leisure.

While many new industries and companies have already reflected this trend, the opportunities have not yet been exhausted. A 35-hour week would have become a reality without the current demands of the AFL-CIO, and we might emphasize that this must mean new and a further increase in activity in the home and outside the home. The important thing to emphasize is that we should remain alert to the special needs of leisure time.

Continued on page 22

*An address by Mr. Zelomek before the Federation of Women Shareholders in American Business, Inc., New York City, Feb. 28, 1959.

Record Credit Demands Foreseen

Bankers Trust Company's chief economist forecasts continued high demand for funds, with chief impact on short-term area. Dr. Reierson notes market uncertainty caused by prospective huge Treasury borrowings and higher private credit demands. Concludes crucial problem in 1959 is to avoid inflation by financing Treasury's needs outside commercial banking system.

Demands for investment funds in 1959 are likely to be at least as high as in 1958, according to Bankers Trust Co.'s chief economist Roy L. Reierson. The bank economist made his remarks in the company's annual, 54-page "Investment Outlook for 1959" issued this week.


Roy L. Reierson

"Requirements for short-term funds, however, are likely to expand considerably under the twin impact of higher demands for bank loans and formidable short-term borrowings by the Treasury," Dr. Reierson observed. "Bank loans are expected to advance with the prospective increase in the working capital requirements of business and the resumption of expansion in consumer credit, but the critical factor is the large financing job of the Treasury," continued the bank Vice-President.

Shifts in Investment Requirements Underway

A smaller aggregate in corporate financing for the year is expected, due primarily to the recent improvement in liquidity resulting from the sharp recovery of profits. The bank has projected the net increase in corporate bonds and stocks outstanding in 1959 at $7.2 billion, compared with $8.3 billion in 1958.

Demands for mortgage money, however, are likely to exceed last year's level by a significant margin. In fact, the expansion of mortgage debt is likely to be second only to the peak year 1955. "While some slackening may develop in the course of the year, the number of privately financed homes put under construction in 1959 is expected to total well above 1.2 million," Dr. Reierson said.

State and local governments, too, will undoubtedly be in the capital market for as heavy an amount of financing as in 1958. Public works expenditures are advancing persistently and, even though the sharp rise in interest rates as well as greater voter concern over mounting mosts or projects may be moderating factors, it is generally agreed that municipal long-term offerings in 1959 will surpass the record of 1958. "However," the bank economist observed, "because of the rising retirements and other adjustments, the net increase in state and local debt in 1959 should be about the same as in 1958." The study estimates the increase in state and local government debt for 1958 at $6.3 billion.

Savings Flow Seen Well-Maintained

The continued rise in the flow of funds to savings institutions that occurred in the recession of 1958, cannot be expected to be repeated in the expansive environment of 1959. "However," said Dr. Reierson, "it appears unlikely that this flow of funds will fall back to prerecession levels; rather, it will probably be maintained substantially at last year's pace."

Partly because of the more aggressive rate competition in prospect, mutual savings banks are looking forward to an increase in assets not far below 1958, while savings and loan associations are anticipating an even larger advance than in the previous 12 months. The rapid rate of growth in the assets of pension funds, which was retarded somewhat in 1958, seems likely to be resumed in 1959.

Also, it is expected that there will be a substantial increase in funds available to fire, casualty and marine insurance companies. Finally, the investment companies are in a dynamic phase, with most new mutual funds enjoying an enthusiastic reception.

Matching Demands With Supply

The Bankers Trust study observes that if the flow of savings is well-maintained, nonbank investing institutions as a group should be able to help absorb a large volume of mortgages and corporate and municipal bond offerings without serious strain, while at the same time adding moderately to their holdings of Government securities. Thus, the problem of placing investment funds in 1959 would not appear unduly troublesome.

"However," Dr. Reierson warns, "the current environment makes it seem unlikely that much more than another $1 billion, if that, of long-term securities can be absorbed by the Treasury out of current savings this year. For some time ahead, therefore, the Treasury in all probability will need to rely heavily on short-term financing to raise needed funds. It is this unprecedented combination of huge Treasury borrowings and the higher private credit demands indicated by the rising trend of business that is creating keen problems of debt management and casts continuing uncertainty over the market place."

Debt Management the Problem

Unlike 1955, when commercial banks were able to meet the huge loan demands through sales of Government securities, the prospect today is that the banking system will be called upon to add further, and significantly, to its holdings of Treasury obligations in the course of 1959.

"However," the economist continues, "unless net acquisitions of Government securities by the commercial banks can be held to fairly moderate proportions, the result is likely to be a substantially greater increase in the volume of bank deposits, and hence in the money supply, than is consistent with the restraint of inflationary pressures. The crucial problem in the credit picture for 1959, therefore, is meeting as much of the Treasury's financing requirements as is possible outside the commercial banking system."

Correction

In the "Financial Chronicle" of Feb. 26 it was indicated that J. Maxwell Pringle & Co., Inc. had been formed with offices at 26 Broadway, New York City, to engage in a securities business. While the firm has just become registered with the Securities and Exchange Commission as a broker-dealer, it was established in 1952 as mortgage loan brokers, specializing in FHA insured and VA guaranteed mortgages, operating in all forty-nine states, Puerto Rico, Hawaii, etc.

New Gray Branch

Richard Gray has opened a branch office at 21 East 40th St., New York City.

American Interest in British Equities

By PAUL EINZIG

Dr. Einzig sees insufficient justification for cessation of U. S. buying of first-rate British equities following our latest rediscount rate increase in view of upward business outlook in Britain and eased tension regarding Berlin. Barring marked deterioration of international political outlook and in view of other indications pointing to a rise in the London Stock Exchange, the British columnist reports anticipation of this would justify considerable narrowing of the differences between the yield on British and American first-class securities.

LONDON, Eng. — The increase of the Bank rate by ½% in New York and in several other Federal Reserve districts came as a complete surprise in London. Even though there has been some progress towards recovery from the business recession in the United States, observers on this side of the Atlantic have not noticed any marked boom-like or inflationary developments that would call for correction by disinflationary monetary measures. It is true, in the United States as in Britain the wage spiral continues in an upward direction. Since, however, Britains have learnt by bitter experience that even a 7% Bank rate is unable to check excessive wage claims, they have doubts whether from this point of view a 3% Bank rate in the United States could make any difference. If the object of the change was to check wage inflation then the United States authorities are likely to learn a lesson at their own expense instead of having learnt it at Britain's expense.


Dr. Paul Einzig

The alternative explanation of the move is that the United States authorities want to check the outflow of gold. Since Britain appears to be reluctant to lower the Bank rate to 3½%, the interest differential between the two money markets was narrowed by an increase in the New York Bank rate. In fact there is no reason to expect that the change will affect the international movement of funds considerably. Sterling weakened somewhat in relation to the dollar, but remained at a noteworthy premium.

On the other hand, the increase of the American Bank rates tends to influence the movement of funds indirectly, through its effect on American buying of British equities. It certainly halted the rising trend on Wall Street. In the old days this would have produced an adverse effect on the dollar, because it would have discouraged the inflow of foreign capital for investment or speculation in American equities. At present, however, there is relatively little foreign interest in Wall Street, partly because prices are considered to be too high and partly because of the feeling of uncertainty about the dollar.

Effect on British Securities

There is, however, considerable American interest in British equities. After each rise in Wall Street there is fresh demand for high-class British equities which offer a much higher yield than the corresponding class of American equities. In such circumstances a move which tends to check the rise in Wall Street also tends to discourage the flow of American funds to London. To the extent to which this effect is produced the higher Bank rate in New York does in fact help in safeguarding the American gold reserves.

American operations on the London Stock Exchange have become a major factor affecting both the trend of the London Stock Exchange and the tendency of sterling. The increase in the Bank rate was followed by a fall in the London prices of American favorites, such as Electric and Musical Industries, Courtauld, etc., and the whole market tended to be affected by the weakness of these equities. The favorable effect of Mr. Khrushchev's statement that there was no ultimatum, and that the deadline date of May 27 concerning the Berlin dispute was no longer rigidly upheld, was more than wiped out by the effect of the temporary cessation of American demand for British equities.

Sees Business Expansion in Britain

In reality the effect of the higher Bank rate on Wall Street does not in itself provide sufficient justification for the cessation of American buying of first-rate British equities. For while that change tends to hold up business recovery in the United States it does not affect the progress of business recovery in Britain. It now seems to be certain that we shall witness a noteworthy expansion of British production in Britain during the next three months or so. The recent reflationary measures are at last beginning to produce their long-delayed effect. Moreover, the Budget statement on April 7 is certain to administer a considerable additional dose of reflation, much of which is likely to produce an immediate effect.

It is now considered certain that the standard rate of income tax will be reduced from 8s.6d. in the pound to 7s.6d. A reduction by a full shilling in the rate is bound to encourage both production and consumption. Under the British "pay as you earn" system wage earners and salary earners stand to benefit immediately by the cut, for the amount reduced from their weekly pay packets for income tax would become smaller. In millions of households there would be more money available for consumer spending. Even though business firms would not derive immediate benefit from the cut of their taxes, the anticipation of the eventual increase of their net profit margins as a result of lower taxation is likely to encourage them to expand their output. A large number of capital issues by British firms is expected to be made in the near future to finance new investment programs.

The Chancellor of the Exchequer is also expected to announce the Government's decision to speed up the repayment of postwar credits. The outstanding amount of these postwar credits is about £430 million, and the Chancellor is expected to repay ahead of schedule at least £100 million soon after the Budget statement. It seems highly probable that most recipients of these payments would regard the amounts received as a windfall and would spend most of it without much delay. Together with the increases in the pay packets as a result of smaller reductions for income tax, this will result in a considerable increase in consumer demand during the spring.

So long as the "ultimatum" of May 27 was in force a business revival resulting from these fiscal measures would not have greatly benefited the London Stock Exchange. For many people would have preferred to be out of the market in anticipation of war scares that would be due to occur some time before the deadline. My last week's article was written on that assumption. But now that the time limit has been made elastic the war scares are liable to occur much later, possibly not before June or July. This would give investors time to benefit by the effect of the business recovery on Stock Exchange prices, without risking being caught in a slump due to a war scare before they had time to take their profits.

Moreover, Mr. Macmillan's Moscow visit created a favorable impression in Britain, and it is expected that this will find expression in the result of public opinion surveys in the near future. The apparent improvement of the chances of the Conservative Party to win the general election will also tend to help the Stock Exchange. It is now certain that there will be no spring election, so that investors need not fear being caught in the slump that is almost certain to precede the election until September or October.

Sees Narrowing of Yields

Needless to say, there is always a risk of a marked deterioration of the international political outlook at any moment as a result of some new aggressive statement or action by Mr. Khrushchev, long before the conference over Berlin has reached a deadlock. Such a setback would of course affect the Stock Exchange, and it is entirely unpredictable. But barring such event, the improvement of the business outlook in Britain and the prospects of tax cuts point towards a rise in the Stock Exchange. The anticipation of this would justify a considerable narrowing of the difference between the yield on British and American first-class equities.

Deignan, McGolrick V.-Ps. of Walston Co.

V. C. Walston, President of the investment firm of Walston & Co., Inc., 74 Wall Street, New York City, has announced the election of Leo P. Deignan and Charles McGolrick as Vice-Presidents and voting stockholders.

Mr. Deignan, who joined Walston & Co., Inc. as Senior Cashier in 1949 has had 40 years experience in cashier and accounting operations with several securities firms. He is past President of the Curb Cashier's Association and is presently a Governor of the Cashier's Division of the Association of Stock Exchange Firms.

Mr. McGolrick joined Walston & Co., Inc as manager of research in 1956. He has been a security analyst with various Wall Street firms for the past 15 years. Since 1943, he has been a lecturer at the New York Institute of Finance and, in conjunction with Benjamin Graham, he is co-author of the book "The Interpretation of Financial Statements."

Walston & Co., Inc., which has offices in 63 cities coast to coast and overseas, holds memberships in the New York Stock Exchange and other leading exchanges.

Two With Bingham, Walter

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—George Kunitake and Alvin Portnoy are now associated with Bingham, Walter & Hurry, Inc., 621 South Spring Street, members of the Pacific Coast Stock Exchange. Mr. Kunitake was previously with Quincy Cass Associates.

Public Utility Securities

By OWEN ELY

Pioneer Natural Gas Company

Pioneer Natural Gas began business in January, 1954 as successor to Southwestern Development Company, controlled by Mission Oil Company and Sinclair Oil Company. Southwestern and Mission were dissolved, and in July, 1954 Sinclair sold its interest to a group of underwriters who distributed that portion of the stock to the public in June, 1955. When the reorganization was finally completed Pioneer became a gas transmission and distributing utility company, and Amarillo Oil Company (a fully-owned subsidiary with leases in the Panhandle field) supplied gas to the parent company. In the past year or so two other subsidiaries—Pioneer Production and Pioneer Gathering System—have been set up. A neighboring utility company—Empire Southern Gas Company, about one-eighth the size of Pioneer—was also acquired in March, 1958, by an exchange of shares.

Pioneer Natural Gas now supplies gas to 76 communities in Texas and one in Louisiana, total population served (including rural areas) being over 900,000. Amarillo and Lubbock are the largest cities served. The territory includes the South Plains and Panhandle sections with their important oil and gas resources, together with rich irrigated farming areas in central Texas which raise wheat, cotton and grain sorghum, plus livestock. The southern area is in the Permian Basin, which contains about 25% of the nation's oil resources; oil and gas production are from deep formations with long-lived reserves.

About 93% of system revenues are from sale of natural gas and 7% from oil and extracted products. Pioneer's 1957 gas revenues, residential accounted for 36%, irrigation 33%, industrial 15%, commercial 10%, and miscellaneous 6%. The company has practically 100% of the heating load in its area, some 90% of the water heating load, and 85% of the cooking load. It serves nearly half of the 43,000 irrigation wells in the farm belt—the program of providing gas to pump water for irrigation began in 1953 and has been increasing rapidly since that time.

Investment in facilities to serve irrigation pumping is now about $11 million. The present price of gas for irrigation is about 60% less than competitive fuels, hence the farmer can afford to construct lines to connect his wells with the company's lateral lines extending into the irrigation area. The underground water supply is considered ample for many years.

Altogether, Pioneer now has about 190,000 customers, and with an annual growth rate of about 5%, they expect to add about 7,500 to 8,000 new accounts each year. The number of customers has tripled in 12 years and revenues have quadrupled since 1948. Pioneer will continue to expand its operations through acquisition of new properties when advantageous. Empire Southern was not subject to Federal regulation, hence the acquisition did not subject Pioneer to such regulation.

Nineteen-fifty-eight figures are not yet available, but in 1957 Pioneer produced 14% of its gas sales requirements, purchasing the remainder through Amarillo Oil Company or directly from others. Considerable "residue" gas is purchased in the Permian Basin; this gas, which is produced with oil, must be taken as available. The company owns or has under contract gas reserves in excess of two trillion cf, representing about a 30-year supply.

Amarillo Oil was a subsidiary when Pioneer was reorganized in 1954. It has current production of over 1,000 barrels per day and oil reserves (proven and developed) estimated at nearly 3,000,000 barrels. It also has about 100,000 acres of undeveloped leases in Kansas, Oklahoma, Colorado, Wyoming, Utah and Texas—all of these lands being worth more now than when the company bought them. During the first 11 months of 1958, Amarillo Oil and Pioneer Production (a recently formed subsidiary) participated in 35 completed drilling operations, which resulted in 12 oil wells, 14 gas wells and nine dry holes. Approximately $1,500,000 is being spent annually for drilling and exploration.

Pioneer Gathering only started in January, 1958, picked up operations July 1, and now is beginning to show a profit—with possibilities for further development. It operates in West Texas near the Mexican border, gathering gas in that area which it sells to Permian Basin Pipeline. The company expended about $2.9 million in 1957 to build 71 miles of pipeline together with a compressor station. At the end of 1957 it controlled 400 billion cf gas reserves.

Pioneer Natural Gas enjoys excellent relations with the municipalities it serves, and during the past few years has been able to secure rate increases without having to appeal to the Texas Railroad Commission. The city of Amarillo, where the company's headquarters is located, has recently granted an increase of nearly 12%, needed to offset the increasing costs. Of the entire system operations only the sales of gas by Pioneer Production and Pioneer Gathering are interstate in character and thus subject to FPC jurisdiction.

Construction expenditures are expected to average about $8 million a year over the next five years and a large part of these cash requirements will be generated internally. No common stock has been offered to the public (except in connection with the acquisition of properties) since the reorganization in 1953 and no public financing of any kind is presently planned for 1959. As of Dec. 31, 1957 capitalization consisted of $35 million long-term debt and $19 million common stock equity (about 35%). There are about 1,646,000 shares of common stock outstanding.

While the company does not ordinarily sell gas appliances, it has cooperated with Arkansas Louisiana Gas by selling that company's new Arkla-Servel air conditioning units and gas lights; in recent campaigns, 50 air conditioning units and 1,000 gas lights were sold, and with increased production of the air conditioners, the amount of sales will probably be stepped up.

Share earnings of Pioneer Natural Gas have increased steadily since the stock was distributed to the public—from $1.34 in 1953 to $2.22 in 1958. Earnings increased by 9¢ in 1958 despite the fact that the important irrigation pumping load was at a minimum (on the other hand the local economy benefited by ending of the long drought). Share earnings for 1959 appear likely to show further improvement, possibly in about the same ratio as in 1958. The weather is running about even with last year as to number of degree-days.

Pioneer Natural Gas has been quoted over-counter recently around 35½. The present dividend rate is $1.40 making the yield close to 4%; with a payout of only 63%, another increase in the dividend would seem possible in 1959. The stock is selling at about 16 times 1958 earnings.

It's Illogical to Buy Stocks As a Hedge Against Inflation

By ROGER W. BABSON

The dean of financial writers scoffs at resort to stocks as a hedge against inflation at their present inflated price—with one exception of stock companies having large productive land with oil, mineral or timber holdings. Mr. Babson advises to "forget inflation" if you believe no World War III will break out in next 10 years and to buy good land rather than stocks if one believes in the imminence of war. He lists industries most likely to resort to automation to combat inflated labor costs and names the principal suppliers of automation devices.

Except for intermittent periods of deflation, we have had a slow but constant inflation for as long as statistics are available. In fact, the reason gold and silver coins have rough edges is so they cannot be clipped—so a little of the gold or silver cannot be stolen as a hedge against inflation.

Roger W. Babson

Just now almost everyone is excited about inflation. Of course, normal inflation will continue; but I anticipate nothing serious unless World War III breaks out. If you believe there will be no World War III during the next 10 years, then forget inflation. If you do expect such a war, the best investment is good land which will earn its taxes, especially land bordering an ocean, a lake, or a river. Buying stocks now as a hedge against inflation is a waste of money.

There has been no period in American history when serious inflation accompanied unemployment and heavy imports. Increasing Federal and personal debt is only one cause of inflation. The main cause is a scarcity of goods with an increased demand for goods. With present foreign competition and its increasing supply of cheap labor causing more domestic unemployment, there can be no scarcity of goods.

Automation Is Increasing

Union labor could cause price inflation; but the use of automation by our manufacturers is fast keeping up with labor's demands. The use of photon by printers, of electronics by manufacturers, and of other labor-saving devices by businessmen will partly hold down prices. The chief companies supplying automation devices are Aeroquip Corp., Beckman Instruments, Bullard Co., Cincinnati Milling Machine, Cutler-Hammer, Inc., Ex-Cell-O Corporation, General Precision, IBM., Sperry Rand Corp., Kearney & Trecker Corp., and RCA.

We cannot now lick Russia in an economic war. In Russia all are paid and promoted according to their efficiency and output. Russia has the population and the discipline. To attempt to abolish labor unions in our country would not only mean death for any political party advocating it, but might require a "man-on-horse-back" or a dictator like deGaulle of France. Hence, I advise readers not to depend on legislation against the labor unions, but to get our manufacturers to adopt automation and compel our bankers to finance the great costly changeovers.

Requirements of Automation

Automation may be defined as the automatic processing of raw or semi-processed materials into finished products. The typical manufacturing plant of today consists of related but unconnected machines that perform successive steps in the creation of a final product. Separate persons operate these machines and transfer the work from one machine to another. Under full automation, the plant would become a single giant machine, drawing in raw materials at one end and pouring out finished goods at the other—all being directed by electronic controls.

The adoption of full automation would often require an almost complete scrapping of existing plant. The design of the factory, the machine tools, the control mechanisms, and the materials-handling equipment would all have to be integrated. The plant layout would have to be scientifically engineered, and the flow of materials planned and timed to a delicate balance. Such a plant would largely depend upon mass production of a single product.

What Companies Need Automation Most

Following is a tabulation indicating the relative importance of wage costs in significant industries. Coal, copper, and gold mining, fishing, lumber—not listed—also have high costs. The table shows where the pressure to adopt automation will be greatest. Management and labor must become more professional and technical. The labor force will adopt broad rearrangement. This also applies to education. Wise young people should now train for the Automation Era—planning, selling, and financing its adoption.

Wages as Per Cent of Gross Sales, Also as Per Cent Added by Labor

Industry—	% Wages to Gross Sales	% Wages Added to Cost
Flour, Grain Mill Products	5	23
Cigaretts	5	13
Petroleum Refining	5	29
Grocery & Meat Stores	5	--
Cane Sugar Refining	6	45
Meat Products	6	44
Corn Products	9	26
Soft Drinks	9	16
Fertilizer	10	30
Drugs & Medicines	11	16
Beet Sugar	11	34
Shoes and Clothing	12	34
Nonferrous Metal Products	12	35
Organic Chemicals & Oil	13	25
Gypsum Products	13	24
Paper & Paperboard Mills	14	37
Biscuits, Crackers, Etc.	15	28
Bread & Bakery Products	16	32
Department Stores well located	16	35
Glass Containers	27	46
Tractors	16	39
Cement	16	27
Pipe, Welded & Riveted	17	43
Containers (paper)	18	42
Tires & Inner Tubes	18	41
Agricultural Machinery	19	42
Electrical Appliances	20	38
Carpets & Rugs	20	43
Oil-Field Machinery	21	34
Metal Fabricating	22	44
Electric Apparatus	22	37
Cotton Broad Woven Goods	25	59
Machine Tools	25	39
Motor Vehicles	26	44
Aircraft & Parts	27	46
Hotels & Motels	27	54
Blast Furnaces & Steel Machines	28	44
Hosiery—Full Fashioned	31	56
Office and Store Machines	31	46
Vitreous Enameled Metal Products	32	54
Textile Machinery	33	49
Shipbuilding & Repairs	39	64
Transportation	40	75
Job Printing	45	80
Restaurants	50	85

Finally, let me say: Only labor and stock prices are now abnormally inflated. Labor will be held in check by automation. This leaves the stock market as the most inflated economic factor. Is it common sense to buy stocks as a hedge against inflation when stocks are the most inflated of all things? Surely this is "trying to pull yourself up by your bootstraps." Good stocks are now okay for income, but unless the U. S. is to suffer a World War—the purchase of stocks, as an inflation hedge, at their present inflated prices seems illogical. There may be one exception—namely, stocks of companies having large productive land with oil, mineral, or timber holdings.

Continued from page 2

The Security I Like Best

Montecatini, manufactures fluorocarbon products in Italy and other European countries.

The new President of the company, elected in January this year, is Albert J. McMullen, who is 47 years of age. He brings to the Presidency a background of 17 years of capable managerial experience in the industry. He served as President of the U. S. Gasket Company until its acquirement by Garlock in 1955, and has subsequently continued in that post.

Garlock employs about 1,825 people at its principal plant in Palmyra, N. Y. Another 800 employees serve in the 30 sales districts located in the principal cities of the United States and Canada or in subsidiary companies.

This company has operated at a profit since its inception and has paid cash dividends each year for the past 53 years. Average earnings for the past five years has been about $3 per share. This figure includes 1958 when earnings are estimated to be about $1.30 per share against $3.33 per share for 1957. This decline was due partly to general economic conditions and partly to unusual and non-recurring expenses. An up-to-date check with the company shows business at the present time as "very good."

The company's balance sheet shows current assets of better than $13 million and current liabilities of slightly over $2 million. There are only 493,645 shares of stock outstanding. There are notes payable in the amount of $2,700,000 due in installments to June 30, 1972. Cash in about $2 million.

Dividends are being paid at the rate of 25¢ quarterly. The stock, selling around 29½, yields 3.40%. The stock is traded in the Over-the-Counter Market. It sold as low as 23¼ in 1958 as against a high of 36½ in 1956, in which year dividends of $2 per share were paid, plus 10% in stock.

In the past Garlock has demonstrated its ability to show good earnings. With the probability that during the next few years the entirely new business derived from the expected missiles contracts (which may amount to 10% or 20% of total sales of the company this year), the common stock, in my opinion, can be bought with small risk on the downside, and a better than even chance for substantial capital appreciation.

Carl M. Loeb, Rhoades To Admit to Firm

Carl M. Loeb, Rhoades & Co., 42 Wall Street, New York City, members of the New York Stock Exchange will admit Gene M. Woodfin of Houston, Texas to partnership on April 1.

With Kidder, Peabody

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Robin S. Lincoln has joined the staff of Kidder, Peabody & Co., 75 Federal Street.

Variable Annuities' Opponents Oppose Sharing U. S. Growth

By CARROL M. SHANKS*

President, The Prudential Insurance Company of America Newark, N. J.

Prudential head forthrightly criticizes mutual fund, stock exchange representatives and insurance opponents of, and advances the case for, variable annuities now being sought in New Jersey. Mr. Shanks reproves opposition of those who "know so little about the insurance business that they can allege we are relatively unregulated and untried." He finds it inconsistent to urge an increased and broadened flow of savings into equity capital and yet oppose variable annuities. Turning to the opposition within the insurance industry, President Shanks says some of it stems from a lack of understanding and some from a fear of new developments—such as the need to supplement fixed dollar annuities and life insurance policies and permit, among other things, participation in the fruits of rising productivity.

The expression "American enterprise" is often bandied about, but seldom, I suspect, thought about. What is so essentially American about our American enterprise? Combining the effects of technology, invested capital, and skilled labor, we have been bold enough to emphasize not only mass production and mass distribution, but mass participation in the fruits of successful enterprise.

Carrol M. Shanks

In all fields, including insurance, a big reason for success has been the recognition of the importance of providing what the public needs.

What has American enterprise accomplished? Very simply, the highest standard of living the world has ever known. I believe the significance of this accomplishment is not sufficiently appreciated.

Changes over the years in the value of the dollar can obscure the real progress which has been made. Therefore the following comparisons are after adjusting for price level changes. From 1880 to 1958, our real *gross national product*, our total production of goods and services, increased at a rate of about *3% a year*, almost doubling every 20 years. By the end of 1958 it was *13 times* what it had been in 1880. This growth was irregular, and had its ups and downs, but over the period, it was very persistent. Even though our population more than tripled over the same period, real gross national product on a per capita basis, was nevertheless *four times* as high in 1958 as in 1880. And this happened while the average work-week was dropping by over *one-third*, from 63 hours to 40 hours, and while there were increasing proportions of our population in schools, and enjoying leisure, as in retirement.

In 1880, the disposable income per family, i.e., after all taxes, was about $660, in terms of that year's dollars.

By 1958, even though taxes had increased substantially since 1880, per-family disposable income was up to $5,800, almost *9 times* what it had been in 1880. Part of this increase reflects inflation: a 1958 dollar is the equivalent of only 28 cents of 1880 currency or—put the other way—an 1880 dollar was the equivalent in purchasing power of $3.62 in 1958. *But after adjusting for price level changes*, the *real* disposable income per family in 1958 was *two and one-half* times as great as in 1880. In other words, the average income, in dollars, went up two and one-half times as much as the increase in prices. This is *real* economic growth, *not* inflation. It is evidenced by the very real increase in our standard of living. Just think of the vast improvement in housing over that period. This has been accomplished by American enterprise—by the boldness to pioneer and share the results.

What has American enterprise to do with variable annuities? What is an annuity and why have variable annuities been developed?

Annuities—Traditional and Variable

Annuities have been a life insurance company product for many years. They can be considered as the complement of life insurance. Life insurance is needed as a safeguard against premature *death*; annuities are needed as a safeguard against premature *exhaustion* of our funds.

The traditional form of annuity is expressed in terms of fixed dollar amounts. It operates as follows. Suppose an individual at age 45 takes out a retirement annuity contract, under which he pays an insurance company $65 a month to age 65. At that time he would begin to get a life income of about $100 a month, and it would be paid to him for as long as he lived. The insurance company doesn't know how long he—or any other annuitant—will live. But by applying well developed actuarial methods, an insurance company can, by contract, *guarantee* to an individual that he will not outlive his income.

How does a variable annuity contract differ? In the first place, a company offering variable annuity contracts would establish a segregated account known as a Variable Contract Account—the assets of which would be invested to a large extent in common stock and other equity securities. An individual securing a variable retirement annuity contract at age 45 could pay $65 a month to age 65, just as under the traditional form of annuity. As each payment is received by the insurance company, the contract is credited with a number of units. These units, which are used solely for reporting purposes, change in value in accordance with the investment results of the Variable Contract Account. A different number of units could be credited each year, reflecting the current unit values. In the first year, the contract might be credited with 65 units, the second year 75 units, and so on. At age 65, the annuitant might have accumulated a total of, say, 1,400 units. If he retired at that time, actuarial tables in the contract might determine that the annuitant would be entitled to an annuity of 10 units a month for life. For purely illustrative pur-

Continued on page 26

*An address by Mr. Shanks before the Kiwanis Club of Newark, N. J., Feb. 19, 1959.

THE MARKET . . . AND YOU

By WALLACE STREETE

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By pushing up the discount rate, the Federal Reserve Banks indicate that they are still very much concerned with the inflation problem and its effects upon the purchasing power of the dollar as well as the economy as a whole.

Inflation Psychology Persists

The sharply reduced volume of corporate bond offerings, along with the absence of a new long-term Treasury issue, together with a turndown in housing starts, had produced a recovery in bond prices. To this might be added also the belief in some quarters that the inflation fear is not quite as strong as it was in the recent past. However, the opinions on the inflation psychology are subject to considerable disagreement since there are those in the financial district who point out that the sharp uptrend of prices in the equity market, as well as the recent increase in the Central Bank rate, is in no small measure to the fear of the future purchasing power of the monetary unit, and they see no let-up in this concern.

Also, there have not been too many instances in which there has been a rising bond market and a rising stock market at the same time, especially since the inflation psychology has been as prominent as it has been in the last year or so. And it is well known that an inflationary spiral is not generally conducive to rising bond prices.

Long Treasury Issue Strong Possibility

The fact that prices in the capital market had tended to improve was due mainly to smaller corporate bond offerings and the belief that there will not be any flotations of long-term Government bonds for either refunding or new money raising purposes for the foreseeable future. However, there does not appear to be too much agreement as to the future policy of the Treasury in its refunding and new money raising ventures, since there are not a few money market specialists who contend that a rising bond market will bring with it an offering of long-term Government obligations. Evidently, it is still the desire of the Treasury to extend the maturity of the debt and at the same time be able to have these issues go into the hands of the ultimate investor. By this method there would not be an increase in either the money supply or deposits and in this way the forces of inflation would be lessoned.

Even though the Treasury may not resort to the flotation of a long-term issue to finance its new money needs and for refunding purposes in the near future there is always the threat that this will take place and, accordingly, it is the opinion in some quarters that this will tend to put a ceiling on the amount of rise pricewise that the most distant Governments will have. It is well known that the Treasury will tailor its issues to meet the prevailing money market conditions and, if the capital market is the one which offers the greater advantage to them as time goes along, it should not be unexpected if a long-term security were used for what ever purpose the Government may choose.

Views of Short-Term Adherents

On the other hand, there are beliefs around that the Treasury will confine its operations during the coming year entirely to the short- and-intermediate maturities, with the longest issues limited to be not more than five years in length. It is evident that there is an appetite for the most liquid Government obligations and, even in face of the higher discount rate and increased offerings of the Treasury bills, the short-term market is acting well. If there should be some lessening in the liquidity preference idea it might be that the Treasury could get away with a short note maturity for some of its operations. As against this, there is the inflation psychology which generally carries with it, the uncertainty that demands short-term liquid issues for salability and the hedge they provide.

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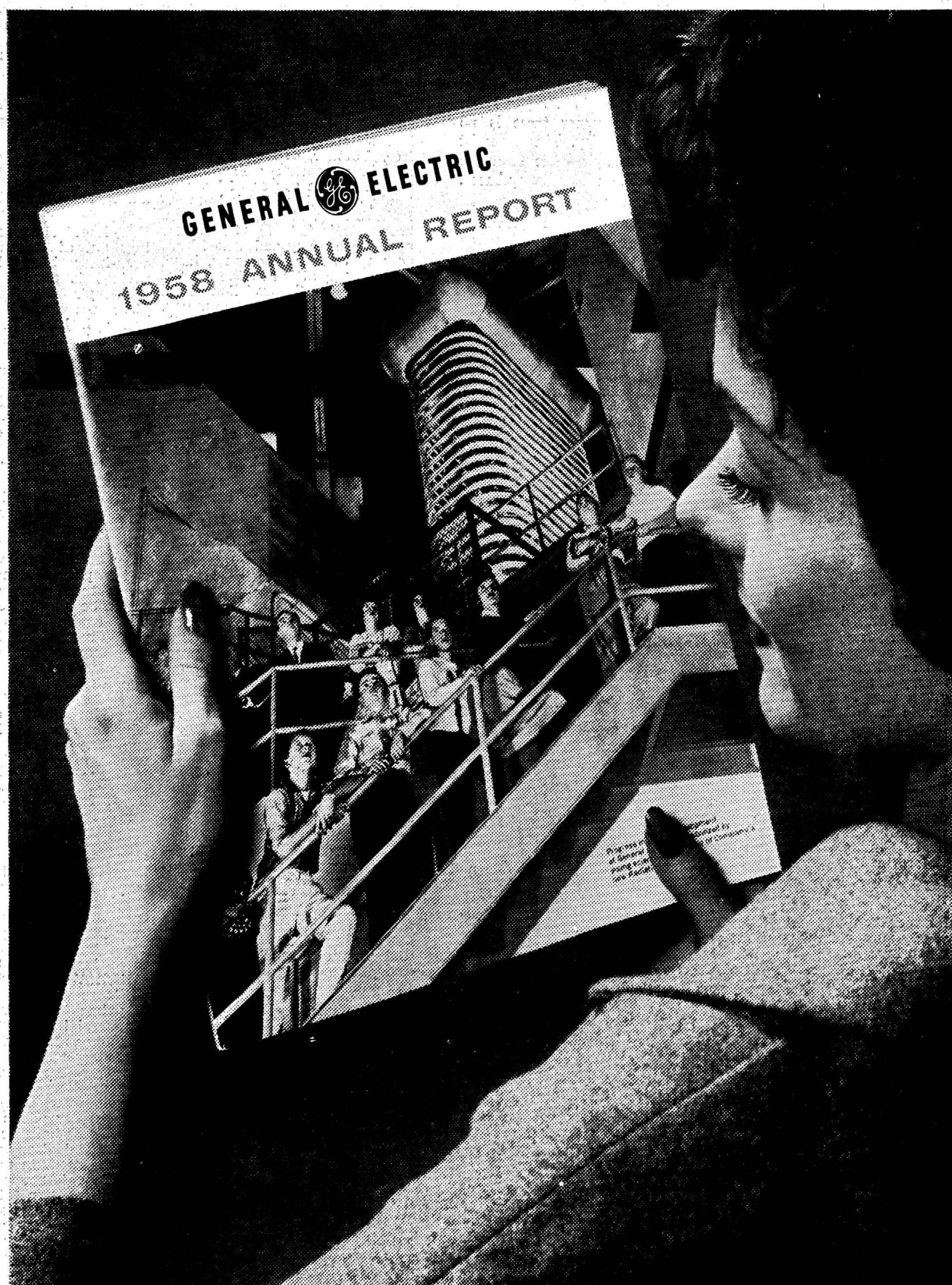

Progress Is Our Most Important Product

GENERAL ELECTRIC

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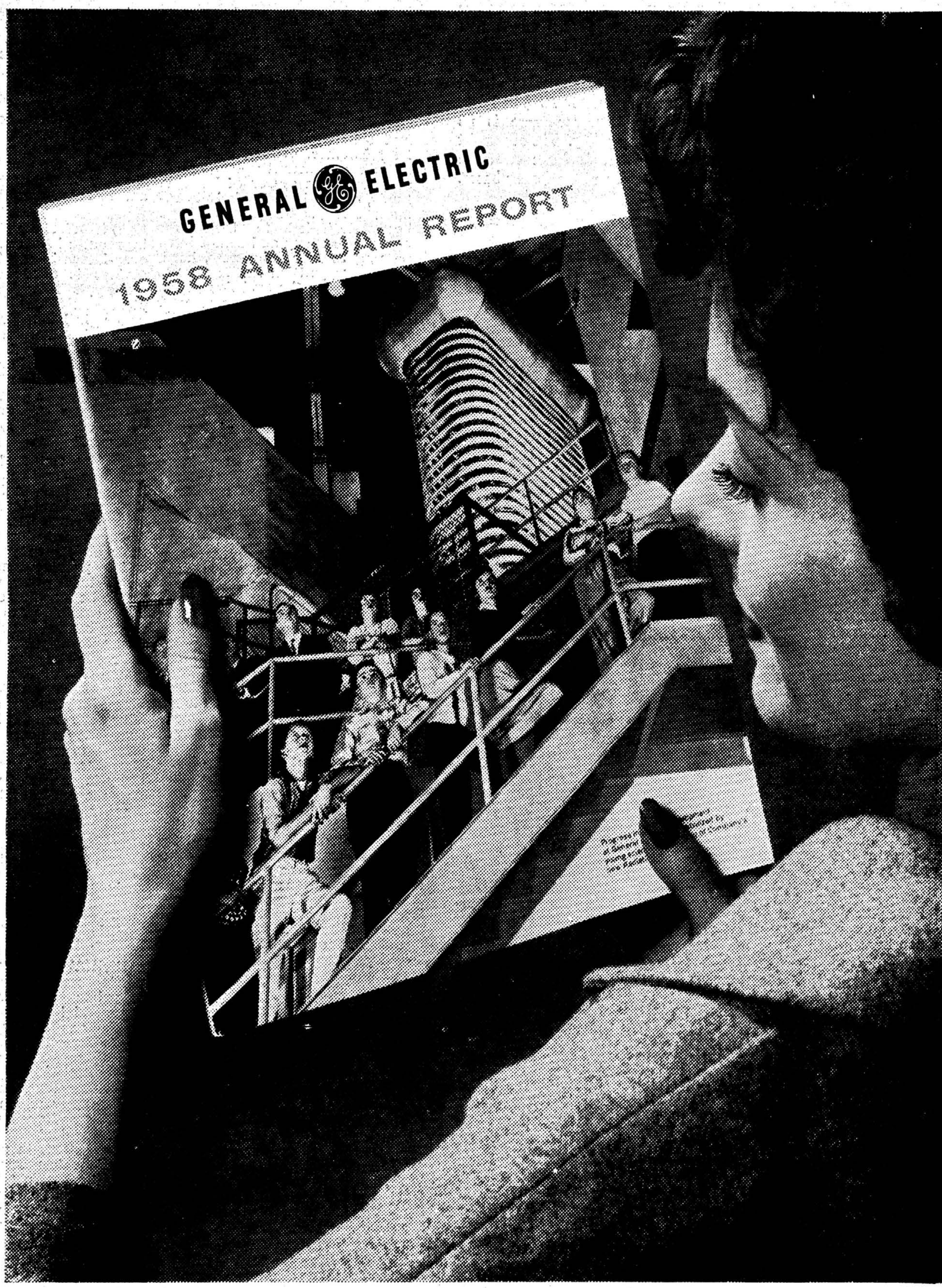

Progress Is Our Most Important Product

GENERAL ELECTRIC

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.

EDITOR'S NOTE: Owing to an error, a portion of Dr. Ensley's talk did not appear in the text that appeared in our March 5 issue, page 11. The address as delivered is reproduced herewith.

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 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 re-

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

serves 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 clarifies the basic differences between commercial banks and thrift institutions.

Implicit in the proposal is a lack of recognition of how effective existing tools of monetary policy are in regulating the activities of all financial institutions. The pervasive effects of monetary policy have not escaped the attention of our central banking authorities, however, as evidenced by this statement in a recent address by Governor A. L. Mills of the Federal Reserve Board:

"Altogether, there is little question but that Federal Reserve system monetary policy profoundly influences the investment policies of mutual savings banks, savings and loan associations, and insurance companies, and that influence is registered directly through changes in the Federal Reserve Bank discount rate and indirectly through a derivative influence on their activities that stems from the effects that monetary policy first has on the credit-creating activities of the commercial banks."

Indeed, "Stop" and "Go" signals, produced by changes in Federal Reserve discount rates and open market operations, elicit a quick and powerful response in the willingness and ability of savings banks and other institutions to make advance commitments for mortgages and corporate securities. Changes in the volume of new commitments, in turn, affect the flow of funds into construction and corporate capital investment in ways that conform with the objectives of monetary policy. Moreover, changes in interest rates, produced by a combination of market influences and Federal Reserve actions, exert an important influence on savings bank investment policies. Such changes bear upon the willingness to shift funds between U. S. Government securities on the one hand and mortgages and corporate bonds on the other hand, and thus affect the volume of funds flowing into the private sectors of the economy.

In addition, the line of reasoning of the advocates of financial controls has certain basic flaws. It fails to recognize that, in the short-run, both the eagerness of thrift institutions to attract savings and the willingness of individuals to reduce their checking account balances in favor of life insurance policies or other so-called "near monies," are relatively constant. Certainly, the advocates of controls advance no evidence that the behavior of thrift institutions and individual savers conforms to their theories. Moreover, they fail to indicate convincingly why thrift institutions, which are only one among the many factors that may have an effect on the velocity of money, should be singled out for special Federal controls.

These proposed controls, and the theories on which they are based, also raise broad questions with respect to the role of monetary policy in a free enterprise society. One of the chief advantages of monetary policy, aside from its effectiveness, is the impersonal nature of its influence, and the large area of freedom of choice it leaves to private initiative. The broadening of controls to cover mutual thrift institutions, would go far beyond the limits of traditional monetary policy, and would get into the area of control of lending and investment policies of numerous different types of institutions. Rather than a mere

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Where Commercial Banks Err In Attacking Savings Banks

extension of monetary policy, the proposed financial controls constitute a major and unwarranted new intervention by government into the financial system.

The Basic Problem and Its Roots

The basic problem and the challenge facing this nation, it should seem clear to all, is whether we can achieve a satisfactory rate of economic growth without surrendering to the forces of inflation. That we have not been entirely successful in meeting this problem so far, and that the reasons for our failure go well beyond any deficiencies in the structure of our financial institutions, should be equally clear. Certainly, proposals to change our financial machinery through increased monetary regulation or punitive taxation of thrift institutions—let alone to abolish the mutual form of organization—hardly provide the answer.

In large part the problem stems from a resignation to the inevitability of inflation—or a failure to recognize its threat—precipitating action on the part of business, labor, and consumers, and some Federal legislators, which results in the building of inflation deeper into our economic system. At the very outset, therefore, a broad program of grass roots education is essential to drive home to the American people, first that inflation strikes at the very heart of our economic and personal freedoms, and second that our monetary and fiscal authorities are determined and able to combat this economic scourge at all costs.

Such a broad educational program should have as its aim the uniting of business, labor, and consumers, in a determined effort to develop and support anti-inflationary programs and policies dedicated to sound economic growth. Labor must be made aware of the harmful effects, to themselves as well as to the economy at large, of excessive wage demands beyond productivity. Business must understand the evils of a rigid price structure beyond the reach of market forces. Consumers must understand the wisdom of thrift for their own future security, and for the nation's capital growth and general stability. All must be educated to the urgency of a Federal budget in a balanced, if not a surplus, position in this period of economic expansion.

The Chairman of the Board of Governors of the Federal Reserve System, William McChesney Martin, Jr., summed it up neatly when he said in a recent statement to the Joint Economic Committee:

"... among potential inflationary factors, first, perhaps, foremost, is the budgetary position of the Federal Government. As the economy moves up toward more intensive utilization of its productive resources, it is essential that deficits give way to surpluses. What this Congress decides, what management, labor, agriculture and, indeed the public, generally decide to do will win or lose the battle against debasement of the currency with all of its perils to free institutions."

Singles Out Federal Credit and Insurance Agencies

In this setting, it must be added that the policies and programs pursued by Federal credit-granting and insuring agencies bear importantly on the nation's growth and stability. It is essential that these policies and programs be coordinated with overall monetary and fiscal policies if the battle against inflation is to succeed. The coordination of Treasury debt management operations with Federal Reserve monetary and credit actions is by now a well accepted principle. It is not as well accepted, at least in practice, however, that there are other Federal credit programs which need to be coordinated.

For example, public policy, operating through the various Federal agencies concerned with mortgage credit, seems at times to be committed to having an adequate supply of mortgage credit **available at all times**, regardless of where we are in the business cycle. Such housing credit policy, pursued with little or no regard for monetary and fiscal policies, presents serious problems for economic stabilization. This is true, also for the Federal agricultural credit programs. There can be no alternative but that the huge and expanding Federal mortgage and agricultural credit programs be subordinated to, and modified from time to time in accordance with, the changing need to control inflationary forces.

Calling attention to the dangers of inflation and pointing out the steps necessary to combat inflationary pressures is hardly the same as admitting the inevitability of inflation. On the contrary, we have repeatedly pointed out that such is not the case and that recent developments have hardly justified an inflationary psychology. Our latest view on this matter was expressed by William A. Lyon, President of the National Association of Mutual Savings Banks to President Eisenhower, as follows:

"... Prices during the last six months have been stable, indicating that inflation is not inevitable and that economic stability can be maintained. The immediate dangers of inflation, as reflected graphically in rising stock prices, have been exaggerated in light of the fact that our working force is not yet fully absorbed by industry. We have unused productive capacity. Farm output and surpluses are reaching new highs. We have high rates of individual savings. We are witnessing technological and productivity advances. And we have the prospect of a balanced budget.

Public insistence on a balanced budget for fiscal 1960, restraints by both labor and management in wage and price policies, sound monetary and fiscal policies, and a continued high level of personal savings can help to maintain economic growth with stability."

The Need for Unity

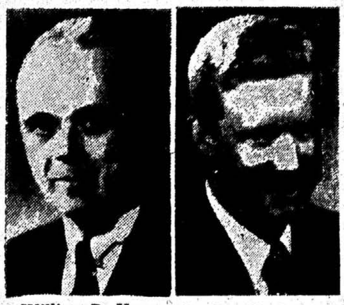
The current controversies between commercial banks and mutual thrift institutions must not be permitted to impair the ability of all sectors of the financial community to unite on matters of common interest and to promote effectively sound national economic policies. There is no reason why mutual thrift institutions and commercial banks cannot compete on the basis of the particular benefits each offers to the public. Such competition will strengthen rather than weaken the thrift industry and will enable it to continue to play its vital role in our expanding economy.

It would indeed be short-sighted policy for our competitors to seek the enactment of legislation designed to penalize mutual thrift institutions. Such efforts would raise a mountain of opposition, not only from the mutual thrift institutions themselves, but also from the housing industry and from home owners. Unwarranted attacks on mutual thrift institutions would also make it difficult for the financial community to provide united support for long-needed banking and financial legislation and for Government policies that contribute to balanced economic growth and the preservation of the value of the dollar.

Reasonable men in all walks of finance are aware of the high price of dissension. They are cognizant of their responsibilities to the public at large, and to millions of individual savers in particular, and, hence, are seeking to create a climate in which all types of thrift institutions can compete without rancor or irresponsibility. They merit the support of all those who understand the continued need for a healthy, vigorous thrift industry that will enhance the economic well-being of the nation.

Annual Meeting of Miss. Valley IBA Group

ST. LOUIS, Mo. — William D. Kerr, Bacon, Whipple & Co., Chicago, President of the Investment Bankers Association of America, will address the annual meeting of the Mississippi Valley Group of the Investment Bankers Association.



William D. Kerr   Gordon L. Calvert

Other speakers will be Frank E. Morris, Research Director of the I. B. A. of America, who will speak on "The Economic Outlook" and Gordon L. Calvert, Municipal Director and Assistant General Counsel of the I. B. A., who will address the meeting on "Recent Developments on the Washington Scene."

American S. E. to Revise Commissions

The board of governors of the American Stock Exchange has adopted an amendment to the market's constitution providing for two revisions in the minimum commission rate structure, according to an announcement by exchange president Edward T. McCormick. The amendment provides for reduced commission rates on stock transactions with money involved ranging from $100 to $2,400.

The amendment, the same as one adopted recently by the New York Stock Exchange board of governors, would reduce commissions on transactions between $150 and $2,200 by one dollar. On transactions between $100 and $150 and between $2,200 and $2,400, reductions would vary from a few cents to a dollar. On transactions over $2,400 commissions would be unchanged.

Mr. McCormick estimated that member commission income would be reduced by about 4.6%. The amendment would also eliminate the special reduced commission on round turn transactions effected on the exchange within fourteen calendar days.

The amendment, will become effective on March 30, 1959 if approved.

D. T. Moore Partner

On April 1st Hervey L. Kimball will become a limited partner in D. T. Moore & Co., 50 Broad St., New York City, members of the New York Stock Exchange.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Louis E. Weed, President of **East Brooklyn Savings Bank, Brooklyn, N. Y.**, has been appointed a member of the Advisory Board of **Manufacturers Trust Company's** Brooklyn Trust Office, it was announced by Horace C. Flanigan, Chairman of the trust company's board of directors.

Mr. Weed has been associated with East Brooklyn Savings Bank since 1942, having served as Comptroller, Treasurer, Executive Vice-President, and Trustee before being elected President in 1957.

* * *

Stockholders of **J. P. Morgan & Co., Inc., New York**, and the **Guaranty Trust Co., New York**, voted approval of the proposed merger of the two institutions to form New York City's third largest bank. State and Federal banking authorities are expected to act on the plan in two or three weeks. Full details of the proposed merger appeared in the "Chronicle" on page 26 of the February 12 issue.

* * *

Chemical Corn Exchange Bank, New York, has elected Chandler H. Kibbee to its Grand Central Area Advisory Board, it was announced on March 11 by Harold H. Helm, Chairman.

James A. Cathcart, Jr., has also been elected to its Upper Midtown Area Advisory Board.

Mr. Helm also announced the election of John McMaster to its 30 Broad Street Advisory Board.

* * *

The Long Island Trust Company, Garden City, New York, opened Freeport's only drive-in banking facility March 9. It is located on Henry Street, just north of Sunrise Highway in the business section, close to the bank's Freeport Office and the Long Island Railroad station.

* * *

By the sale of new stock, the common capital stock of **The Richmond County National Bank of Port Richmond, New York**, was increased from $300,000 to $400,000, effective Feb. 20. (Number of shares outstanding — 4,000 shares, par value $100.)

* * *

Gerard T. Meehan, Assistant Vice-President of **The County Trust Company, White Plains, New York**, has been designated officer in charge of the bank's Pleasantville office, according to an announcement from Dr. Joseph E. Hughes, Chairman. He succeeds Clark E. Dixon who retired last week after more than 35 years with the company.

Assigned to the Pleasantville office in January, 1958, Mr. Meehan had previously been in charge of the bank's drive-in office in Briarcliff.

* * *

By the sale of new stock, the common capital stock of **The Merchants National Bank & Trust Company of Syracuse, New York**, was increased from $1,700,000 to $1,870,000, effective Feb. 24. (Number of shares outstanding—187,000 shares, par value $10.)

* * *

Farmers and Merchants Trust Company, of Chambersburg, Chambersburg, Penn., a State member, and **Marion Bank, Marion, Penn.**, merged under charter and title of Farmers and Merchants Trust Company of Chambersburg.

* * *

Norman R. Smith has been appointed Assistant Vice-President in the trust department of **Mellon National Bank and Trust Company, Pittsburgh, Penn.**, according to an announcement by Frank R. Denton, Vice-Chairman of the bank.

Mr. Smith joined Mellon Bank in 1949 as Assistant Supervisor in the bookkeeping division. From 1951 until 1954 he worked as an assistant in the corporate trust division, and in October, 1954, was appointed Assistant Secretary in charge of the stock transfer division. In May, 1957, he was appointed a trust officer.

* * *

The First National Bank of Seaford, Seaford, Del., with common stock of $150,000, was merged with and into **Bank of Delaware, Wilmington, Del.**, under the charter and title of Bank of Delaware, effective as of the close of business Jan. 30.

* * *

The common capital stock of **The National Bank of Fairfax, Va.**, was increased from $300,000 to $350,000 by a stock dividend, and from $350,000 to $400,000 by the sale of new stock, effective Feb. 24. (Number of shares outstanding—4,000 shares, par value $100.)

* * *

Boards of directors of **Spitzer-Rorick Trust & Savings Bank, Toledo, Ohio**, and **Ohio Citizens Trust Co.**, have approved an agreement to merge the two banks, according to a joint announcement by Marvin H. Rorick and Willard I. Webb., Jr., Presidents, respectively. The merger, subject to approval by state banking and Federal Reserve authorities and ratification by shareholders of both banks, is scheduled to take place about April 30.

The consolidation will be effected by an exchange of Ohio Citizens common shares for Spitzer-Rorick shares on a ratio yet to be determined.

Mr. Webb will continue as President and Director of the consolidated bank and Mr. Rorick will become a Director and Chairman of the Executive Committee.

The announcement said Marvin M. Wilkinson, Durwood DuBois and Robert L. Knight will continue as Executive Vice-Presidents of Ohio Citizens; J. Arch Anderson as Vice-President and Secretary, and Harold W. Kreamer as Vice-President and Treasurer.

Marvin H. Rorick, Jr., Horton C. Rorick and John M. Houk, all Vice-Presidents of Spitzer-Rorick, will join Willard I. Webb, III, Lawrence I. Schiermyer, Franklin V. Barger, Arthur B. Bare and Paul F. Lewis as Vice-Presidents of Ohio Citizens in the commercial banking department.

* * *

The common capital stock of **The First National Bank in Dolton, Ill.**, was increased from $150,000 to $200,000 by a stock dividend, and from $200,000 to $300,000 by the sale of new stock, effective Feb. 24. (Number of shares outstanding—3,000 shares, par value $100.)

* * *

The common capital stock of the **First National Bank of Waukesha, Wis.**, was increased from $1,375,000 to $1,500,000 by the sale of new stock, effective Feb. 25. (Number of shares outstanding—60,000 shares, par value $25.)

* * *

R. B. Potashnick was elected a Director of **Bank of St. Louis, St. Louis, Mo.**, at a recent meeting of the board of directors, Jack G. Butler, President, has announced. Mr. Potashnick is also a Director of the **First National**

Bank, Cape Giradeau, Mo., and the **Mercantile National Bank, Chicago, Ill.**

* * *

The First National Bank of Clarksville, Tenn., increased its common capital stock from $400,000 to $500,000 by the sale of new stock, effective Feb. 23. (Number of shares outstanding — 10,000 shares, par value $50.)

* * *

The common capital stock of **The First National Bank of Lawrenceburg, Tenn.,** was increased from $150,000 to $300,000 by a stock dividend, and from $300,000 to $400,000 by the sale of new stock, effective Feb. 24. (Number of shares outstanding — 4,000 shares, par value $100.)

* * *

The First National Bank of Port Arthur, Texas, increased its common capital stock from $800,000 to $900,000 by a stock dividend, effective Feb. 24. (Number of shares outstanding—45,000 shares, par value $20.)

* * *

The common capital stock of **The Idaho First National Bank, Boise, Idaho,** was increased from $5,000,000 to $5,300,000 by a stock dividend, and from $5,300,000 to $5,500,000 by the sale of new stock, effective Feb. 24. (Number of shares outstanding — 550,000 shares, par value $10.)

* * *

Tom B. Coughran was elected Executive Vice-President and Senior Executive Officer for the **Bank of America (Int'l),** a subsidiary of **Bank of America National Trust & Savings Assn., Cal.**

Ed. McCormick Named By A. S. E. for Six Yrs.

James R. Dyer, board chairman of the American Stock Exchange, has announced that the market's board of governors had renewed exchange president Edward T. McCormick's contract for a six year period.

E. T. McCormick

Mr. McCormick has served as president of the exchange since 1951. Prior to that he was a member of the Securities and Exchange Commission.

Federal Land Banks Sell 4¼% Debentures

The Federal Land Banks offered publicly on March 10 a new issue of $86,000,000 non-callable 4¼% bonds, dated April 1, 1959, and maturing March 20, 1968, at 99¼%. The offering is being made through John T. Knox, fiscal agent for the Banks, and a nation-wide group of securities dealers and dealer banks.

Net proceeds from the financing will be used by the Banks to repay short-term borrowings and for estimated lending operations.

Sotheren Forms Co.

LITTLE FERRY, N. Y.—John V. Sotheren is engaging in a securities business from offices at 65 Columbus Avenue under the firm name of Mutual Fund Sales.

Personal Planning Services

Personal Planning Services, Inc. has been formed with offices at 405 Park Avenue, New York City, to engage in a securities business. Joseph Linden is president; Shirley Feit, vice-president; and Blanche Linden, secretary-treasurer.

Chase Manhattan Group Offers $26,340,000 New York City Bonds

The Chase Manhattan Bank is manager of an underwriting syndicate which won award March 10 of an issue of $26,340,000 City of New York, Various Purpose, General Obligation Serial Bonds, due April 1, 1960 to 1974, inclusive.

The group submitted a bid of 100.17999 for the bonds as 3.20s, a net interest cost of 3.17394% to the city for the borrowing.

On reoffering to the public, the bonds were scaled from a yield of 1.90%, out to a dollar price of 98 for the distant maturities.

Net proceeds from the financing will be used by the City of New York for the acquisition of school sites and the construction of school buildings; for annual contributions to the subway workers pension funds; for the repaving of streets, and for payments of judgments, claims and awards.

Other members of the offering syndicate include:

Chemical Corn Exchange Bank; Manufacturers Trust Co.; J. P. Morgan & Co. Inc.; Lehman Brothers; Blyth & Co., Inc.; Lazard Freres & Co.; Barr Brothers & Co.; R. W. Pressprich & Co.; Merrill Lynch, Pierce, Fenner & Smith Incorporated; Eastman Dillon, Union Securities & Co.

Goldman, Sachs & Co.; Bear, Stearns & Co.; The Northern Trust Company; Harris Trust and Savings Bank; Equitable Securities Corporation; Drexel & Co.; The Philadelphia National Bank; Hornblower & Weeks; Carl M. Loeb, Rhoades & Co.; Ladenburg, Thalmann & Co.

Blair & Co. Incorporated; Hallgarten & Co.; Hemphill, Noyes & Co.; The Marine Trust Company of Western New York; F. S. Moseley & Co.; Paine, Webber, Jackson & Curtis; Schoellkopf, Hutton & Pomeroy, Inc.; B. J. Van Ingen & Co., Inc.; Bache & Co.; Baxter & Company; A. G. Becker & Co. Incorporated; Federation Bank and Trust Company; Gregory & Sons.

Paul H. Voigt With W. H. Morton & Co.

Paul H. Voigt has become associated with W. H. Morton & Co. Incorporated, 20 Exchange Place, New York City, dealers in state and municipal bonds. Mr. Voigt was formerly with The First Boston Corporation in charge of municipal trading.

Joseph Walker to Admit

On March 27, Peter C. Young will be admited to limited partnership in Joseph Walker & Sons, 120 Broadway, New York City, members of the New York Stock Exchange.

Why the Federal Reserve Urgently Requires More Powers

By DR. MARCUS NADLER*

Professor of Finance, Graduate School of Business, NYU
Consultant to The Hanover Bank

Our unfortunate inability to achieve fiscal discipline and debt management control requires giving broader power to the Federal Reserve—our only effective disciplinary force in the economy. In advancing this diagnosis and prescription, Dr. Nadler would permit qualitative controls to retard flow of capital and credit into inflationary pressuring areas and to facilitate flow of funds into socially desirable channels.

A free economy, in order to achieve sustainable economic growth with satisfactory employment conditions and relatively stable purchasing power of the currency, must be subjected to certain indirect controls and disciplines particularly fiscal and monetary discipline and debt management.

Marcus Nadler

In the U. S., unfortunately, real fiscal discipline is not possible, primarily because the actions of the Congress are dominated by pressure groups who seek to further their own interests without considering the general welfare of the nation. Furthermore, even if it were feasible, fiscal control at best is slow in achieving its objectives. Debt management is also not possible as an economic control, partly because of the recurring budget deficits and partly because the Treasury has to compete with other borrowing agencies of the government and with government-insured and guaranteed bonds. This creates an exceptionally thin market for medium- and long-term government obligations.

The only effective discipline that has been exercised is monetary control. However, this is restricted to quantitative control only, which affects the overall availability and cost of credit. In periods of active credit restraint, quantitative credit control assumes the character of qualitative control because lenders must choose among competing borrowers. This raises the question of whether economic profitability should take precedence over social utility. In periods of active credit ease, the Federal Government usually operates with a large deficit which is financed mainly through short-term Treasury obligations. This increases the liquidity of business concerns and the banks and thus handicaps the policy of the Federal Reserve authorities when credit restriction again becomes necessary.

Since one cannot expect that in the foreseeable future fiscal discipline and debt management will exercise an important role in economic control it is highly desirable that the powers of the Reserve authorities be broadened. Those should include not only the present quantitative powers to conduct open market operations and to change reserve requirements and the discount rate, but also qualitative or selective controls. The qualitative controls should be broadened to enable the Reserve authorities not only to retard the flow of credit and capital into projects which would accentuate inflationary pressures but also to facilitate the flow of funds into channels considered socially desirable.

*Summary of a talk by Dr. Nadler before the Metropolitan Economic Association of New York, New York City, March 6, 1959.

Forms Sycamore Inv.

RAHWAY, N. J. — Gertrude Schifter has formed Sycamore Investment Associates with offices at 526 Sycamore Street to engage in a securities business. Miss Schifter was formerly with L. L. Fane & Co., Inc., and Osborne & Thurlow.

Form Universal Securities

BIRMINGHAM, Ala.—Universal Securities Corporation has been formed with offices in the Brown Marx Building to engage in a securities business. Officers are Samuel T. Nash, Jr., President; Claude B. Rogers, Jr., and Frank D. Hays, Vice-Presidents; Mary R. Breeze, Secretary-Treasurer; and J. R. Chandler, Assistant Secretary-Treasurer.

William E. Monks is Assistant Manager of the firm.

N. Y. S. E. Revises Commission Schedule

Members of the New York Stock Exchange have approved a revision in the commission schedule, effective March 30, by a vote of 878 to 68, Keith Funston, President, has announced.

The new schedule affects minimum commissions involving transactions ranging from $100 to $2,400. Net effect of the revision will be to reduce commissions on transactions between $150 and $2,200 by $1. On transactions between $100 and $150 and between $2,200 and $2,400, the reductions will vary from a few cents to $1.

The revised schedule also eliminates the so-called "round-term" commission on transactions completed within 14 days. The "round-term" commission was a reduced rate that applied on the closing side for persons whose purchase and sale of the same security was completed within 14 days.

Commissions on transactions involving more than $2,400 will remain unchanged.

The new and present schedules, for each 100 shares, are shown below:

NEW		PRESENT	
Under $100—	As mutually agreed	Under $100—	As mutually agreed
$ 100 to 399—	2% plus $ 3.00	$ 100 to 399—	2% plus $ 4.00
$ 400 to 2,399—	1% plus $ 7.00	$ 400 to 2,199—	1% plus $ 8.00
$2,400 to 4,999—	1/2% plus $19.00	$2,200 to 4,999—	1/2% plus $19.00
$5,000 and over—	1/10% plus $39.00	$5,000 and over—	1/10% plus $30.00

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

The change in rates was approved by the Board on Feb. 19 and a constitutional amendment was immediately submitted to the membership for a vote. Out of the total Exchange membership of 1,366, votes were cast by 949 members. Three ballots were defective.

Soutendijk to Join Brown Bros. Harriman

L. R. W. Soutendijk, presently Financial Counselor to The Netherlands Embassy at Washington will become associated with the banking firm of Brown Brothers Harriman & Co. 59 Wall St., New York City, members of the New York Stock Exchange, on July 1st next. He will serve as special adviser and consultant to the Bank's customers in matters involving overseas business, particularly in the European Common Market countries. The steadily expanding interest of American industry in direct participation in European markets has resulted in increased need for advice and assistance from banks active in international business. The activities of Brown Brothers Harriman & Co. in this field will be supervised by Mr. Soutendijk.

L. R. W. Soutendijk

Following the liberation of The Netherlands in 1945, Mr. Soutendijk became attached to the Ministry of Finance and, since May, 1946, has been Financial Counselor to The Netherlands Embassy at Washington. As a representative of The Netherlands Ministry of Finance, he has also served during this period as an adviser to the Government of Surinam and as Alternate Executive Director of the International Bank for Reconstruction and Development. A graduate of the Rotterdam School of Economics, Mr. Soutendijk was associated for nine years with the well-known Dutch banking firm of Labouchere & Co.

Chicago Inv. Women To Hear at Dinner

CHICAGO, Ill. — The guest speaker at the dinner meeting of The Investment Women of Chicago to be held on Wednesday, March 18, 6 P.M. at the Chicago Bar Association, will be G. Walden Porter, Jr., Director of Marketing Services of Chicago Association of Commerce and Industry.

His topic will be: Chicago International Fair and Exposition. The Fair is being sponsored by the Chicago Association of Commerce and Industry. Mr. Porter is the assistant managing director of the Fair and he promises to tell us ALL about it: when, where, why, and the background of organization, personnel, and financing.

Mr. Porter is one of the outstanding young business men in Chicago. He is originally from St. Louis and is a veteran of both World War II and the Korean War.

Joins Keenan & Clarey

(Special to The Financial Chronicle)

MINNEAPOLIS, Minn.—Thomas C. Breen has been added to the staff of Keenan & Clarey, Inc., Pillsbury Building.

With Shearson, Hammill

(Special to The Financial Chronicle)

MINNEAPOLIS, Minn.—Bennie G. Berg has become associated with Shearson, Hammill & Co., Rand Tower Building. He was formerly an officer of the Security State Bank of Fergus Falls.

Joins Ranson & Co.

(Special to The Financial Chronicle)

WICHITA, Kansas — Dennis R. Cowell has become associated with Ranson & Company, Inc., 208 So. Market Street. He was formerly with Zahner and Company.

Continued from page 11

A Changing America And the Stock Market

It not only is confined to the home and outside the home, but to travel, which represents expenditures of billion of dollars. The trends in Eastman Kodak, Polaroid and Bell & Howell are an indication of what happened when increases in leisure activity and travel stimulated demand for photographic equipment. It has provided opportunities to the hotel and motel industries as well as restaurants.

Cultural Activity and the Market

Few have considered the effects of cultural activity on the stock market. Some phases of culture may seem a bit remote to the realistic appraisal of the security markets. Nevertheless, the growth of mass culture in recent years has provided extraordinary opportunities in securities, whether companies producing television sets or electric organs or mass circulation media. I do not agree with the motion picture industry that because of television, their opportunities have declined proportionately. The amount of time that the average American spends at home is abnormally large based on the situation in previous years. This would undoubtedly be reduced if there were greater inducements provided by the theater or motion picture industry or other cultural activities. Hollywood, even with the television industry, has a greater opportunity than at any time in its history, but the product must be better, promotional appeal must be greater and its whole marketing concept must change.

The growth in importance of the record industry reflects a growth in music appreciation. I am not referring to rock and roll or any other temporary phenomenon, but rather to the interest in better music as exemplified by the development of stereo and Hi-Fi. If you want any better indication of the changing character of American life, note the increased amount of radio time which is being devoted to music.

Suburban Development

The upsurge in population, the revolution in income distribution, the growing number of women working and our steadily expanding leisure time, as well as growing cultural interests, have vied in importance in this changing America with suburban development. Suburban development has helped the auto, it has helped the retailer and it has helped industry in general. It has had definite social as well as economic implications. There is no doubt that the securities market has felt the impact of this important change.

The relocation of a large proportion of the American middle class from the cities to the suburbs has resulted in a comparable growth in stores and services to satisfy this lush market. The list of goods and services which the home owner requires is so extensive that it is fortunate for the builder that the owner doesn't know about many before he takes title. An auto becomes a necessity for daily living —to get to the station, the supermarket, the dentist and the girl scout meeting. Home laundry equipment must replace the city laundry. Garden equipment and supplies can add up to quite a sum, particularly when power equipment is used on postage stamp size properties.

There is suddenly room for a barbecue grill and a patio in the yard and a freezer in the kitchen. The house is bigger and needs more furniture. The wind blows freer and storm windows and doors must be added. The basement and attic are wasted as long as they are unfinished, and of course a family soon finds a need for them.

In considering investments, these factors must be constantly borne in mind. They are the basis for our more optimistic attitude regarding the outlook for such industries as home furnishings, recreational items, hardware, etc. A high saturation point in refrigerators or stoves with suburban growth is not as unfavorable to these industries as would be a high saturation point without suburban growth. However, the tendency will be away from purchasing individual units. Emphasis will be rather on coordinated and centralized kitchens and the company which concentrates on such merchandising will better reflect the suburban growth than those concerned strictly with the individual items.

Switch to Service Industries

One of the most revolutionary changes which has occurred in American life, and which seems to have gone unnoticed by most analysts, economists, forecasters and others, is the basic shift in our economic structure away from dominance by industrial or commodity producing industries to the service industries. Service industries today generate 57% of our national income. In 1956, for the first time in our history, the number of white collar workers exceeded the number of blue collar workers. This does not imply that only white collar workers are found in service industries or that all employees in manufacturing plants are blue collar workers. There is a sizable overlapping in both areas.

Employment in service industries exceeds employment in manufacturing, construction and mining combined. It may be an oversimplification to say that science and technology have been the cause of the growth of the service industries. Although science and technology underlie almost all important changes, other factors are important as well.

The economist, the business analyst or the forecaster who has missed the cyclical changes in our economy since the end of the war have been those who have given undue consideration to the machine and to the factory and not enough to the changing America, particularly as regards the position of the consumer. Take 1957-1958 for an illustration. We had a marked inventory decline, lower capital expenditures and sharply reduced auto production. Yet the combined three factors gave us a business recession considerably less than that of 1937-1938.

Since all of us are interested in the security market, may I urge you to consider the proper influences on this changing America. The indicators that depict contemporary America are different in many respects from those of 20 or 25 years ago. The service industries should be one of the more important considerations.

How can you acquire a better knowledge of the service industries? Before you invest in any industry or in any company you should acquaint yourselves with what comprises the cost of servicing and the cost of marketing. Since government is a part of servicing, and government expenditures represent a good portion of our current gross national product, you should have all the information possible as to what the government policy is regarding defense, for example. Is defense spending going to be concentrated on traditional types of equipment? Will it go for airplanes, or missiles? What is the government's profit retention policy and depreciation allowance? Since state and local government operations also include services, the question of spending on the part of these for highways, schools and hospitals, is also most important.

However, of even greater importance is the distribution industry. Total retail volume approximates about $200 billion. It is the largest component of our total gross national spending. Opportunities in this field have not been adequately considered. We have used the wrong yardsticks to measure the current and potential needs of consumers. A changing America in terms of a middle income public, increased number of women working, and all the factors I have mentioned mean more liberal spending in supermarkets, more liberal buying of packaged foods, and more liberal spending for semi-luxuries and luxuries. Our current economy implies an expansion in demand for better merchandise and less emphasis on price alone. It should be advantageous to the independent as well as the specialty store. At the same time, it is favorable to the large distributors such as Sears, J. C. Penney, who are adequately diversified and flexible to meet not only the needs of the growing middle class and at the same time cater to the lower income classes.

There have been substantial increases in values of distribution securities, but as compared with some of the "growth" stocks, these have lagged. Many of the service industries provide investment opportunities. Among these are the utilities and hotels. The new services that will be rendered by the hotels will be many, including the credit card. Although this may be a temporary phenomenon, it nevertheless is not actually of recent origin. It is a manifestation of the honesty of the American public and the fact that consumer credit, or credit in any form is an excellent investment. There are a number of credit companies, or finance companies to be more specific, which should show good growth. These are represented on both the "Big Board" as well as the American Stock Exchange.

The service industries which have been able to increase productivity are those which have taken advantage of the technical advances. The most recent developments in this area have been the electronic data processing machines, which have a future in finance, insurance, government, and large retail stores. There are also tremendous possibilities in warehousing, where electronic controls speed the flow of goods, type the bills, etc.

Not only since the book, *"A Changing America,"* was published, but even before that, the question was raised, are all of America's needs so well supplied? My answer is no. The service industries will continue to grow and changes in the next decade may be as dramatic or even more dramatic than in the past decade.

Conclusions

A changing America should provide opportunities, particularly to imaginative individuals. We have heard a great deal of the golden Sixties. Rather than to speak of the glowing Sixties I would be more inclined to emphasize the opportunities that are available to all of us in this land of plenty in mid century.

There is little doubt of the impact of this changing America on the security market. A large part of it has already been reflected in the record new highs which have been recorded. However, they have not adequately reflected the long-term prospects which will be an outgrowth of a changing America. Not all industries or companies which have been in the vanguard in past years will continue so. On the other hand, those which have lagged may begin to reflect this dynamic trend. What I have tried to highlight is a few of the most significant economic and social developments which are important and will become even more important as time goes on.

In making investment decisions on the basis of the foregoing, let me point out that the choice of the individual company is as important or even more so as picking the industry. I would strongly urge that you apply the normal yardstick for investment such as history of the company, current management, financial position, expenditures for research and development and other basic indicators.

In closing, may I state that the stock market is in a critical period, since by all standards it is very high. Yet who would dare say that it is too high, based on the potentials of the next five to ten years of a changing America, with all its dynamic features?

Van Clief Investments

UNION CITY, N. J.—Van Clief Investments, Inc., has been formed with offices at 415 22nd Street to engage in a securities business. Officers are Anthony Van Clief, President; Ruth Van Clief, Treasurer and Sophie Dite, Secretary.

Forms Walker & Co.

TYLER, Tex.—Harold H. Walker is engaging in a securities business from offices in the Peoples National Bank Building, under the firm name of Walker & Co.

ABA Film Now Available

The American Bankers Association's newest educational film, "A Man to Know," released last fall for television broadcast exclusively, has now been made available for purchase by member banks and bank groups for local showings.

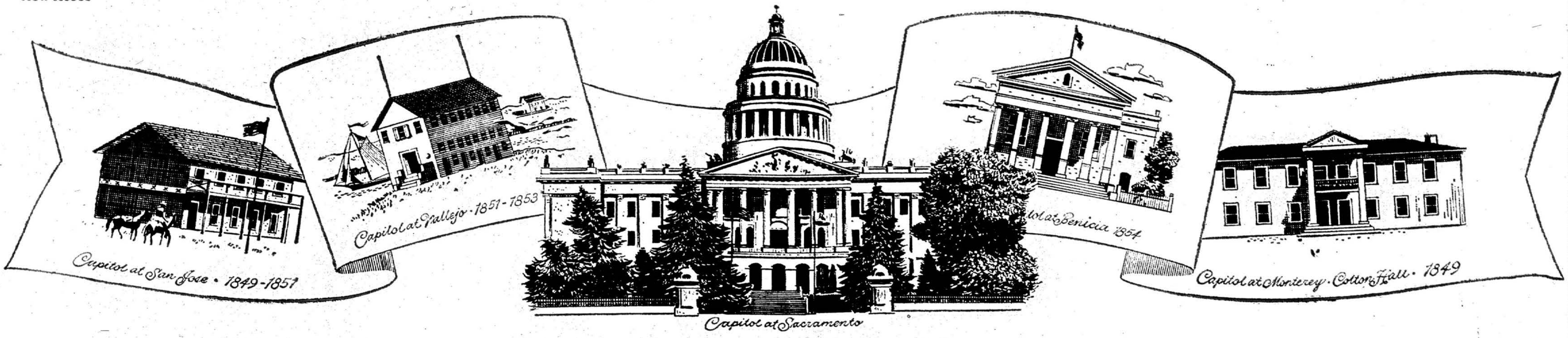
Prints of the 13½-minute black-and-white 16-mm sound film, which was designed to dramatize the wide variety of services offered by commercial banks and to build a friendlier "image" of the nation's banks and bankers, may be purchased from the Public Relations Council, American Bankers Association, 12 East 36 Street, New York 16, New York. The cost is $50. A leader identifying the sponsoring bank or bank group may be obtained for an additional $10.

The film makes use of a documentary technique to show how a small-town banker is able to step in at crucial times to help the people of his community. The banker's role is shown in a series of flashbacks. While the film depicts the experiences of only three people, it is made clear that there are countless similar stories in every community, and others can benefit from their banks' services in the same way as the characters portrayed.

Wineman, Weiss Partner

Wineman, Weiss & Co., 61 Broadway, New York City, members of the New York Stock Exchange, on April 1 will admit Stephen L. Joseph to partnership.

New Issues



$100,000,000

STATE OF CALIFORNIA

5%, 3¾%, 4%, 3¼% and 3½% BONDS

ISSUES, AMOUNTS, RATES, MATURITIES AND YIELDS OR PRICES

(Accrued interest to be added)

$50,000,000
State Construction Program Bonds, Act of 1955, Series B
Dated: March 1, 1959
Due: December 1, 1960-84, incl.

Amount	Coupon Rate	Due	Yield or Price†
$1,600,000	5%	1960	1.90%
1,600,000	5	1961	2.20
1,600,000	5	1962	2.45
1,600,000	5	1963	2.70
1,600,000	5	1964	2.80
1,800,000	5	1965	2.85
1,800,000	3¾	1966	2.90
1,800,000	3¼	1967	3.00
1,800,000	3¼	1968	3.10
1,800,000	3¼	1969	3.20
2,000,000	3¼	1970	100
2,000,000	3¼	1971	100
2,000,000	3¼	1972	3.30
2,000,000	3¼	1973	3.35
2,000,000	3½	1974	3.45
2,200,000	3½	1975	100
2,200,000	3½	1976	100
2,200,000	3½	1977	100
2,200,000	3½	1978	100
2,200,000	3½	1979	3.55
2,400,000	3½	1980*	3.55
2,400,000	3½	1981*	3.60
2,400,000	3½	1982*	3.60
2,400,000	3½	1983*	3.60
2,400,000	3½	1984*	3.60

†Yield to maturity.
*Bonds maturing 1980-84, incl., subject to call at par, plus accrued interest, on and after December 1, 1979, as described herein.

$50,000,000
Veterans' Bonds, Act of 1956, Series S
Dated: April 1, 1959
Due: October 1, 1960-84, incl.

Amount	Coupon Rate	Due	Yield or Price†
$1,300,000	5%	1960	1.90%
1,300,000	5	1961	2.20
1,300,000	5	1962	2.45
1,500,000	5	1963	2.70
1,500,000	5	1964	2.80
1,500,000	5	1965	2.85
1,600,000	5	1966	2.90
1,600,000	4	1967	3.00
1,600,000	3¼	1968	3.10
1,700,000	3¼	1969	3.20
1,700,000	3¼	1970	100
1,700,000	3¼	1971	100
2,000,000	3¼	1972	3.30
2,000,000	3¼	1973	3.35
2,000,000	3½	1974	3.45
2,300,000	3½	1975	100
2,300,000	3½	1976	100
2,300,000	3½	1977	100
2,500,000	3½	1978	100
2,500,000	3½	1979	3.55
2,500,000	3½	1980*	3.55
2,800,000	3½	1981*	3.60
2,800,000	3½	1982*	3.60
2,800,000	3½	1983*	3.60
2,900,000	3½	1984*	3.60

†Yield to maturity.
*Bonds maturing 1980-84, incl., subject to call at par, plus accrued interest, on and after October 1, 1979, as described herein.

Tax Gain, Amortization of Premium

These bonds will be initially issued by the State of California at not less than their par value

STATE CONSTRUCTION PROGRAM AND VETERANS' BONDS

Payment and Registration

Principal and semi-annual interest (June 1 and December 1) for the $50,000,000 State Construction Program Bonds and (April 1 and October 1) for the $50,000,000 Veterans' Bonds payable, at the option of the holder, at the office of the Treasurer of the State of California in Sacramento, California, or at the office of any duly authorized agent of the State Treasurer, including the agent of the State Treasurer in New York, N. Y. First coupon payable June 1, 1959, on the $50,000,000 State Construction Program Bonds. Coupon bonds in denomination of $1,000 registrable only as to both principal and interest.

Redemption Provision

State Construction Program Bonds maturing on and after December 1, 1980, are subject to redemption at the option of the State, as a whole or in part, on December 1, 1979, (but not prior thereto) and on any interest payment date thereafter, at the principal amount thereof and accrued interest thereon to date of redemption. Veterans' Bonds maturing on and after October 1, 1980, are subject to redemption at the option of the State, as a whole or in part, on October 1, 1979, (but not prior thereto) and on any interest payment date thereafter, at the principal amount thereof and accrued interest thereon to date of redemption. Publication of notice of redemption shall be once a week for two weeks not less than 30 days nor more than 90 days prior to said date of redemption, in each of the Cities of San Francisco, Sacramento and Los Angeles, California. If less than all the bonds should be redeemed, they shall be called in inverse numerical order, the part so called not less than all the bonds maturing in any one year.

Tax Exemption

In the opinion of counsel, interest payable by the State upon its bonds is exempt from all present Federal and State of California personal income taxes under existing statutes, regulations and court decisions.

Legality for Investment

We believe these bonds will meet the requirements as legal investments for savings banks and trust funds in New York, California and certain other states and for savings banks in Massachusetts and Connecticut and will be eligible as security for deposits of public moneys in California.

Purpose and Security

State Construction Program Bonds, issued under the State Construction Program Bond Act of 1955 (Statutes 1955, Chapter 1709) and Section 4.5 of Article XVI of the Constitution of the State of California, for various construction program purposes, in the opinion of counsel are general obligations of the State of California payable in accordance with the State Construction Program Bond Act of 1955 out of the General Fund of the State. The full faith and credit of the State of California are pledged for the punctual payment of both principal and interest. The bonds are authorized for the purpose of providing the necessary funds to meet under existing regulations to amortize any premium paid thereon.

Legal Opinion

These bonds are offered when, as and if issued and received by the underwriters listed below as well as other underwriters not shown whose names will be furnished on request, and subject to approval of legality by The Honorable Stanley Mosk, Attorney General of the State of California, and by Messrs. Orrick, Dahlquist, Herrington & Sutcliffe, Attorneys, San Francisco, California.

financed primarily from general revenues rather than from special funds.

Veterans' Bonds, issued under the Veterans' Bond Act of 1956 (Article 5F, Chapter 6, Division 4, Military and Veterans Code) for Veterans' purposes, in the opinion of counsel are general obligations of the State of California payable in accordance with the Veterans' Bond Act of 1956 out of the General Fund of the State. The full faith and credit of the State of California are pledged for the punctual payment of both principal and interest. The bonds are authorized for the purpose of assisting California war veterans to acquire farms and homes, the cost of which must be repaid to the State on an amortized purchase basis.

Bank of America N. T. & S. A.
Bankers Trust Company
The Chase Manhattan Bank
The First National City Bank of New York
The First National Bank of Chicago
Halsey, Stuart & Co. Inc.
Blyth & Co., Inc.
The First Boston Corporation

Harriman Ripley & Co. Incorporated
Harris Trust and Savings Bank
Smith, Barney & Co.
Lehman Brothers
American Trust Company San Francisco
Security-First National Bank
California Bank Los Angeles
Drexel & Co.
Glore, Forgan & Co.

Chemical Corn Exchange Bank
C. J. Devine & Co.
Continental Illinois National Bank and Trust Company of Chicago
The Northern Trust Company
R. H. Moulton & Company
Goldman, Sachs & Co.
Kidder, Peabody & Co.

Eastman Dillon, Union Securities & Co.
Bear, Stearns & Co.
Merrill Lynch, Pierce, Fenner & Smith Incorporated
Blair & Co. Incorporated
Weeden & Co. Incorporated
The First National Bank of Boston
The First National Bank of Oregon
The Philadelphia National Bank

Seattle-First National Bank
Equitable Securities Corporation
Stone & Webster Securities Corporation
Dean Witter & Co.
Phelps, Fenn & Co.
White, Weld & Co.
Salomon Bros. & Hutzler
R. W. Pressprich & Co.

Paine, Webber, Jackson & Curtis
Mercantile Trust Company
Shields & Company
Reynolds & Co.
Crocker-Anglo National Bank
J. Barth & Co.
Ladenburg, Thalmann & Co.
John Nuveen & Co. (Incorporated)
William R. Staats & Co.

American Securities Corporation
Bache & Co.
Bacon, Whipple & Co.
A. G. Becker & Co. Incorporated
Alex. Brown & Sons
Clark, Dodge & Co.
Dick & Merle-Smith
Dominick & Dominick
Fidelity Union Trust Company Newark, N. J.

First of Michigan Corporation
First Western Bank & Trust Co. San Francisco, Calif.
Gregory & Sons
Hallgarten & Co.
Hayden, Stone & Co.
Hemphill, Noyes & Co.
Hornblower & Weeks
E. F. Hutton & Company
Laidlaw & Co.

Lee Higginson Corporation
Carl M. Loeb, Rhoades & Co.
F. S. Moseley & Co.
National State Bank Newark, N. J.
Roosevelt & Cross Incorporated
L. F. Rothschild & Co.
Schoellkopf, Hutton & Pomeroy, Inc.
Shearson, Hammill & Co.

Stroud & Company Incorporated
B. J. Van Ingen & Co. Inc.
Andrews & Wells, Inc.
Barr Brothers & Co.
J. C. Bradford & Co.
Branch Banking & Trust Company
Braun, Bosworth & Co. Incorporated
Coffin & Burr Incorporated

Francis I. duPont & Co.
Estabrook & Co.
First Southwest Company
W. E. Hutton & Co.
Kean, Taylor & Co.
The Marine Trust Company of Western New York
Laurence M. Marks & Co.
W. H. Morton & Co. Incorporated
Tucker, Anthony & R. L. Day

Adams, McEntee & Co., Inc.
Bacon, Stevenson & Co.
Baxter & Company
The Boatmen's National Bank of St. Louis
City National Bank & Trust Company Kansas City, Mo.
Commerce Trust Company Kansas City, Mo.
R. S. Dickson & Company Incorporated

A. G. Edwards & Sons
Eldredge & Co. Incorporated
Fitzpatrick, Sullivan & Co.
Geo. B. Gibbons & Company Incorporated
Ira Haupt & Co.
Hirsch & Co.
The Illinois Company Incorporated
A. M. Kidder & Co., Inc.
Lawson, Levy, Williams & Stern

National Bank of Commerce of Seattle
The National City Bank of Cleveland
Wm. E. Pollock & Co., Inc.
Schwabacher & Co.
F. S. Smithers & Co.
Stone & Youngberg
Taylor and Company
Spencer Trask & Co.
Trust Company of Georgia

Wachovia Bank and Trust Company
G. H. Walker & Co.
Wood, Struthers & Co.
Robert W. Baird & Co., Incorporated
Baker, Watts & Co.
Barret, Fitch, North & Co. Incorporated
William Blair & Company

Bramhall, Falion & Co., Inc.
F. W. Craigie & Co.
Dempsey-Tegeler & Co.
First National Bank in Dallas
J. A. Hogle & Co.
King, Quirk & Co. Incorporated
Irving Lundborg & Co.
Mercantile-Safe Deposit and Trust Company

Newhard, Cook & Co.
New York Hanseatic Corporation
The Ohio Company
Rauscher, Pierce & Co., Inc.
Republic National Bank of Dallas
Stern Brothers & Co.
J. S. Strauss & Co.
Tripp & Co., Inc.
Van Alstyne, Noel & Co.

Chas. E. Weigold & Co. Incorporated
R. D. White & Company
J. R. Williston & Beane
Robert Winthrop & Co.
H. E. Work & Co.
Anderson & Strudwick
Blunt Ellis & Simmons
I. L. Brooks & Co. Incorporated
City National Bank and Trust Company of Chicago

Julien Collins & Company
Field, Richards & Co.
The First Cleveland Corporation
The First National Bank of Memphis
First National Bank of Minneapolis
The First National Bank of Saint Paul
Glickenhaus & Lembo
G. C. Haas & Co.
Hannahs, Ballin & Lee

Hayden, Miller & Co.
Industrial National Bank of Providence
Kalman & Company, Inc.
Kenower, MacArthur & Co.
Lyons & Shafto Incorporated
Mason-Hagan, Inc.
Wm. J. Mericka & Co., Inc.
Model, Roland & Stone

Moore, Leonard & Lynch
Mullaney, Wells & Company
Park, Ryan, Inc.
Rand & Co.
Shuman, Agnew & Co.
Stern, Lauer & Co.
Third National Bank in Nashville
J. C. Wheat & Co.
The White-Phillips Company, Inc.

Wood, Gundy & Co., Inc.
Auchincloss, Parker & Redpath
C. F. Childs and Company Incorporated
John W. Clarke & Co.
Courts & Co.
J. M. Dain & Company, Inc.
Dallas Union Securities Co., Inc.
Shelby Cullom Davis & Co.

Dittmar & Company, Inc.
Elkins, Morris, Stokes & Co.
Fahey, Clark & Co.
The Fort Worth National Bank
Freeman & Company
Ginther & Company
Green, Ellis & Anderson
J. B. Hanauer & Co.
Laird, Bissell & Meeds

McCormick & Co.
McDonald & Company
The Milwaukee Company
Newburger, Loeb & Co.
Northwestern National Bank of Minneapolis
Putnam & Co.
Raffensperger, Hughes & Co. Incorporated
Reinholdt & Gardner
Rippel & Co.

The Robinson-Humphrey Company, Inc.
Ryan, Sutherland & Co.
Schmidt, Roberts & Parke
Seasongood & Mayer
Sterne, Agee & Leach
M. B. Vick & Company
E. Ray Allen & Company, Inc.
Mason S. Andrus, Inc.

Atkinson and Company
George K. Baum & Company
Boettcher and Company
Bosworth, Sullivan & Company, Inc.
Brush, Slocumb & Co. Inc.
Burns, Corbett & Pickard, Inc.
Edward L. Burton & Co.

Cumberland Securities Corporation
Davis, Skaggs & Co.
Dewar, Robertson & Pancoast
A. Webster Dougherty & Co.
Dreyfus & Co.
R. J. Edwards, Inc.
Ellis & Co.
Clement A. Evans & Company Incorporated
Fahnestock & Co.

Federation Bank and Trust Co.
The First of Arizona Company
Foster & Marshall
Granbery, Marache & Co.
Hill Richards & Co. A Corporation
The Johnson, Lane, Space Corporation
Lucas, Eisen & Waeckerle Incorporated
McDonald-Moore & Co.

McDonnell & Co. Incorporated
Mercantile National Bank of Dallas
Merrill, Turben & Co., Inc.
Muir Investment Corp.
W. H. Newbold's Son & Co.
D. A. Pincus & Co.
Provident Savings Bank & Trust Company

Rockland-Atlas National Bank of Boston
Rodman & Renshaw
Russ & Company Incorporated
Singer, Deane & Scribner
Stein Bros. & Boyce
Stranahan, Harris & Company
Stubbs, Watkins and Lombardo, Inc.
Suplee, Yeatman, Mosley Co. Incorporated

Talmage & Co.
Thomas & Company
Chas. N. Tripp Company
Watling, Lerchen & Co.
Westheimer & Company
Robert L. Whittaker & Co.
Wulff, Hansen & Co.

March 12, 1959

A circular relating to these bonds may be obtained from any of the above underwriters, as well as other underwriters not shown whose names will be furnished on request.

NASD Announces Appointments of National Committees

WASHINGTON, D. C.—Alexander Yearley, IV, Chairman of the Board of Governors of the National Association of Securities Dealers and partner of Robinson-Humphrey Co., Atlanta, announced appointments to National Committees of the Association.


A. Yearley, IV

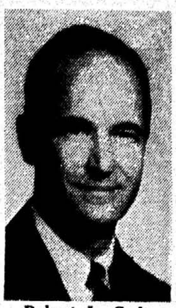

James F. Jacques


Glenn E. Anderson


James G. Dern


Emmet K. Whitaker


Andrew M. Baird


Robert L. Cody


John D. McCutcheon

Mr. Yearley also is Chairman of the Association's Executive Committee. Other chairmen and the committees they head:

James F. Jacques of First Southwest Co., Dallas, Finance; Glenn E. Anderson of Carolina Securities Corp., Raleigh, N. C., National Business Conduct; James G. Dern of Smith, Barney & Co., Chicago, Legislation; Henry H. Badenburger of Francis I. du Pont & Co., New York, is Chairman and Thomas B. MacDonald of Blyth & Co., New York, is Vice-Chairman of National Uniform Practice Committee.

Emmet K. Whitaker of Davis, Skaggs & Co., San Francisco, is Chairman and Justin J. Stevenson, Jr., of W. E. Hutton & Co., Cincinnati, is Vice-Chairman of the National Quotations Committee; Andrew M. Baird of A. G. Becker & Co., Chicago, Information; Robert L. Cody of North American Securities Co., San Francisco, Investment Companies; Henri L. Floy of Abraham & Co., New York, is Chairman and John A. Nevins of Model, Roland & Stone, New York, is Vice-Chairman of Foreign Securities Committee; and John D. McCutcheon of John D. McCutcheon & Co., St. Louis, Variable Annuities.

Appointed as Members of the Committees were:

Executive—Mr. Anderson, Ernest W. Borkland, Jr., of Tucker, Anthony & R. L. Day, New York; Francis M. Brooke, Jr., of Brooke & Co., Philadelphia; Mr. Dern, Mr. Jacques, Allen J. Nix, of Riter & Co., New York; Donald L. Patterson of Boettcher & Co., Denver; Ralph C. Sheets of Blyth & Co., New York, and Wallace H. Fulton, NASD's Executive Director.

Finance—Mr. Borkland, J. Gordon Hill of Watling, Lerchen & Co., Detroit; George H. Nusloch of Nusloch, Baudean & Smith, New Orleans; Mr. Yearley and Mr. Fulton.

National Business Conduct—Mr. Baird, William H. Claflin, III, of Tucker, Anthony & R. L. Day, Boston; Mr. Cody, Graham Jones of Cooley & Co., Hartford, Conn.; Richard Lawson of Lawson, Levy, Williams & Stern, San Francisco; Glenn L. Milburn of Milburn, Cochran & Co., Wichita, Kan.; Blancke Noyes of Hemphill, Noyes & Co., New York; Mr. Nusloch and Samuel S. Whittemore of Pacific Northwest Co., Spokane.

Legislation—Ewing T. Boles of The Ohio Company, Columbus; Mr. Hill, Mr. Jones, Mr. Noyes, Mr. Sheets and Claude F. Turben of Merrill, Turben & Co., Cleveland.

National Uniform Practice — Edward J. Armstrong of Stein Bros. & Boyce, Baltimore; George J. Denzer of The First Boston Corp., New York; Guenther M. Philipp of Paine, Webber, Jackson & Curtis, Chicago; Oliver J. Troster of Troster, Singer & Co., New York, and Ralph W. Welsh of Robert, Glendinning & Co., Philadelphia.

National Quotations—Francis V. Ward of H. C. Wainwright & Co., Boston; Eastern Regional Chairman; Glen A. Darfler of H. M. Byllesby & Co., Chicago; Midwestern Regional Chairman; Donald E. Summerell of Wagenseller & Durst, Inc., Los Angeles; Pacific Coast Regional Chairman; John W. Turner of Eppler, Guerin & Turner, Inc., Dallas, Southwestern Regional Chairman; Francis J. Cunningham of Kidder, Peabody & Co.; S. Richard Harris of Courts & Co., Atlanta, and Albert C. Purkiss of Walston & Co., New York.

Information—Curtis H. Bingham of Bingham, Walter & Hurry, Inc., Los Angeles; Mr. Claflin and Mr. Fulton.

Investment Companies—Franklin R. Johnson of Colonial Distributors, Inc., Boston; Hugh W. Long of Hugh W. Long & Co., Elizabeth, N. J.; Rowland A. Robbins of First Investors Corp., New York; William F. Shelley of Vance, Sanders & Co., Boston; Harry J. Simonson, Jr., of National Securities & Research Corp., New York, and Francis S. Williams of F. Eberstadt & Co., New York.

Foreign Securities—Jack M. Bloch of Bear, Stearns & Co., New York; John Fountain of White, Weld & Co., New York; Derek Grewcock of Carl M. Loeb, Rhoades & Co., New York; Max Halpert of Arnhold & S. Bleichroeder, Inc., New York; Carl Marks of Carl Marks & Co., New York; and Henry Stravitz of Swiss American Corp., New York.

Variable Annuities—Arthur H. Haussermann of Vance, Sanders & Co., Boston; Allen J. Nix of Riter & Co., New York, and Erwin A. Steubner of Kidder, Peabody & Co., Chicago.

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Variable Annuities' Opponents Oppose Sharing U. S. Growth

poses, let us say that this might result in total variable annuity payments in the first year of $1,300, in the second year $1,100, in the third year $1,200, etc. The important point is that the annuity payments would reflect the investment results of the Account, both before and after retirement.

It is evident that the two types of annuity contract are similar in many respects, and especially in the basic one of providing a *lifetime* income. They differ primarily in one respect—the traditional annuity provides a life income expressed in terms of a fixed number of *dollars;* the variable annuity provides a life income expressed in terms of a fixed number of *units*, and the dollar amount of the annuity payments would *vary*, depending upon the investment experience, including capital gains and losses, realized and unrealized, of the Variable Contract Account, which is invested primarily in common stocks.

Why Was the Variable Annuity Developed?

Retirement plans cover very long periods of time: is it prudent to establish such plans on the blithe assumption that a monthly income of a certain *fixed* number of dollars will be satisfactory 25 to 35 years from now, because it would be satisfactory today?

There are two distinct, but easily confused, economic forces to be considered. The first, and more widely discussed is the *increasing cost of living* or price *inflation.* From 1880 to 1958, the dollar lost over 70% of its purchasing power. From 1940 to 1958, the dollar lost over 50% of its purchasing power. How much will a dollar buy 25 years from now? Many economists foresee persistent moderate inflation, on a ratchet basis—with alternating periods of price inflation and of price stability. I believe I have been and continue to be as vigorous and as outspoken as anyone in the United States on the need for stabilizing the value of the dollar. But would anyone consider me wise to merely *assume* that, over the long term, we *will have* the stability that I think we *should have?* Or *must* I assume that, whatever we do, no one *knows* whether we will have price inflation, deflation, or stability—or alternating periods of each? Perhaps one approach is to consider that each is equally likely, but I know many observers who believe some inflation is more likely than not—and I know no one who believes deflation or stability is more likely than not.

The *second* economic force is the dynamic thrust of our economy toward an *ever-increasing standard of living.* The continuation of this force is not only to be expected, but *is to be desired.* Assume, if you will, no inflation, but a continuing increase in productivity, which makes possible a higher standard of living *for all—if all* share in the results of the increased productivity. The fruits of increased productivity can be shared in a number of different ways: they may be distributed in the form of higher wages or dividends; they may permit a reduction in hours worked; or, finally, they may be shared by all consumers in the form of lower prices. Unfortunately, this last form of sharing has been infrequent, and this means that an annuitant with a fixed dollar income has little opportunity to share in the fruits of rising productivity.

Let me illustrate the problem by an example. Consider an individual who was earning $3,000 a year when he retired in 1940 on a fixed dollar retirement income of $1,500, or half-pay. In 1940, this income could have been enough to permit him to continue his accustomed standard of living and maintain his position in the community. Now, how much would this annuitant have needed in 1958 to offset the rise in the cost of living and keep up with the general improvement in the real standard of living being enjoyed by most of the population? He would have needed $4,500, or three times the $1,500 fixed dollar income. Putting it another way, his real standard of living relative to the working population was cut by two-thirds during this period. By 1958 his fixed dollar income of $1,500 was starkly inadequate and emphasized the need for another form of retirement income which is capable of adjusting to changing conditions. From 1940 to 1958, a *decrease of 50%* in the purchasing power of the dollar was accompanied by an *increase* of 50% in *real* wages. This is an important phenomenon — *even if from this day on there is absolutely no further increase in the cost of living, is there any reason to look forward to no further improvement in our standard of living—or is there any reason in fairness or in the national well-being why retired individuals should not have an opportunity to participate in that improvement?*

The purpose, then, of the variable annuity is to make possible a form of retirement income which can offer real hope for some resistance to the increase in the cost of living and at the same time offer some opportunity for participation in the increase in the standard of living.

A Brief History of the Variable Annuity

The modern variable annuity idea stems from a comprehensive study completed about 1950, concerning the pensions of college professors. Many prominent economists and outstanding community leaders participated in this study. They concluded that the most desirable retirement plan would be hedged against *both* deflation and inflation. It would be *balanced*, with half of each retirement contribution going into a traditional fixed dollar annuity contract, and half into a variable annuity based on common stocks. Following the study, the College Retirement Equities Fund was established in 1952 by special act of the New York Legislature, to provide variable annuities solely to the faculties of colleges and other educational institutions, under the supervision of the New York Insurance Department. Since that time, about 50,000 college professors have secured variable annuity contracts after *individually choosing* to have part (in most cases half) of their pension on a variable basis.

The staff of the Prudential has, naturally, made a very thorough study of variable annuities. We have tested the variable annuity principle in hundreds of different historical situations, over the years since 1880. Our investigation convinces us that, in the past, annuitants would have fared well indeed, if they had had *balanced* retirement plans, provided by equal contributions to fixed and variable annuities. The combined income from the two types of annuity would have provided a fairly constant amount of purchasing power. Let me tell you about just one case. Remember the individual whose plight I mentioned earlier—who retired in 1940 on an annual fixed dollar income of $1,500. If, instead of having a *fixed dollar* retirement income, he had been covered by a balanced retirement plan (half variable and half fixed) from age 45 to age 65 (1920 to 1940) — into which the same total contributions had been made, he would, in 1958, have received a retirement income of more than $4,500—or enough to maintain his position in the community.

Other pension plans using variable annuities now cover the airline pilots and the employees of many prominent companies. Last year variable annuities were made part of the retirement plan for Wisconsin state employees, including teachers. In total, over 100,000 Americans now have variable pensions.

There are three U. S. insurance companies now offering variable annuity contracts, and doing business in the District of Columbia, West Virginia, Kentucky, Arkansas and North Dakota.

But the natural development of variable annuities has been badly hampered by the variable annuity debate.

What Is the Variable Annuity Debate All About?

Undoubtedly, some have heard something about the variable annuity debate. As is often the case in such matters, the real issues are sometimes obscured, intentionally or otherwise.

One issue—principally in the New Jersey Legislature—is about whether life insurance companies should be able to offer variable annuity contracts; the second issue, which was recently argued before the U. S. Supreme Court, is about whether variable annuity contracts, involving life contingencies, and thus available only from life insurance companies supervised by State Insurance Departments, should, *in addition*, be under the jurisdiction of the Securities and Exchange Commission.

The legislation we are seeking in New Jersey would (1) enable any New Jersey life insurance company to establish a separate Variable Contract Account, which we would require for the operation of variable annuity contracts, and (2) provide for the comprehensive regulation of variable annuity contracts, under the supervision of the State Insurance Department.

Our position on the Federal case is that we believe insurance companies are fully supervised by the State Insurance Departments—and we don't think variable annuity contracts should be under SEC jurisdiction. A Federal District Court Judge and three Court of Appeals Judges have upheld that view.

The Prudential Insurance Company believes that a variable annuity contract is a desirable product for a life insurance company to offer, and one which would be good for the public to have. Furthermore, we believe that since such a contract involves life contingencies, it can be offered to the general public *only* by a life insurance company. Other prominent life insurance companies support this view. We don't insist that every insurance company should offer such contracts, or that every person should have one, but we believe the product should be available for those who want it.

The opposition to variable annuities is varied in composition and in purpose. Among them are some investment men who normally advocate greater use of common stocks in retirement plans, and also some insurance men who deplore any common stocks in any retirement plans.

The opposition outside the insurance industry seem intent on blocking variable annuity contracts, by any means. We find it incredible that these men know so little about the insurance business that they can allege we are relatively unregulated and untaxed. Perhaps some of them, especially some mutual fund men, may be concerned about the coming of vigorous competition. This we can understand. But we are mystified by some of the others, such as representatives of the stock exchanges, who preach as gospel the desirability of increasing the volume of equity capital in the country, the need for getting a broader spread of share ownership, and the advantages of all forms of stock purchase plans; but are opposed to variable annuities. The reasons they offer for their position are far from convincing to me.

Perhaps a word about the difference of opinion within the life insurance industry is also in order. Some of this opposition we believe is based on misunderstanding, reflecting inadequate study of the subject. Some is based on fear of a new development, no matter how sound. Similar fears were expressed in the early days of many of the insurance products that are commonplace today — like group insurance — or the very recent family policy. Some of the opposition seems to be based on unreasoning objection to common stocks *per se*. Some of this opposition may be based on the fear that annuitants will not understand that payments under a variable annuity contract may go down as well as up—and that this may reflect upon the insurance industry. We believe that annuitants *will* understand the nature of the contract—and that it would reflect badly on the insurance industry if we did nothing to recognize the problem and modernize our retirment plans.

American Enterprise and Variable Annuities

The American insurance industry prides itself on being enterprising and on offering new products as change calls for them. One astute observer of the American insurance scene has suggested that America has made two fundamental contributions to life insurance: group insurance and variable annuities. Note how both are consonant with the emphasis of American enterprise on mass production, distribution, and participation.

I mentioned earlier that the real disposable income per family (that is, after adjusting for price changes) was 2½ times as high in 1958 as in 1880. What will happen in the next generation? Sober studies by responsible men indicate that it is quite possible that by 1975, real disposable income per family may be about $7,400—or a growth of almost one-third above the $5,800 of 1958. Just think what this means in terms of an increasing standard of living. This growth of our economy will not come automatically—and the way we manage ourselves will affect this potential—but it is a challenging opportunity as well as responsibility for us.

Our increasing standard of living will undoubtedly manifest itself in many ways. One way will surely be the increased opportunity for the enjoyment, as each of us deems best, of the leisure of retirement. It is, therefore, important that we modernize our retirement plans — both individual and group.

The future promises both successes and dangers. One of the dangers is inflation. Again, I say I am convinced we *should* do everything in our power to restore stability to our currency. But this conviction is in no way inconsistent with another equally strong conviction: an individual should be able to provide for his retirement income on a plan that at least offers a *chance* of resisting the effects of the increased cost of living *if* we have the inflation we *don't* want; and offers a *chance* of sharing in the increased standard of living if we have the economic growth we *do* want.

We believe it is in the best tradition of American enterprise for a company like the Prudential to make the variable annuity contract available to the general public.

We believe also that it will be in the best tradition of American enterprise, for many enterprising Americans to include a variable annuity contract in their plans for their future retirement income.

And it must be evident that the retirement benefits to be provided under variable annuities will be closely linked to the future success of American enterprise, as reflected by the results of broad common stock ownership in America's business and industry. Just consider the long-range significance of the present variable annuity coverage of 50,000 college professors and many Wisconsin public school teachers, and that is the merest beginning. Variable annuities, made generally available, will give more people a stake in American enterprise and will thereby bring us closer to the "People's Capitalism" toward which American enterprise is heading.

In closing, I want to make one point quite clear: we believe in the continued need for fixed dollar annuities and fixed dollar life insurance policies — and we will go on stressing them. But we also think the American public should be *able* to *supplement* such coverages with Prudential Variable Annuity Contracts.

Richard Hymes

Richard Hymes, limited partner in Dreyfus & Co., New York City, passed away on March 1.

William Milius Adds

(Special to THE FINANCIAL CHRONICLE)

CLAYTON, Mo.—David D. Lynch has become affiliated with William Milius and Co., 101 South Meramec.

Continued from first page

As We See It

ing these notions. Such programs as these were not new, but it remained for the New Deal to give them real rigor. By the time World War II got under way, Franklin Roosevelt was saying in effect that it was all but immoral for any man to be permitted to retain an income of more than $25,000 per year. These were war times, but all too much of the spirit and the letter of the wartime income tax laws were carried over into the peace years. At any rate, the rates at which individual incomes are taxed today leave little or no room for the collection of still higher taxes on such income. Proceeds from these taxes move up and down with the state of business, but few there are who believe that the yield from this main reliance can be greatly increased by any sort of changes in rates. Meanwhile, it has become clear that income taxes laid upon corporations are about as steep as is economically feasible.

All this seems to indicate clearly that additional revenue, if it must be found, has to be sought elsewhere, and other types of taxes bear more directly and visibly upon the rank and file. Thus the demand that larger public expenditures be financed by additional tax collections has a meaning rather different from that which was attached to such a demand when it was still possible to go further in robbing rich Paul to pay poor Peter. Thus we find insistent demand for larger outlays and great reluctance to increase tax burdens. This state of affairs or the practical results of it are now meeting the eye in many parts of the country as well as in the national capital. It is one of the reasons for the stubborn insistence on the part of the New Dealers and kindred spirits that need for balancing outgo with income is to be regarded as an ancient myth and a hoary fallacy.

But the disposition to permit public debt to increase indefinitely is also running into some of the hard facts of economic life. The enormous flow of municipal securities, revenue obligations as well as others, has taken the cost of such borrowings exceptionally high levels. The remaining supply of funds seeking such outlets is clearly not unlimited. And, of course, in the degree that sale of tax exempt municipals draws funds from other types of investment the hope of financing largesse through individual income taxes is reduced. All in all, the investing public has grown somewhat uneasy about the volume of municipal borrowing that has already been done, and even the politicians are uncertain about pushing such borrowing to further limits.

Treasury Also

Nor is the United States Treasury free from difficulties arising out of the enormous borrowings in the past and the prospect of further large borrowing to result from current deficits. Current interest costs and the talk of possible need for raising the legal limit on rates are a far cry from the day when government obligations brought almost no yield, and the Treasury was able to borrow almost without cost. Not even the politician on Capitol Hill is unaware of the problems raised by the fiscal needs of the nation under existing conditions. Of course, no one in the investment market really questions the goodness of the credit of the United States. The national government will always be able to borrow, and borrow in large amounts—so far, at least, as can now be foreseen—but only at substantially higher rates than the Federal Government has grown used to paying.

Of course, there are always those easy reasoners who glibly place the blame for this state of affairs upon the Federal Reserve authorities, and who insist that the situation could be easily cured by an easier money policy. There are many valid objections to such a conclusion. It is, however, hardly necessary to go further than the status of the dollar in international markets, and the rate at which we have lost gold during the past year or more. We should hardly be warranted in calling all this a "flight from the dollar" as some have been inclined to do, but it is evident enough that our price level resulting from the easy money policies of the past (as well as other related factors) have tended to price us out of foreign markets, and that artificially depressed rates of interest when effort was being made to end the recession by soft money policies have led foreign holders to leave our shores with their balances.

But One Remedy

For all this there is but one remedy. That is to trim public expenditures to the point where they can be covered by revenues raised without undue burden upon the economy. That is to say, an elimination of deficit financing not by trying to find more funds, but by doing what any prudent individual always does as a matter of course—trim expenditures to fit our pocketbook. And the need for applying this remedy is the more urgent by reason of the critical international situation and the tendency of certain phases of the recession to linger.

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The Steel Industry and A "Billion Dollar Bundle"

money liberally enough, it will touch off such a spree of industrial production and employment that the resulting increase in the tax yield will balance the national budget and bury the spectre of inflation forever in its grave.

But if there were any validity in that convenient argument, inflation should have been a dead duck many years ago; for — including World War II and Korea —our Federal Government has operated in the red for 23 out of the last 28 years. Our national debt is at an all-time high, and we are about to raise the debt limit again for the fourth time in 13 years. And our interest payments alone, on that debt, now amount to $7½ billion a year. That is more than the total Federal Budget was in 1938; and it amounts to $43 apiece for every man, woman and child in our land!

Nor have our states been backward in the testing of this theory. Seven years ago, 19 of them were spending more than their general revenues could cover. In 1957, that number had increased to 29. So going into the red has become more popular each year; and the net result of this inflationary cure for inflation has been to reduce the value of the American dollar to less than 50 cents in the course of the past 20 years.

Still the quaint belief persists that the way to treat this form of economic intoxication is to administer ever-increasing quantities of the intoxicant to the hapless victim; and while this may make everything look rosy, temporarily, the result is inevitably fatal. From the ancient days of Greece and Rome, inflation has brought collapse not only to nation after nation, but to whole civilizations.

We saw what it did in Germany, Poland, Russia, Hungary and Austria after World War I; and now, in France — where the cost of living is 37 times greater than it was just 32 years ago—Antoine Pinay, the former Premier who has been put in charge of the Treasury by President de Gaulle, has this interesting and expert comment to offer:

"Inflation," says M. Pinay, "corrupts everything — a balanced budget, investments, job security, social legislation, the moral health of all classes—even national prestige abroad."

All our wishful thinking to the contrary, therefore, we know that we cannot spend ourselves into prosperity or inflate ourselves into a position of international security and leadership. We cannot go on forever getting more and more for producing less and less. And we merely delude ourselves when we seek to increase consumer purchasing power by adding more dollars to our pay envelopes, on the one hand, and by ignoring the shrinking value of those dollars on the other. Ultimately, the inflated dollar becomes worthless, and whether we double, triple or quadruple nothing, the result is still nothing.

Probability of Orbiting

Yet this year, unless we can prevent it, the probability is that we shall go orbiting off on another great round of inflation, as unions in a dozen major industries make wage demands that exceed any conceivably-possible increase in national productive efficiency. And since one of these industries is steelmaking, I should like to discuss this aspect of inflation briefly.

In recent years, our nation has witnessed a new phenomenon which is known among economists as "cost-push inflation" and which made its appearance simultaneously with the growth of the powerful industry-wide unions that we have today.

Cost-push inflation occurs when wages, and other production costs, are pushed up more rapidly than national productive efficiency increases. This, in turn, forces prices to rise where competition permits, and diminishes the purchasing power of the dollar accordingly. Where competition prevents the recovery of increased costs through higher prices, the producer ultimately goes out of business. There is no other alternative to this spiral of wages, costs and prices.

People in the newspaper industry tell me that rising costs have been largely responsible for the disappearance of some 217 daily newspaper in the United States in the past 10 years.

Now there are many costs, of course, which enter into the production process, but by far the most important of these is the cost of employment. If we take the entire production process from the raw materials right through to the finished product, employment costs—direct and indirect—account for 75 to 80% of all costs. That means that an unearned rise in employment costs has from three to four times as much inflationary effect as a corresponding rise in all the remaining costs of production put together.

So bearing this all-important fact in mind, let us look for a moment at the wage picture that confronts us. Of the major wage contracts on file with the Department of Labor, 154 will come up for negotiation this year. These contracts cover about 4½ million workers, and among the many unions involved, one of the largest and most powerful is the Steelworkers' Union with about 1¼ million members. Its present three-year agreement with the steel-producing companies expires on June 30.

Now presumably most of these unions will come up with demands for a "package" embracing higher wages and benefits; but the Steel Union isn't talking in terms of a mere package — it's talking about a billion dollar bundle!

In the advertisements which it has been running in the newspapers, this union has been telling us how an extra billion dollars, in the pockets of the steelworkers, will increase the sales and the profits of the automobile industry, the moving picture houses, and the homebuilders of America and so on, *ad infinitum*. So it is going to do the whole nation a great favor by getting that billion dollar bundle for its members.

And that sounds just dandy, but why be so selfish about it? Why limit it to 1¼ million steelworkers? Why not do the same for all of the 65 million gainfully employed people in America, and thus rise the ante to $52 billion? In short, why not go on a real inflationary bender while we're at it? It should be lots of fund . . . while it lasts!

Unhappily for all of us, however, you don't find a billion dollar bundle in a five-and-ten cent store — not even in these days of inflation. And when the union, in its advertisements, speaks as it has about a billion dollars in new money, it is describing the situation more accurately and more prophetically, perhaps, than it had really intended. For that is precisely what it would be in the end — new money, fresh off the printing press and worth exactly that!

Now it is not my purpose to argue the steel wage case here now. That would take a great deal more time than any of us can spare on this occasion. But I do want to discuss two points that will be hotly debated in the press, no doubt, as the negotiations in steel and all these other industries develop during the year:

Examines Productivity and Profits

First we will be told that these new wage demands can be met out of increased productivity, and thus will not be inflationary. And second we will be told that the real cause of this cost-push inflation is to be found—not in rising wages — but in exorbitant industrial profits. Let's look at these statements a little.

In the case of productivity, we must remember that it is not, by any means, the same thing as output per man hour. In any one company or industry, for example, an increase in output per man hour may be completely offset by the increased cost of machines or materials that made the higher output possible. So when we talk in terms of output per man hour we are usually exaggerating greatly any increase in real productivity that may have occurred.

We must also remember that productivity—as an offsetting factor to inflationary wage increases —cannot be measured on a short-term basis covering a month, a few months, or even a few years.

For example if we take the records of the American Iron and Steel Institute, and do a little arithmetic, we find that in 1956 —the year in which our present steel wage agreement was signed —the industry turned out considerably more steel per thousand man hours than it did last year. Over that period, in fact, output per man hour declined by more than 7%.

That, of course, was due primarily to the sharp drop in steel production during a period of recession; and now that the demand for steel is rising rapidly, it may be expected that output per man hour will do likewise. So if the steel union seeks to justify its wage demands by claiming some spectacular rise in output per man hour during the coming months, it may fool a number of people; but that will not make its demands one whit less inflationary.

The truth is, of course, that from 1940 through 1957, hourly employment costs in the steel industry have gone up an average of 7.6% per year for 17 solid years. And in contrast, the reports of the Department of Labor show that output per man hour has risen by only 2.6% per year. And, as I pointed out before, using "output per man hour" overstates the real productivity gains.

So there you have it: 7.6% against 2.6% cent, each year for 17 years. The difference spelled wage inflation.

Now let's take a look at those profits.

The argument here is that rising corporate profits, rather than wages, are responsible for the ever-mounting cost of living. And the trouble with this argument is that corporate profits haven't been rising for years. In fact, only twice during the present decade have the after-tax profits of corporations as a whole been as high as they were in 1950. In all other years they were lower and Government reports show that last year they were $5 billion less than they were in 1950.

The same Goverment reports also show, however, that compensation of employees, throughout the nation, has risen by $100 billion during these same nine years. So I leave it to you: whence cometh this cost-push inflation?

I should add, however, that this decline in corporate profits may have contributed, in one respect, to the inflationary effect of the wage increases; because, you see, there is only one way in which these corporate profits can be spent. They all go to pay for the use and improvement of the tools and other capital facilities necessary to production. And had the profits of all corporations risen as they should have, during this period, there is no doubt that many of the cost-reducing improvements that American industry is still waiting to make in its facilities would have already been installed and would now be yielding the fruits of increased efficiency.

So when we hear union leaders say that higher wage costs can—and should—come out of profits, let us remember one little economic maxim: that less profit means fewer tools — or poorer tools—of production; and that this in turn means less efficiency, higher production costs, higher prices, shrinking purchasing power, diminishing markets and fewer jobs. It is just as simple as that.

Problems Are Nationwide

At the outset of this paper I said I wanted to discuss my problems with you because you could really do something about them. As you see, however, they are not my problems alone. They are the problems of all of us, of the men in the mines and the mills, and of union members and leaders alike; for no matter what economic group we may belong to, and no matter what the conflicting interests of these groups may seem to be, we are a nation of 175 million consumers and each one of us has a vital stake in the task of protecting the consumer purchasing power of all of us.

If there is one banner under which we should all unite, I suppose it would read something like this: Hold that line in '59!

No single group of us can do it alone. We who represent the steel companies are going to do our full part, but in saying that, let me remind you that at the American bargaining table, in these days of industry-wide unions, the power that is concentrated on the labor side normally outweighs by a considerable margin that on the management side. This is especially true when any single company is negotiating with the union and is still likely to be true even when a group of companies have joined together for bargaining purposes.

Unless the representatives of the union are fully satisfied when our present steel contracts expire, they can strike the plants and close down about 90% of the steel industry. And they have done so five times in the last 13 years.

Pressures During A Strike

The steel companies have taken these costly strikes in an effort to help check the rising tide of wage-cost inflation; but they have never succeeded in doing so; for a strike in steel is not a weapon that is aimed at the companies alone. After it has gone on for a few weeks, many of our customers begin to run out of steel. Thus they face a shutdown of their plants and a layoff of their employees. The flow of steel needed for defense is shut off too; and so the pressure upon the companies to settle finally reaches a point where it is difficult to withstand any longer. It comes from our customers, from the public, and—frequently—from the Government itself.

"Settle," they tell us; and settle we must.

So the companies alone cannot stop wage inflation. Neither can the Government, I think, under present circumstances. Conceivably it might legislate a more equal distribution of power at the bargaining table, but I cherish little hope that it will do so. Failing that, it could resort to the peace-time imposition of wage and price controls; but those have been tried in nation after nation for more than 2,000 years, and never yet have they stopped inflation. They have only stopped production and progress.

Only Public Opinion

Yet there is, I believe, one great, irresistible force in this country that can stop wage inflation at its source. That is the force of informed public opinion. And the power to create an informed public opinion is the power of the press.

Now I know that the issues in any wage negotiation are many and complex. I also know that a wage negotiation—even in a nationwide industry—is pretty small potatoes, as news goes, these days, and that there is very little space that can be given to it.

It is true, moreover, that newspapers have fully and fairly discharged their reportorial duties when they give both sides of the story. They tell their readers that the union says its wage demands will cost X cents per hour; but the companies claim that it will cost a good many cents more per hour. So the reader, who is often a pretty busy fellow himself, is likely to conclude that both sides are protesting too much, and that it really doesn't matter much because they're only haggling over a few pennies anyway.

But which side is protesting too much? And just how much does it matter?

Too Much Protesting?

Well it matters a great deal, because, you see, an increase of one little cent per hour in the cost of employment will add some $15 million a year to the industry's cost of making steel. And in saying that, I am referring only to the direct employment cost. As similar wage boosts occur in other industries and are reflected in our purchased goods, services, taxes, and so on, the increase in our indirect employment costs soon mounts up to an equal sum. So as a kind of rough rule of thumb, we may say that each one cent increase in steel wages and benefits means some $30 million of increased costs to add to the inflation spiral.

But it lies within the power of the press to determine what the exact facts are. Men and women of the press have the opportunity to go to the source of these conflicting statements on both sides, to check the figures for themselves, and to tell their readers of their findings.

Unless the public can be fully and truthfully informed, it looks as if we may have another billion dollar bundle of unwanted inflation on our national doorstep — for keeps.

With Slayton Co.

AKRON, Ohio — The appointment of Louis Heinrich as sales representative of Slayton & Co. Inc., for north central and north eastern Ohio has been announced by Hilton H. Slayton, President of the St. Louis mutual fund distributing firm.

Mr. Heinrich had recently concluded an eight-year association with Commerce Clearing House, Inc. as its sales representative for Akron and six surrounding counties.

Previous to that, he had spent over 20 years in the radio broadcasting field in Cleveland and Akron.

Railroad Securities

Great Northern Railway

Great Northern Railway was able in 1958 to show an earnings gain over the preceding year due primarily to a spurt in income in the final months of the year. A large part of the improvement in final figures was from improved cost control.

The road's traffic fell 21% under 1957 but revenues were off only 8.6%. Most of the decline in freight traffic was caused by a drop of 46% in low-rated iron ore traffic. Operating expenses were cut 10.1%, absorbing 90% of the decline in revenue. Equipment rental charges were lower but Federal income taxes and fixed interest costs were higher. Despite these factors, Great Northern was able to show net income of $4.52 a share as compared with $4.38 in 1957.

The strict control over expenses demonstrated in the closing months of last year, indicate that earnings in at least the first half of this year should make excellent comparisons with a year ago. Costs are not expected to rise as quickly as the upturn in traffic. As a further move to reduce maintenance expenses, the heavy roadway program of recent years will now be stretched out for three or four years. This will take some of the burden from this year's earnings and the road should report more normal maintenance ratios.

Agricultural products still contribute approximately one-third of total freight revenues. However, in recent years manufactured products and forest products have show an upturn, indicating the new industries attracted to the territory and increased building activity. A breakdown shows manufactures contributed about 30% of revenues, forest products 14% and mine products 20%. The attraction of new business along the line indicates the growth prospects for the future. These new facilities have been developed at both ends of the line.

The opening of the St. Lawrence Seaway has other eventual implications. This eventually should develop long haul cross-country traffic. It is unlikely that this will be forthcoming for some time, but the road has the facilities to handle this additional traffic.

Iron ore traffic, which provides heavy tonnage, declined 46.4% pulling total traffic down 21%, although aggregate revenues, as previously stated, dropped 8.6%. Grain traffic again played an important part in Great Northern's fortunes. This traffic was swelled by the large crops harvested and since there is a large carryover, these loadings should hold up well this year.

The road had, as usual, other large income which in 1958 amounted to $11,021,000 or more than annual fixed interest requirements. Dividends of $6,200,000 were received from the Chicago, Burlington & Quincy, 48.6% controlled, and approximately $1,200,000 interest income from the Spokane, Portland & Seattle which is jointly owned with Northern Pacific. No dividends have been received from the wholly-owned Western Fruit Express since 1943, even though the latter's operations are profitable and continue to expand.

On Dec. 31, 1958 cash and cash equivalents totalled $61,937,000, while total liabilities were $38,671,000. Net working capital was $68,057,000 against $61,399,000 at the end of 1957. Depreciation charges will exceed total debt due in one year, plus sinking fund requirements by some $4,000,000. In view of these factors, plus improved earnings, observers are of the opinion the 75 cents quarterly dividend will continue to be maintained.

New A. C. Allyn Branch

DE PERE, Wis. — A. C. Allyn and Company has opened a branch office at 1106 Ridgeway Boulevard under the management of Calvin L. McIntyre.

Brown, Madeira Office

ARLINGTON, Va.—Brown, Madeira & Company has opened a branch office at 2304 Wilson Boulevard under the direction of Cleland C. Sibley.

Joins Dempsey-Tegeler

LOS ANGELES, Calif.—Ray W. Caldwell has joined the staff of Dempsey-Tegeler & Co., 210 West Seventh Street. He was formerly with Hill Richards & Co.

McDowell & MacDonald Join F. L. Putnam

BOSTON, Mass. — Lewis D. McDowell and Vernon S. MacDonald have joined F. L. Putnam & Company, Inc. 77 Franklin Street, members of the Boston Stock Exchange, in the trading department in association with John J. D'Arcy, Vice-President and Manager, and Joseph A. Buonomo, Assistant Manager.

Lewis D. McDowell

Mr. McDowell was formerly stock trader for Chas. A. Day & Co., with which Mr. MacDonald was also associated.

Stevens Hartford Mgr. For Shearson, Hammill

HARTFORD, Conn. — A long time Connecticut resident with broad experience in the securities business, W. Howard Stevens has been appointed resident manager of Shearson, Hammill & Co.'s branch office at 37 Lewis Street. He succeeds the late J. Bruce M. Toombs.

Mr. Stevens has been managing Shearson, Hammill & Co.'s downtown New York boardroom at 115 Broadway and served for some years in the firm's investment advisory department.

Prior to joining Shearson, Hammill & Co., Mr. Stevens had served in the New York syndicate department of R. L. Day & Co. and as a bond specialist for the firm of Charles M. Newcombe and Company.

Open Two Branches

MAPLEWOOD, N. J. — Mutual Fund Associates has opened a branch office at 383 West State Street, Trenton, N. J. under the management of J. Stanley Husid, and at 41 North Eighth Street, Allentown, Pa. under the direction of John Kasenchak.

Schmidt, Roberts Branch

TRENTON, N. J. — Schmidt, Roberts & Parke has opened a branch office at 28 West State St. under the management of Leroy J. Hepburn.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Insurance Stocks

INSURANCE SECURITIES TRUST FUND

One of the better ways of investing for the person of modest means is via the investment trust; and one of the more successful of these has been a unit that specializes in insurance stocks, life, casualty and fire, namely, the Insurance Securities Trust Fund. Let us say at the start that the operations of this trust are confined to California, where it is domiciled. But its success has been so outstanding that it could well serve as a model.

The trust was set up in 1938, and has confined its portfolio to insurance stocks on the theory that if the general economy were to grow, insurance companies would have to participate in the growth. Its recent growth data is impressive.

The management points out that 1958 was "the all-time banner year" since organization, with net assets increasing from $223 million to $356 million, for a gain of $133 million, or about 60%, giving it the status of the largest of the specialized investment trusts. This is an outstanding showing, for it must be remembered that 1958 was a very unsatisfactory underwriting year for the fire-casualty portions of the industry. Life operations were quite favorable.

Cash dividends accrued, approximately $8,370,000, compared with those of 1957, $7,701,000, an increase of about 8.7%. As the dividend increases by the underlying companies were but few because of the need to husband funds in a year of such poor underwriting results, obviously the bulk of the increase (also to an all-time high) came from the increases in new accounts and reinvestments of dividends and maturing agreements.

Probably much of the success of the trust comes from the dollar-averaging that is one of its features; to quote the fund's literature, "Investment Averaging — accomplished by investment of principal and increment for the investor at the current acquisition values, thus averaging the cost of his total equity in the fund." In effect, the trust dollar-averages in its purchases of the underlying stocks, too, for it does its buying regularly on every third business day. Another source of investment is realized gains from time to time, and each investor's proportionate share is credited to him automatically.

The average age of the insurance companies whose shares make up the portfolio is over 69 years; and the eligible insurance companies have, on average, a continuous dividend record of over 42 years. As in most well managed trusts, the investor's interest in the fund is protected by the use of a trustee, a large bank in this case, with which all funds and securities are lodged. Participations may be purchased as single payments, or accumulative plans under which periodic payments are made by the investor to build up his account. The trust's investment in any one insurance company's stock is limited to 5% of the trust's assets; and the trust may not hold more than 10% of the stock of any of the underlying insurance companies.

The portfolio consists of a list of about 88 stocks. A company to be eligible must have been engaged in business for at least fifteen years; have assets at minimum of $7,000,000; and have paid dividends in each of the five years immediately preceding the date of its becoming eligible.

The load and sponsor's and trustee's fees are approximately what a wide range of open-end trusts assess the participant.

Statement of Financial Condition — December 31, 1958

—ASSETS—

Stocks of Insurance companies at Market	$355,654,695
Cash Dividends due Trust Fund	1,201,839
Cash Held by Trustee	529,058
	$357,385,692

—LIABILITIES—

Payable to Investors on Matured or Cancelled Participating Agreements	$390,563
Due to Sponsor Company	107,627
Due to Corporate Trustee	14,608
Federal Stamp Tax	1,556
	$514,354
Investors' Equity	356,871,238
	$357,385,692

The portfolio is indeed an impressive aggregation of stocks. There are 88 stocks in the trust's list and among the larger amounts are the following:

Shares		Cost	Recent Market
82,475	Aetna Casualty & Surety	$8,869,000	$14,887,000
100,000	Aetna Insurance	6,662,000	7,813,000
68,425	Aetna Life Insurance	8,023,000	16,525,000
414,900	American of Newark	9,074,000	11,332,000
121,061	American National	977,000	1,256,000
120,000	American Surety	2,188,000	2,490,000
100,000	Boston Insurance	3,537,000	3,450,000
147,400	Continental Casualty	7,388,000	16,288,000
266,590	Continental Insurance	9,413,000	16,595,000
175,010	Federal Insurance	4,620,000	10,566,000
77,990	Fidelity Phenix Fire	3,663,000	5,245,000
167,820	Fireman's Fund Insurance	9,558,000	9,901,000
116,800	Glens Falls Insurance	3,703,000	4,059,000
208,355	Great American Insurance	6,700,000	9,571,000
306,970	Home Insurance	12,898,000	14,178,000
75,460	Hartford Fire	10,671,000	14,111,000
190,000	Maryland Casualty	6,983,000	7,756,000
108,160	Ohio Casualty	1,931,000	2,704,000
76,160	Reliance Insurance	2,884,000	3,903,000
150,050	St. Paul Fire & Marine	5,271.000	9.047,000
116,050	Springfield Fire & Marine	3,390,000	4,004,000
154,175	Travelers Insurance	7,775,000	14,685,000
171,495	United States Fidelity & Guaranty	9,136,000	14,020,000

While, of course, these are among the larger holdings, they are but 23 of a total list of 88 companies.

Here is a growth investment vehicle in an essential industry.

Continued from page 9

1959 — A Year of Restraint

on even terms. Today, a $2 billion annual sales edge favors Sears! Sewell Avery's reactionary leadership created intense employee opposition — not cooperation. Last year again, Sears at 29 with its indicated yield of 3.4% was related to Montgomery Ward at 35 yielding 5.4% (**The Commercial & Financial Chronicle, July 24, 1958**). Was the stock market then correctly evaluating managerial successors to Ward's Sewell Avery and Sears' Robert Wood? Sears is now 44 and Ward 42!

Allied Stores at 42 with its 7% indicated return was then related to rival Federal Department Stores at 38, returning 4.2%. Now both stocks trade at 55—an indication that yield can effectively evaluate management—not capital structure or times earning ratios.

In comparing Sperry Rand with IBM, it was noted last June 5 that the proceeds from 19 shares of Sperry Rand (18) would purchase just one share of IBM (350). It now takes 21 shares of Sperry Rand — despite the indicated yield differential of 2½% still favoring Sperry Rand.

Recall comparisons in 1954-55 of General Electric with its 28.8 million shares and Westinghouse with only 17.1 million. Westinghouse, still with 17.1 million shares, struggles to attain its 1955 high of 83 while General Electric trades at 85—this high figure notwithstanding the 3-for-1 split in 1954 which changed issued stock from 28.8 million to 87.1 million shares.

Still raging are the Wall Street debates of 1954-55 pitting Chrysler against General Motors. Board room gossip, certain brokers and investment counselors urged debt-free Chrysler with its 8.7 million shares as compared to General Motors' 87.4 million shares—almost 10 times more capital stock—preference shares and debt. You know the story. General Motors soars to 145 and splits 3-for-1. Now, with 277.7 million shares, General Motors trades near 50. At 52, Chrysler still has its 8.7 million shares, but debt-free Chrysler of five years ago now owes $250 million—a new stockholder liability exceeding $30 per share!

Where are the debt-ridden railroads headed? Trucks, pipelines, inland waterways, automobiles and airlines relentlessly aggravate their plight. At this moment, five different railroads join Dallas to Houston. For truck or automobile a magnificent highway traverses the 244-mile route. By air, the choice is Trans Texas, Continental and Braniff. Our overbuilt railroad plant should be sweated down to not more than 10 intercontinental systems. Near insolvent commuter lines like Boston & Maine, New Haven and others could be sold at salvage with outstanding equipment trust certificates assumed by a Municipal Authority. New indebtedness could then be realistically scaled to net earnings related to a minimum service — two hours mornings—two hours evenings. Railroads now comprise an industrial group where even crack managements are in conflict with personal respect for worried creditors and the compulsion of yielding hopelessly to ruthless and growing competition.

For investment shares and mutual funds, it's the same story. A few exceptional — others average or mediocre. Many funds retailed in 1956-57 still show paper losses even with distributions added. Managements cash profits, hopefully ride losses—a common human failing. Comparative managerial records cannot be concealed. Discerning speculators and investors have available research provided by certain New York Stock Exchange member firms to review comparative records of over 160 different funds. It is a free and useful service.

Legislation to change upward our gold price from $35 seems thoughtless and irresponsible. Gold shares can be an effective hedge against deflation; i.e., hard times, chaotic financial conditions and general world turbulence excluding warfare. General warfare closes gold mines. How can this current whispering campaign on gold shares have validity in the face of the just enacted European Monetary Agreement? How could Congress sanction a higher price when Soviet Russia, a chief beneficiary of our gold purchase policy threatens annihilation for us in the trade-aid arena? Current speculative interest in gold shares—premature and unwarranted!

Profit-Making Companies

How do those exceptional managements directing businesses whose shares denote claims on specialized technical services or popular consumer items keep anticipated profits geared to their soaring market valuations? Examples — Beckman $24.3 million, now $54.1 million; Bell & Howell, $27.2 to $55.1 million; Polaroid $172, now $436 million; Texas Natural Gas $43.9, now $90 million; Thiokol $55.7, now $145.8 million.

Similar 1958-59 comparisons are related to American Motors, Warner-Lambert, Lorillard, Pfizer, American Photocopy, General Electric, General Motors, Litton, Raytheon, Zenith, Brunswick-Balke, Armco, General Transistor, Texas Instrument, Universal Controls, U. S. Steel, Kaiser Aluminum, Great Atlantic & Pacific Tea, Continental Oil, Stauffer Chemical, The Texas Company, Molybdenum Corporation, Richfield Oil, Great Western Financial, Reynolds (R. J.) Tobacco, Florida Power, Tropical Gas, Itek Corporation ad infinitum.

For some, we know advancing technologies have widened profit margins. We see the evidence where Sunray's Suntide modern push button refinery processes 75,000 barrels of crude daily with 240 employees while D-X Sunray's Tulsa refinery labors with over 2,000 employees to match the figure! By themselves, do these technological advances justify the present high premium on certain shares of the more promising industries—drugs, recreation, insurance, tobacco, oil, electronics or chemicals?

What about the irrepressible petroleum industry faced with a sharp rise in Federal gasoline taxes plus an automobile industry bent on introducing the economy gas turbine engine with its single spark plug and minus water system and pistons? Do domestic crude oil producers, excluding those where reserves emphasize natural gas, have the profit incentive of other years? Is the domestic crude price structure weak or strong? Will the dual carburetor or gas turbine engine, burning mongrel or chemical fuels, improve the lot of non-integrated companies dependent on crude oil runs and a stable price structure? While soft crude prices favor the refiner, what about rising gas connections displacing fuel oil — the bread and butter end of their business? Manifold problems other than exotic fuels and nuclear energy plague our domestic petroleum industry.

Even assuming Federal taxes aside from Social Security go unchanged, what about taxes at State levels? Treasuries are impoverished. New York requires $200 million additional taxes! California seeks a matching amount! This trend is established. It is nation-wide. New taxes, direct or indirect, must adversely affect general business and prices of many common stocks—current inflation psychology notwithstanding.

With or without manipulation, certain shares will again be in the spotlight—but even the blind hog should find the acorns more elusive! The tag for 1958 was, "A Year of Opportunity," (**The Commercial & Financial Chronicle**, Jan. 30, 1958). The suggested label for 1959—"A Year of Restraint." In the stock market don't act from the heart this year—think!

Halsey, Stuart Group Offers Utility Bonds

Halsey, Stuart & Co. Inc. headed an underwriting group which offered yesterday (March 11) $25,000,000 Northern Indiana Public Service Co. first mortgage bonds, series J, 4½%, due Jan. 15, 1989 at 101.656% and accrued interest, yielding approximately 4.40%. The group was awarded the bonds on March 10 on its bid of 100.83%.

Northern Indiana Public Service Co. is to apply the proceeds from the sale of the bonds to the cost of additions to its properties, including pre-payment of bank loans made to provide funds for its construction program.

The new bonds will be redeemable at the option of the company at prices beginning at 106.16% and for sinking fund purposes, beginning with the year 1965, at prices scaled from 101.50% to 100%; provided, however, that prior to Jan. 15, 1964 none of the bonds may be redeemed with funds borrowed at an interest cost to the company of less than the interest cost of these bonds.

The company supplies electricity and natural gas in 28 counties in northwestern Indiana having an estimated population of 1,500,000. About 58% of its operating revenue is derived from the sale of electricity and 42% from the sale of gas. Among the cities supplied with one or both of these services are Ft. Wayne, Gary, South Bend, Hammond and East Chicago.

Chicago Analysts to Study Oil Industry

CHICAGO, Ill. — The Investment Analysts Society of Chicago announces a course of study on the oil industry, planned for security analysts by the Socony Mobil Oil Company.

The course will consist of five sessions on Wednesday, April 1 through 29 from 3 p.m. to 4:45 and will be held at the Adams Room of the Midland Hotel. Subjects to be covered will be geology, land acquisition, exploration, drilling, production, transportation, manufacturing, accounting, financial analysis, research, and industry economics. Cost is $3 per person. Reservations may be made with Harold M. Finley, Chicago Title and Trust Company.

Clarence E. Torrey, Jr., A. G. Becker & Co. Incorporated, Chicago, is President of the Investment Analysts Society of Chicago.

Zuckerman, Smith Branch

BEVERLY HILLS, Calif. — Zuckerman, Smith & Co. has opened a branch office at 9860 Wilshire Blvd. under the management of Herbert H. Maass, Jr.

Three With Peters, Writer

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Victor H. Gerali, Everett E. Steele and John A. Thompson have become associated with Peters, Writer & Christensen, Inc., 724 Seventeenth Street. Mr. Steele was formerly with Purvis & Co.; Mr. Gerali was with Robert J. Connell Inc.

Securities Salesman's Corner

By JOHN DUTTON

Some Suggestions for Handling "Bull Market" Temptations

There is no asset any salesman can acquire that is worth more than the goodwill of his customers. Many investment firms over the years have become so aware of their obligations to customers that they are leaning backward in refraining from overselling and overstating their opinions, even when they are most optimistic concerning a recommendation for both speculative and investment accounts.

Quite frankly, despite the most efficient research and the best intentions, this is a business where mistakes will be made and must be expected. During the past 15 months some of the most astute analysts misjudged the turn in the economy from what looked like a slide into quite a depression with a possible nation-wide unemployment of 10 million late in 1958. As a result, the turn in the market was missed, and not until the evidence became crystal clear that we were in a period of strong business recovery, inventory accumulation, and the stampede to buy stocks was well under way did these experienced analysts change their opinions.

Let it be said that the capable ones did change to a strong bullish position regarding the stock market, but if you have been around a bit during the past six months you will know that I am speaking the truth when I state that some of the best "guessers" in the business got a late start when this bull market finally woke them up to the realization that this was "it."

You are a fortunate salesman if you are connected with an investment firm that realizes its obligations to its customers, as most good firms do today. It is nonsensical to think otherwise. Without customers who stick with you over the years, the expenses of running an investment firm that is properly equipped to distribute securities will be too large to adequately cover overhead in the lean years that follow the fat ones. The salesman is involved in this too; ask any man who has lived off the fat for a few years and who did not build his business on a solid foundation, and he will tell you that it is no fun at all to go out in lean times and rebuild an investment clientele. Possibly we will not have any more slow years in the investment business again. I don't know, but I for one would not bet on it. Besides, unless you build your business on a sound basis there is very little satisfaction that a man can derive from his efforts.

Handling Accounts

Be aware that when you suggest the sale of a stock that one of the worst crimes you can commit (as your customers will see it) will be that you may have taken them out too soon. That one trade can cause you more lingering regrets on the part of your customer than the satisfaction he may have from all his other profits. It is more than a joke that many investors, and nearly all speculators, will accept their profits as their own doing and their losses as the result of bad advice from others. Watch your step carefully in this bull market and "switch" only when you have a very well defined reason for changing one stock into another. Be careful moving out of stocks that have had consistent, fast, and large upward moves and never sell anything unless you have a very valid reason for it. After a *very substantial profit* the "hurt" isn't so potent if the liquidated position continues to appreciate. But the fellow that has been left standing at the $10 post with a five point profit and later sees his stock advance to 50 or a 100 is going to have you for "breakfast" everytime he picks up his morning paper and looks over yesterday's prices. Rule I: sell, switch, trade, but only when the *evidence* is as conclusive as possible. Otherwise, play out the trend and don't fight the market — you'll get clobbered if you do.

In handling small investment accounts, particularly those that are now beginning to move out of savings accounts into securities, sell quality and don't overreach for income. Also be careful of some of the mutual funds that are jammed with big name stocks and that are yielding much less than the 3% and 3½% available in savings accounts today. The only true income received by an investor in a mutual fund is that distributed as investment income after expenses have been deducted.

I recently looked at a big name fund composed almost entirely of blue chips. The income produced was about 2% after expenses, and the expenses amounted to 25% of total investment income. I saw nothing remarkable in the selection of stocks. There was industry preference which is some cases represented as much as about 11% of total investments, but the companies in each industry were mature giants and what growth they will have in the future should be steady but I doubt very much if it will be sensational or even above average.

Any little widow who places her mite into one of these funds is buying nothing more (in my opinion) than a cross section of blue chips at a price level never before known in history, and if she does this without some pretty good knowledge of these considerations, she may end up someday anything but one of your satisfied customers.

The foregoing is not an indictment of mutual funds. I believe that some of the income type funds available in this market are well managed and a small investor might very well withdraw some funds from savings and buy even at today's prices. But here again selectivity is important. The same holds true of growth funds. The next five years is going to teach us a lot about fund management results—it is best not to expect too much—certainly don't promise the impossible and use some good judgment when you sell fund shares.

A big name and a big portfolio only means one thing—a lot of money has been invested and this fact alone compels the acquisition of stocks of mature companies. When net yields on investment income are 3% and less, I am going to think twice before I tell Mary Jones to take her money out of the bank and put it in blue chip stocks through an investment in some mutual fund. There are funds that look attractive even now; there are investors that can and should buy them; but if you want to build a business in this area *pick the right fund for the right investor*. Just any fund won't do.

Last but not least, try and obtain well researched, sound situations that have value in them. Take the time to study your firm's recommendations carefully. Try and follow only reputable and experienced analysts. Don't go off half-cocked if you can avoid it. There are times when fast action seems imperative, but a delay of a day or so, or even a few hours, can sometimes save you some future headaches.

Don't oversell — don't overpromise—don't hesitate to say to your customers "Expect me to be wrong once in a while, I hope it will be very seldom, but sooner or later, wrong I will be. If so, expect me to come to you, tell you the facts and we'll face up to what has to be done. But whatever mistakes I will make, remember they will never be those which involve honesty. That you will always get from me, first, last and always. That is the only basis upon which we can successfully work together for your advantage and for mine."

David Weiss Opens

David Weiss is conducting a securities business from offices at 41 East 42nd Street, New York City.

Form Williams Associates

NEWARK, N. J. — Williams & Associates has been formed with offices at 60 Park Place to engage in a securities business. Partners are William Angelo, Jr., general partner, and Morris Busacco and Alfred Marozzi, limited partners.

F. W. Young Opens

SCOTT CITY, Kans.—Frederick W. Young is engaging in a securities business from offices at 420 Main Street. He was formerly with W. Jay Israel.

Now With Reynolds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Philip L. Stone has become connected with Reynolds & Co., 39 South La Salle Street. He was previously with Hallgarten & Co.

White & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

BLOOMINGTON, Ill. — Jordan J. Childs has been added to the staff of White & Company, 216 West Washington Street.

Donald R. Dwyer With Blair & Co. Inc.

(Special to THE FINANCIAL CHRONICLE)

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Taking a Real Look Ahead

a majority of American business leaders now expects:

(1) Increased government spending will make balanced Federal budgets in the future less and less possible except under the most pronounced boom conditions.

(2) No near-term halt to annual increases in wages and salaries and no near-term lessening of labor's economic and political power.

(3) There can be greater risks in bond and other fixed income investments than in common stocks.

(4) Competition from foreign manufacturers will intensify.

(5) The political and economic cleavage between small and large business will widen, with large businesses facing increasing government scrutiny, penalties, and control while small businesses receive more tax and other concessions.

(6) The homebuilding industry will be subject to more rather than less government influence and control.

(7) The Russians and their satellites will narrow further the economic and military advantages which our country now holds.

Many probably would agree that these expectations are not exactly the type to promote an era of good feeling in business and banking. In fact, should these predictions materialize as stated, it is safe to forecast many far reaching and highly undesirable changes in our national economic and political life.

Strikingly enough, there is little evidence that business, including banking, leadership is poised for action to prevent these predicted eventualities from becoming realities. Do you note any fighting mood to resist undesirable economic or political trends in your community or you own organization? There seems to be a bit more talk and perhaps a few new emotional outburst within business circles, but — with a few notable exceptions — not very much action to stir the public into better understanding of the dangers in many developments now so widely foreseen.

Why do so many business leaders now quietly acknowledge these prospects without rising up in protest? Many reasons can be given; e.g., perhaps from lack of leadership to poor communications. In my judgment, the basis for many present business attitudes lies in the dual conviction that: (1) more moderate inflation —i.e., a gradual decline in the purchasing power of the dollar—simply is inevitable, but it won't accelerate: and (2) the decade of the 1960's will herald a new period of enormous economic expansion, and eliminate or at least postpone indefinitely any real economic or political crisis.

In short, whatever concern there is in business is tempered by the almost unanimous assumption that inflation will not get out of hand, and by innate confidence that sufficient opportunity for growth lies just ahead to offset whatever problems may arise from advancing prices.

Let's take a closer look at these two dual convictions which have just been mentioned.

Prospects for the Decade Of the 1960's

First, how about prospects for the decade of the 1960's, which begins in less than ten months? You've heard many glowing descriptions of it—the "Golden Sixties," the "Sizzling Sixties," or perhaps just the "Fabulous Sixties." Business expansion plans during the past few years have been based heavily upon these prospects.

Continuation of recent growth trends alone, for example, would suggest an increase during 1960-69 in population of approximately 35 million, or 20%; a rise in the dollar volume of U. S. business (at present prices) of $190 billion, or 40%; expansion in personal income of $150 billion, or 40%; and a volume of new housing by the end of the decade some 40 to 50% above current levels.

These are indeed glowing prospects, especially when compared with the decade of the 1950's, which was generally speaking a very prosperous and growing era for this country.

Before we begin to declare dividends from the earnings of the "Golden Sixties," however, I believe we should consider four potential problems: (1) the role of the business cycle; (2) the international economic position of the United States; (3) the level of employment; and (4) the impact of inflation.

The recent recession has reminded many individuals that the business cycle is not dead. Many people in business now concede that it took a setback in business to make them more conscious of costs and efficiency. The vigor of the snapback in business from the low point last summer was surprisingly strong, and many new all-time highs are once again being established.

Recently the rate of recovery has slowed, as seemed almost inevitable. As a result, there is now greater concern about the rate of further expansion throughout 1959, and particularly in the second half of the year, than only a few weeks ago. Nevertheless, there is still widespread agreement, with which I concur, that the economy will follow a gradual upward course all year, interrupted only by whatever major work stoppages (e.g., steel and railroads) actually occur. By the end of the year, the total volume of business should be up another 3-5% from the current level.

The year 1960 shapes up as better than 1959, with heavy presidential election overtones. Business-cycle, time-table analysis raises the question of another recession in 1961-62 and also in the middle of the decade ahead. The recent tendency has been for recessions to be sharper and shorter. This does not rule out at least one fairly severe business setback in the 1960's, especially if the boom periods are not restrained.

Growing Foreign Competition

With the activation of the Common Market in Europe in January, the United States gained one of its key international objectives—i.e., greater economic unity and strength in Western Europe—but also lost some of its own dominance in world trade. The combined international trade volume of the Common Market countries is roughly equal to that of this country. Moreover, it is becoming increasingly apparent that foreign competition with U. S. goods is intensifying on both a quality and cost basis. Unless the productivity of American manufacturing increases at least as rapidly as in a number of expanding foreign industrial countries, notably Western Germany, Japan, and Russia, the world trade position of the United States can only suffer. The implications for our gold stocks and the value of the dollar are obvious.

Most forecasts and plans for the decade of the 1960's to date have centered on the demand outlook, primarily because of the wave of new family formations soon to begin as the "war babies" reach maturity. Almost entirely overlooked is the very real problem of absorbing the enormous increase in supply of labor which necessarily accompanies these family formation projections. Unemployment is already causing concern because recovery from the recession has not been accompanied by a corresponding increase in employment.

The widely accepted view is that the labor force can be considered fully employed with 4% out of work, reflecting persons between jobs, technically displaced persons, and marginal workers. Unemployment is now running at roughly 7% of the labor force. To hold unemployment to 4% of the labor force in the mid-1960's will require the addition of roughly 10 million more jobs. How easily these will be found is a real question. All of us in private business have our work cut out to help stimulate growth in our economy. If sufficient jobs are not found, the political and inflationary repercussions of new government efforts to put the new labor force additions to work can be staggering. I'm afraid we're not thinking seriously enough about this problem.

Well, how about the outlook for inflation? You will recall that the results of my investigations show that business and banking leaders seem to feel pretty generally that more moderate inflation is inevitable, not only in the 1960's but indefinitely. Moreover, there is some highly regarded thinking that creeping inflation is a lesser evil than unemployment.

The Inevitability of Inflation

We should recognize at the outset that the subject of inflation currently has a much greater appeal as a cure for insomnia than as a matter of serious concern to the public generally.

In many respects, we should all be thankful that the general public in this country is not really concerned about the problem of inflation. History books are filled with tragic accounts of populaces trying unsuccessfully to protect themselves against the ravages of rapidly rising prices and the corresponding losses of value and confidence in their money. No hint of such inflationary fears is now evident in this country. There are, of course, periodic outbursts of criticism by particular individuals or groups against higher prices — to be paid — but an absence of complaints about higher prices including wages to be received.

All in all, the attitude of the American public generally seems pretty well summed up in the commonly heard view: "If what we've had during the past ten years has been inflation, then let's have more of it. We've never had it so good."

Calls for Leadership

I'm afraid it's going to take a lot of education and unfortunately much more first-hand experience with the ravages of inflation before the American public can be expected to take active interest in meeting this problem. Consequently, we must of necessity expect the leadership in the fight against inflation to come largely from business and education, and hopefully government as well.

Leaders in American business and many other fields, including banking and education, now give the impression that they don't like the inflationary trend but find it more annoying than dangerous. Much more significant, however, is the noticeable change not merely in their thinking but more and more in their actions because of expected further declines in the future purchasing power of the dollar.

Only two or three years ago, business forecasting in this country for the 1960's was being made with the common assumption that the price level would advance less than 1% per year. This figure—which measures the annual inroads from inflation — has now moved up to 1½% per year, and I've found several instances where a 2% figure is being used. A very recent poll of academic economists by the Congressional Joint Economic Committee reveals that only 10% of those responding considered "a satisfactory high degree of price stability" to mean an advance of under 1% per year. More than half defined satisfactory price stability in terms of annual price increases of 2 to 3%, and the remainder—nearly 20%—believed yearly price increments of from 4 to 10% were quite acceptable.

For perspective, let's not forget that a price advance of 2% per year compounded means a doubling of the price level in 36 years; at 3% per year, doubling in 23.5 years; and at 5% per year, doubling in 13 years. Especially because of the sharp graduation in the personal income tax, to escape the confiscatory penalties of such inflation requires increases in income at rates substantially larger than price advances. While some individuals may achieve such gains, growing numbers of others will fall behind. The inevitable result is gradual economic distress, social and political unrest, and destruction of incentive—the most dynamic element in our economy.

During the past year, a profound change also seems to have taken place in the attitude toward inflation of many, if not most, professional investors and others concerned with investing substantial funds. While many reasons are cited for the broad shift into equities and away from fixed income securities, it is apparent that growing fear of more inflation has gone beyond the talking stage and is in the forefront of the reasoning for the actual investment decisions being made. Would it be fair to ask bankers whether any recent change has taken place in the kind of investment advice they are giving their customers? Are policy decisions today any different because they too have become more inflation-conscious during the past year?

In my judgment, the interest rate cost or price of long term debt now may well have increased permanently to include some return for protection against inflation as well as for payment for the risk of the funds involved. As a guess, I would say the cost of inflation thus far is reflected to the extent of a ½ point rise in the interest rate charged on long term money.

How Much Inflation in 1959?

Would you agree that creeping inflation is not a dream but a reality in the minds of many business leaders, investors, and educators? Their future actions can reflect only their price expectations. How sure can we be that price advances will not gain momentum?

A good deal of the reasoning that inflation poses no serious threat to the United States can be traced to the widespread belief across the country that prices generally will increase little if at all this year. While the recession may be over in some statistical sense, many price dampening adjustments persist. Excess capacity continues in virtually all industries, and declining exports only aggravate this problem. Few price increases can now be justified on the basis of shortages. The vast quantities of new equipment put into use in recent years offer important cost savings over older and less efficient equipment and tend to intensify competition. Enormous agricultural surpluses exert strong downward pressures on prices of farm products and related goods. In addition, economic warfare with the Russians in international markets plus increased foreign competition at home as well as abroad have placed a distinct ceiling on many prices of goods in world trade.

From this analysis, we might conclude that 1959 will see no more inflation or any intensification of the price-cost squeeze. This view, in fact, seems quite reasonable for the months just ahead. But I have some personal reservations against such a conclusion covering the closing months of 1959 and the year 1960.

In my judgment, the President has properly expressed fears of further inflation ahead. There are already signs of a new inflationary wave beginning before the end of 1959 or early in 1960:

(1) A wage crisis is in prospect by mid-1959 because of the steel industry negotiations;

(2) Any wage increases, particularly in excess of the 3% average advances granted during the recession year of 1958, may well provide the spark for a new explosion of higher prices required by businesses to recover the higher costs involved;

(3) Some general inventory accumulation is now under way, already involving some use of higher cost productive facilities and giving further impetus to price advances where competitive conditions permit;

(4) The latent inflationary effects of the Federal Government's deficit plus the appropriations of the new Congress should add further steam to the rising cost boiler;

(5) Concurrently private capital spending also should pick up momentum toward the end of 1959 and in 1960 as rising demand diminishes capacity excesses and new product and process requirements begin to be felt more intensively in the capital goods markets;

(6) Expanding incomes and gradually increasing employment should also tend to remove some of the worst consumer scars of the recession and stimulate more buying, especially durable goods on instalment credit; and

(7) The "political prosperity" psychology of the forthcoming presidential and congressional elections will begin to influence many spending decisions.

So that I am not misunderstood, let me say clearly that I do not visualize any runaway inflation in late 1959 or 1960, but rather a new rash of inflationary developments. Rampant inflation will still be held in check by such factors as adequate supplies of goods and services, competition at home and abroad, Federal Reserve and related policies, management resistance to wage demands, at least moderate productivity increases, and the good sense of the American people. Nevertheless, it does seem apparent that the inflationary lull which the economy and most businesses are now experiencing will come to an end within the next 9 to 15 months.

Each new experience which business and the public have with the wage-cost spiral can only further serve to underscore the widespread belief that more inflation is inevitable. Equally important, however, each new inflationary experience also carries with it a threat of more rapidly accelerating prices simply because more and more people seek to protect themselves against inflation by demanding still greater pay for their goods and services, and by investing only in those forms where they can anticipate some capital appreciation as well as fixed income. As a corollary, government bond financing becomes progressively more difficult; and incentive to take risks, to save, to work harder is weakened.

Foreign Experience With Inflation

Many business, financial, and government leaders from foreign countries are watching economic and political developments in our country with unusual interest these days. They recall the sober advice which many Americans, including bankers, have given them so continually and generously during the postwar years—to get their economic houses in order, to live within their incomes, and to stop inflating their currencies. Many have had very unfortunate personal experiences with inflation and in recent years have learned to exercise greater economic self-discipline—despite political recriminations—in checking the depreciation of their currencies. The recent strengthening of many foreign exchange rates against the dollar is ample testimony to their success. Is it any wonder that these same individuals now ask us why we don't follow our own advice to fight inflation? They chide us from their own experiences against accepting the false assumption that inflation can always be creeping. They say they know it can't.

Still other foreign leaders, particularly representatives of the Russian countries, quietly applaud unbalanced budgets and the noticeable change in public sentiment toward accepting inflation as a way of life in this country. They foresee the United States steadily losing its economic advantages because of noncompetitive costs and the further weakening of the value of the dollar in world trade as well as at home. Inflation can be seen to lead to more unemployment and social unrest. Any textbook on economic warfare will tell you that these precise trends and developments are high priority objectives in undermining the economic strength and eventually the political integrity of any country.

Housing-Mortgage Market Outlook

In light of the general look ahead which we've taken for the economy as a whole, what can be said more specifically about housing and mortgage market prospects? Here are a few observations:

(1) Residential construction looms as one of the nation's most promising growth industries over the decade ahead.

(2) The actual size of the market will be influenced substantially by the degree of inflation, which will discourage home purchases by driving up land prices, raising building costs, increasing interest charges, and discouraging saving by both borrowers and lenders. More people may seek refuge from inflation in housing investments, but an increasing supply of homes as well as structure and neighborhood obsolescence will make this more hazardous than generally realized.

(3) Mortgage investors will find it more essential than ever to view the housing market in its entirety—both new and old houses—because the vast majority of prospective buyers already have homes which must be sold before the transactions for new ones can be completed.

(4) Unless it becomes possible to trade in houses more easily, the housing industry will face a serious roadblock in realizing its growth potentialities. The opportunity for profitable development of a trade-in house mechanism in all major cities is tremendous.

(5) Major research expenditures by both the manufacturers of traditional building materials as well as manufacturers of chemicals and light metals point to significant improvements in housing construction and costs, provided government codes and many rigid and outmoded specification regulations can be changed, and also that mortgage investors will take a fresh look at building and encourage improvements rather than adhere to past specification standards.

There is excellent reason to be optimistic about the future of the housing and mortgage market. Such optimism presupposes, however, that we are all prepared to take a positive stand to help insure sound growth through healthy, forward-looking changes.

What Can Be Done?

But, you say what can I or we do, especially about the problem of inflation? My answer is a great deal!

The first step is to trace in detail the logical consequences of so much current thinking about the inevitability of more moderate inflation. Convince yourself that it is important to our personal as well as our national way of life to check the inflationary trend so evident in everyday thinking and more and more in everyday actions. Until you individually see the danger clearly, you can't expect to sell many others on doing something about it.

The next step is to determine where the strongest blows can be struck against inflation. Pretty clearly, the initial target is government because of the basic inflationary chain reaction from (a) more spending to (b) more deficit to (c) more monetization of the government debt to (d) higher prices and reduced purchasing power of the dollar.

We've got to be completely realistic and not merely tell our congressmen and senators to vote for a balanced budget. We all want steady gains in our living standards but not temporary advances at the cost of wrecking our economic and political system. Even if they accept the principle of avoiding deficits, they must vote on specific appropriation measures. Here is where we must encourage them continually to hold the line—to balance expenditures with revenues—with the assurance that we are entirely cognizant of their interest in re-election.

Another objective must be to resist unwarranted wage and salary increases in excess of demonstrable productivity gains. Still another target is to drive relentlessly to keep all other costs of doing business under tight control, not merely when a recessionary storm is blowing.

In short, all of us must go on the offensive in taking a much more determined stand on political and economic issues so that government through its elected officials in particular will not lessen incentive or abdicate fiscal responsibility. Financial executives must take the lead in telling the full story about the personal as well as national dangers of inflation—or in everyday language, the dangers of rising costs of living and shrinking buying power of the dollar. Yes, there's a real selling job to do to our business colleagues, neighbors, civic leaders, and government representatives. Frankly, we have no alternative. Won't you help?

Edwards & Hanly Sponsors Program

HEMPSTEAD, N. Y.—Edwards & Hanly, 100 North Franklin Street, members of the New York Stock Exchange, are sponsoring a series of meetings at their local offices designed to bring to the attention of Long Island investors information that may be of assistance to them.

On March 11th at the Valley Stream office (1 Sunrise Plaza), Paul Vahler, New York State Society of Certified Public Accountants, will speak on "Tax Saving Possibilities and Your Investments." On the same date at the Flushing office, 41-64 Main Street, William J. Dacey will speak on "Economic Outlook for 1959."

On March 18th at the Hempstead office Saul Smerling of Standard & Poor's Corporation will speak on "Business and Market Outlook," and an investors forum will be held in the Jackson Heights office, 83-18 37th Ave., on "Current Market Opportunities."

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policy, and to communicate the results to literate people through political tracts as well as systematic treatises. The theoretical structure of a competitive free-market price system was worked out, in the main, by men trying to find answers to insistent political questions. The great pioneers in British classical economics faced the hard political issues of their times. Smith, Mill, Ricardo, Marshall, Pigou and Keynes all served as Royal commissioners, bankers, or public servants. All wrote for popular consumption as well as for fellow scholars. The marriage of academic speculation to policy formation was peculiarly fruitful in the evolution of British classical economics. Thorough application concepts were tested and either sharpened or abandoned. First-hand contact with public policy issues gave economists fresh information and perspectives which they used to formulate new theories.

The value of economics as a field of intellectual activity must in the long run rest upon the extent to which it really helps man advance toward a better life. The theorists who are long remembered are those whose concepts have had operational value. Adam Smith is remembered for the free trade policies based upon his devastating attack on mercantilism. Keynes is honored for the fiscal policy consequences of his theory that the level of employment required conscious intervention by government.

Being specialists in the allocation of resources, economists might be expected to deploy their intellectual talents in the most productive way. Yet a scanning of the economic journals in recent years suggests that we are not thinking and writing as much as we should about the primary economic problems of our country. There are many skillful refinements of theory. Problems of stabilization are extensively discussed. One notes penetrating contributions to monetary theory, wage theory, fiscal policy, monopoly and competition. Great advances have been made in operations analysis and business decision-making. There is a burgeoning literature on the development of primitive economies. But applications of economic reasoning to basic issues of public policy seems to be reserved nowadays for the farewell addresses of out-going presidents of the American Economic Association!

One must go back many years to find penetrating analyses of the scope of Schumpeter's "Capitalism, Socialism and Democracy"[1] or Simon's "Economic Policy for a Free Society"[2]—to cite two examples. The most prominent recent effort to deal with contemporary economic policy comprehensively is that of Professor Galbraith, whose "The Affluent Society" is the only work of its type to become a "best-seller" in recent years. Despite its useful insights and the author's brilliant rhetoric, this work advances the erroneous thesis that productivity and output deserve less emphasis in the U. S. economy today. By failing to identify the truly important economic policy issues of our society, and by making recommendations which would impair the vitality of the American economy, Galbraith's book threatens to mislead many laymen.[3] We economists need to resist the powerful tendency to become narrow specialists, cultivate a capacity to relate vignettes to the whole picture, and develop the literary talent to command a wide audience for our writings.

The Problem of Creeping Inflation

Unquestionably, a primary problem of economic policy of our time is how to maintain reasonable stability of the price level in a free economy that is growing vigorously. We may assume that the American people wish to have full production and employment and economic freedom along with a dollar of dependable buying power. In the end they will accept neither stunted economic growth nor a network of governmental controls of prices and wages as the price of a stable dollar.

Despite a few dissenters, there is a growing concensus that creeping inflation—a persistent rise of between 2 and 5% a year in the price level—is in the long run a drag upon national progress, and that it is both feasible and desirable to prevent its occurrence. Direct controls to repress inflation, and escalator clauses to accommodate to it, are now generally seen as evasions of the problem. The reasoning that underlies these conclusions has been set forth fully elsewhere and need not be repeated here.[4] Despite general agreement that a stable price level fosters economic growth and should, along with full employment and free markets, be an accepted goal of public policy, surprisingly little has been written on ways and means of achieving this end. There is even much dissention over the causes of inflation.[5]

The popular view is that creeping inflation arises from excessive Federal spending,[6] and from wage increases that outrun gains in productivity and force up prices. Hence, the remedies most often suggested are a reduction in Federal expenditure and "restraint" by union and management officers in making wage agreements. But this diagnosis and remedy are plainly deficient. Although systematic control of Federal expenditures is important, they cannot be the salient cause of inflation because they form only about 15% of aggregate demand. If the pull of excessive aggregate demand causes inflation, we should be more likely to find the culprits among those who spend the other 85%! Moreover, there have been extended periods of rising price levels when Federal expenditures were falling (e. g., 1945-48), and stable price levels when Federal outlays were rising (e. g., 1951-53). Granted that the upward push of wages on prices has played an important role in inflation, experience has shown that admonitions to use "restraint" are not very effective in producing non-inflationary wage agreements. Restraint must grow out of the bargaining parties' conception of their own interests rather than out of their regard for the general interests of society.

The popular analysis of creeping inflation is not only unsatisfactory, but it leads to futile efforts to assign the blame to particular groups of people, such as "aggressive" union leaders, "monopolistic" business executives, Congressional "spenders," et cetera. As a result, public discussion of the problem becomes emotional and remedial action is stultified. The problem really arises from general systemic faults in economic structure and policy, and not from the misbehavior of certain people.

Let us view creeping inflation in a long perspective, develop a theory to account for it, and then deduce from this theory a feasible program of public policies to prevent it in the future. This paper allows us to paint only with broad strokes of the brush; the work of many economists and policy makers will be required to fill in necessary details.

Theory of Creeping Inflation

In formulating a theory of creeping inflation, we do well to recall some simple arithmetic. Inflation is defined as a significant rise in the Consumers Price Index, an average of the prices of 300 commodities and services sold in a sample of retail establishments in 46 cities. Now if we are to avoid inflation in the short-run, when some **individual** prices rise it is clearly necessary that other individual prices shall decline. And if we are to avoid inflation in the long-run, if the **average** of prices lifts during the expansionary phase of business

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[1] New York: Harper and Brothers, 1942 (1st Ed.)

[2] Chicago: University of Chicago Press, 1947. A collection of Simon's writings between 1934 and 1945.

[3] New York: Houghton Mifflin, 1958. Galbraith asserts that the primary economic problems of our society are: (1) How to create sufficient consumer demand to keep the economy fully employed, (2) How to finance sufficient consumer demand without increasing consumer debt to a point where it threatens to produce economic instability, (3) How to achieve a "social balance" between public and private expenditures so as to put an end to "public poverty" and "private opulence," and (4) How to reconcile full production and employment with a stable price level.

It is simply untrue that the U. S. need no longer emphasize increased productivity and output. The U. S. economy requires vast amounts of capital for education, transportation, resource development, housing and community facilities, and huge increases in the output of consumer goods in order to meet the demands of an exploding population. Ninety-five billions of dollars is required, according to a recent McGraw Hill survey, merely to modernize our obsolete industrial equipment. Foreign investment must be increased by many billions a year, if the U. S. is to play its economic role in the world. Yet we are advised to take it easy!

Consumer credit is certainly not as important an issue of economic policy as agricultural adjustment, labor union regulation, international trade and investment, or stimulating technological progress. Because consumer credit does tend to amplify business cycles, a good case exists for regulation of its terms by government. However, in view of the facts that outstanding consumer installment credit forms only about 1½ month's of consumer expenditure, and forms a much smaller fraction of consumer assets than it did a decade ago, it cannot be viewed as a major destabilizing factor.

Galbraith asserts that a large relative increase in public expenditures would be beneficial. Governmental purchases of the GNP have not only held their position but have risen since 1947 as a percentage of the total. While our happiness might be greater if the governmental percentage were larger, the figures do not indicate that Americans have kept their governments in penury. The choice between public and private expenditures may be tipped in favor of the latter by advertising and sales promotion. It is also tipped the other way by political "log-rolling" and the absence of a direct personal link between the benefit and cost of public services. Bringing about an expansion of governmental expenditures must surely be considered one of our less difficult problems of public policy

[4] The concensus against creeping inflation is well expressed by G. L. Bach, *Inflation-A Study in Economic Ethics and Politics* (Providence, Brown Univ. Press, 1958) and by A. F. Burns in *U. S. Monetary Policy* (New York: American Assembly 1959). My own views on the economic effects of creeping inflation appear in *Harvard Business Review*, May-June 1957 and Jan.-Feb. 1958 and in *Problems of U. S. Economic Development, Vol. I* (New York; C.E.D. 1958) p. 153. S. H. Slichter and A. H. Hansen, on the contrary, accept creeping inflation as a desirable or at least inevitable concomitant of economic policies to maintain full employment. Cf. Hansen, *The American Economy* (New York: McGraw Hill, 1957) and Slichter, "On the Side of Inflation" *Harvard Business Review*, Sept.-Oct. 1957.

[5] This conclusion is suggested by a reading of papers submitted to the Joint Economic Committee of Congress. See *The Relationship of Prices to Economic Stability and Growth* (Washington: Govt. Printing Office, March 31, 1958).

[6] Even when the Federal budget is balanced on a consolidated cash basis.

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cycles, it is necessary that the average level of prices shall decline at other times. Simple arithmetic demonstrates the need for more two-way flexibility in individual prices and in the average of prices if we are to avoid creeping inflation. It indicates that avoidance of inflation requires attention to what may be called the "structural flexibility" of our economy as well as to the maintenance of aggregate demand at an appropriate level through time.

The creeping inflation which has marred the performance of the U. S. economy in recent years has resulted from two major defects: **first,** insufficiently flexible monetary and fiscal measures to offset cyclical changes in private demand and to hold aggregate demand around full employment levels,[7] **secondly,** insufficient flexibility in prices and in movements of resources, caused by inadequate competition and by the interference of government with competitive markets. The remedy for creeping inflation requires **both** more sensitive and powerful monetary and fiscal actions to regulate aggregate demand, **and** governmental measures to make the U. S. economy structurally flexible with respect to individual prices and movements of resources.

Recent efforts to stop creeping inflation have been disappointing because they have involved reliance only upon restrictive monetary and fiscal policies, without concurrent actions to increase structural flexibility. Highly restrictive monetary and fiscal measures, which cut governmental expenditures to the bone, raise taxes, and make credit expensive and hard to get, can probably stop inflation. They reduce aggregate demand so severely as to create unemployment, hold down prices, and moderate wage agreements to a point where the wage-cost push on prices is diminished. But in an economy where resource movements have become too slow, competition is not pervasive, and enough individual prices do not decline quickly enough in the face of lowered demand, a highly restrictive monetary-fiscal policy will produce persistent unemployment. It will require a sacrifice of normal economic progress which the American people will not accept indefinitely.

The restoration of structural flexibility is basically a matter of creating the framework for workable competition in many markets from which it is now absent. Competition in **open markets** is **the** fundamental principle of a **free** versus a centrally-directed economy. If competition is pervasive and resources are mobile, enough prices will decline quickly enough when aggregate demand is shrinking and enough resources will move into more remunerative industries, so that sensitive monetary-fiscal restraints will serve to prevent inflation without creating "pockets" of unemployment and economic stagnation. Conversely, an expansionary monetary-fiscal policy will more rapidly induce movements of resources into the most urgent uses, enabling total output to grow for a longer time without producing "bottlenecks" and inordinate price increases. If the people of the United States squarely face the need to increase the structural flexibility of the economy as well as to improve monetary and fiscal controls, we will succeed in realizing our full potential of growth without bringing on a debilitating depreciation of the dollar. Even moderate gains in structural flexibility will suffice to keep the price level reasonably stable, so long as productivity rises steadily.

Let us now outline the elements of a program of public policy which will help solve the problem of creeping inflation. Because structural flexibility has received relatively little attention in discussions of inflation, it merits fuller attention than improvements in monetary-fiscal policy. Although they do not exhaust the subject, I shall focus attention on necessary reforms in five fields of economic policy: anti-monopoly; agriculture; international trade; stockpiling; and Federal taxation.[8]

Anti-Monopoly Policies

Actions to make competition more vigorous and pervasive in the United States are an important part of a program for price-level stability. Stern enforcement of the anti-trust laws, their extension to all kinds of private economic activity, and other measures to envigorate competition will help to make individual prices and wage-rates more responsive to changes in demand, will augment productivity, will moderate the wage-price spiral, and thereby reduce inflationary pressures.

While competition should be enforced in all segments of the economy, labor union activities are of greatest present concern. The main legal instruments for enforcing competition, the Sherman and Clayton Acts, were designed to apply primarily to business firms and to commodity markets, and labor unions and most professional and cooperative organizations are exempt. Meanwhile, some unions have acquired great power over labor markets, which they exercise in a number of ways to push up prices or to prevent prices from falling. While inflationary wage agreements have received most attention, union restrictions upon entry of workers into trades, and union working rules to reduce productivity ("feather-bedding") are also important inflationary factors. Being exempt from the anti-trust laws, unions may do many things to "restrain trade" which businessmen cannot do. Indeed, Professor Chamberlin avers that "indirectly, unions may already have more influence in raising costs and thus prices than do businessmen.[9] Because labor income comprises 62% of national income, it is evident that the impact of wages on the consumer's price level is powerful. Public regulation of labor unions is therefore necessary to assure that their activities will be compatible with the public interest in a stable price level, efficient production, and workable competition.

Labor markets differ in many ways from commodity markets, and a fresh body of law needs to be developed to deal with their special problems. These problems include gross inequality of bargaining power between big unions and small employers, organizational and jurisdictional strikes, undue restrictions upon union membership, picketing, secondary boycotts, union support of price-fixing agreements, and internal union affairs. Some union activities should be made illegal; others are imperfectly understood and the relevant law would have to be developed on a case-by-case basis. In any event, it is difficult to understand how objection can be made to the principle that anti-monopoly legislation should apply to **all** kinds of private economic activities whether carried on by businesses, unions, professional associations, cooperatives, or any other individual or group. A comprehensive rather than a fragmentary approach to the maintenance of a competitive order is needed.

Agricultural Policy

Food and apparel have 38% of the weighting in the Consumers Price Index.[10] Because prices of most such items are directly or indirectly affected by current agricultural policies, it is clear that our efforts to support prices of basic farm commodities at "parity" are a potent source of inflationary pressure. Our agricultural policies have operated to maintain or raise the prices of food and fiber in the face of striking technological advances that have reduced costs of production and would have brought lower prices in the absence of governmental intervention. At the same time, our policies have built up huge surpluses, whose disposal abroad impairs friendly relations with other countries. Farm prices would have declined in free markets, helping to keep the cost of living stable and removing some of the wage-push exerted on costs **via** escalation clauses in wage agreements. About four million workers are employed under contracts requiring quarterly or annual adjustment of wages to movements of the CPI, and this Index is a consideration in virtually every wage determination.[11]

A new policy for agricultural adjustment is urgently needed for many reasons. Output per man-hour has been rising more rapidly in agriculture than in the rest of the U. S. economy for at least 20 years. Because technological progress has made the large commercial farm relatively efficient and the small farm inefficient, 44% of our farms now produce 91% of the value of marketed farm produce.[12] it is impossible to provide the remaining 56% of the farmers with a satisfactory income by means of farm **price** supports, because they do not produce enough for sale. Present policies subsidize the affluent farmer while giving little help to the needy one. The game has continued to the point that the cost of supporting farm prices will be more than $5 billion in the current fiscal year, Federal payments will comprise about 40% of net farm income, and the Federal-held surplus will total about $9 billion by mid-1959.

A rational agricultural program —as the CED and other objective students of the farm problem now agree—calls for gradual removal within definite time limits of farm price supports, acreage allotments and marketing controls. Such a program should embrace relocation and retraining grants to assist the submarginal farmer to enter more promising employment and should assure him a minimum income. It must embrace a program to dispose of existing surpluses. A programmed return to free-market agricultural prices would remove a source of tension in our international relationships and diminish inflationary pressures. Even if a rational farm program cost the taxpayers as much as the present policy—which is most unlikely—the gains would be great.

International Trade

An essential element of an anti-inflationary policy is reduction of tariffs, import quotas and other impediments to international trade. These help keep up domestic prices and shelter inefficiency and monopoly. A truly liberal international trade policy is the best safeguard of high productivity and a stable domestic price level in a world in which the leading trading nations seek monetary stability. The U. S. makes its economy strong by exposing its producers to fair (i. e. unsubsidized) competition from abroad. If we expect to market our products in foreign countries, and ask them to expose their producers to our competition, we must be willing to receive their products.

The recent record of the United States in international trade policy has not been bad. We can applaud the renewal of the Reciprocal Trade Agreements Act. Yet there have been lapses from the path of virtue, in our tariff increases on watch movements and bicycles and our quotas on imports of Middle East and Canadian oil and Japanese textiles and apparel. There are now powerful reasons for more energetic action to remove trade restrictions. There is the ideological consideration that the U. S., as primary exponent of competitive Capitalism, cannot preach competition at home and reject it from abroad. There is the national security consideration that the Free World is strengthened when its member nations are closely bound together in a network of trading and investing relationships. There is the economic growth consideration that the U. S. needs increasing amounts of foreign raw materials to feed its growing industrial machine and must find ever larger markets throughout the world in which to dispose of its products. These factors constitute a convincing case for a more liberal international trade policy, quite apart from the real contribution it would make to the stability of the dollar.

Stockpiling

Revision of Federal programs of stockpiling defense materials would also contribute to the fight against inflation. Federal stockpiles of "strategic and critical materials" (in which copper, lead, zinc and platinum are important items) were valued at $6.4 billions at June 30, 1958, and the government also owned $3.3 billions of machine tools.[13] Most of these commodities were purchased when the concept prevailed that World War III would resemble World War II. In the light of present nuclear war potentialities, these huge stockpiles make little sense. There is a danger that "national security" may become a cloak for governmental price-supporting operations for many commodities, as has already been the case for lead and zinc. If so, additional elements of inflexibility in the price indexes would be created.

The U. S. has wisely refrained from participation in Western hemisphere price stabilization schemes on the ground that they violate our basic economic tenets, and fail in the end. Clearly, we should not operate domestic schemes of our own under any guise, especially when they contribute to inflation and impede economic readjustment.

Tax Reform

Reform of the Federal tax system is an important part of any effort to increase the efficiency and structural flexibility of the U. S. economy, and to make it less inflation-prone. In tax reform, the main emphasis should be upon measures that will offer both incentives and means of financing research and development and the modernization of our industrial machinery, and thus help to keep down costs and prices.

The immense cost-reducing potentialities of industrial modernization have been shown by a recent McGraw Hill survey of American manufacturing industries. It was found that the cost of replacing all obsolete facilities with equipment of the most modern and efficient type would be $95 billion—a sum equal to **all** of the expenditures on plant and equipment by American business (for additional capacity as well as modernization) during the three boom years 1955, 1956, and 1957.[14]

If we add to this "modernization backlog" the future capital requirements for **replacement,** in the light of an accelerating pace of technological change, plus the capital required for **additions** to our industrial plant to serve the needs of a population that may double within the next 50 years, U. S. capital requirements are astronomical. Yet they must be met if we are to retain our economic leadership in the face of rapid Sino-Soviet growth in production and influence. Nor should we forget that other Free World nations have become formidable competitors in world markets. Some of them have **relatively** more post-World War II equipment than the U. S. posesses.

Americans would be wise to ask themselves how rapidly they wish their economy to grow, and then consider what kind of tax system will be consistent with this rate of growth. While the present Federal tax system possesses valuable "built-in" counter-cyclical powers, as a result of its very heavy reliance upon progressive income taxes, it lays so heavy a burden on both the incentives and the ability to finance risky investment as to reduce the rate of capital formation, innovation, and economic growth.

The main lines of necessary Federal tax reform are reasonably clear—

First, reduction of the top bracket personal income tax rates to realistic levels. The 91% rate is really a "phantom" rate, paid by few and producing little revenue, while deterring productive effort and distorting investment.

Second, inauguration of a workable system of averaging personal incomes over periods of, say five years. This would remove the penalty now imposed upon persons with unstable annual incomes (usually derived from entrepreneurial activities) in comparison with those having stable incomes (usually from salaried employment).

Third, reduction of the rate on corporate income, now 52%, which makes the Federal Government, in effect, the majority stockholder of every business corporation of substantial size.

Fourth, modernization of depreciation laws to give business managers wider latitude to write off fixed assets and thus foster earlier replacement of obsolete facilities. Headway was made in this direction in the tax revisions of 1954 and 1958, but the basic U. S. rules continue to be illiberal in comparison with those of other industrialized countries.

These Federal tax reforms would stimulate economic growth, help to reduce costs, and contribute to price-level stability. Our state and local tax systems should

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7 Defined to mean that at least 96% of the labor force is productively employed, as an annual average.

8 Removal of structural rigidities in the economy suggests many additional lines of policy action. For example, private pension and retirement programs tend to impede occupational and geographical changes of employment, by not vesting the employer's contribution in the employee. This problem requires public attention.

9 E. H. Chamberlin, *Labor Unions and Public Policy* (Washington: American Enterprise Association, 1958)—.18

10 Average Retail Prices: *Collection and Calculation Techniques and Problems*, U. S. Dept. of Labor Bulletin No. 1182. June 1955, p. 62.

11 H. E. Riley, "The Price Indexes of the Bureau of Labor Statistics" in *The Relationship of Prices to Economic Stability and Growth, op. cit.*, p. 113.

12 Committee for Economic Development, *Toward A Realistic Farm Program* (New York: December, 1957).

13 *Annual Report of Office of Civil and Defense Mobilization.* Submitted to the Joint Committee on Defense Production. Washington: Nov. 30, 1958.

14 "How and Why Industry Modernizes" *Business Week,* Sept. 27, 1958, p. 21.

be reformed with the same purposes in view.

Counter-cyclical Monetary and Fiscal Policies

My discussion of measures to increase the structural flexibility of the U. S. economy has left me time to make only brief observations about increasing the effectiveness of monetary and fiscal measures.

The recent record of counter-cyclical monetary action is, I believe, fairly good;[15] that of fiscal action is less favorable. Stabilization policies could be improved in the future by more complete knowledge of the time lags involved, by augmenting their potency and availability for use, and by better administrative coordination.

The economic stabilization process involves three kinds of time-lags: a lag between the emergence of a stabilization problem and its identification by policy makers; a lag between problem identification and policy action, and a lag between governmental action and its corrective effect on the economy. The first two lags could be reduced by more accurate and promptly available economic statistics and by better economic analysis. The third kind of lag probably cannot be reduced in length, being inherent in the institutional structure of the economy, yet the timing of counter - cyclical actions could be improved if we knew its magnitude. Here is an urgent subject of research.

Increasing the potency and availability of counter - cyclical policy measures also requires reform of certain monetary and fiscal arrangements. It is likely, for example, that revisions of the legal reserve system for commercial banks and placement of non-bank financial institutions under some general monetary controls would be salutory. Such matters are now being examined by the Commission on Money and Credit. In the execution of fiscal policy a greater flexibility of tax rates is desirable. A delegation of Congressional power to the President to change personal tax liabilities within specified limits is one possibility. A system of automatic adjustments in personal income tax rates geared to changes in price or employment levels is another concept worth study.

Finally, we need to attain a better coordination of stabilization policies and actions within the Federal Executive, so that the monetary, taxation, expenditure, lending and loan insuring operations of government reinforce each other. One means to this end would be the establishment of a National Economic Council under the chairmanship of the President, analogous to the National Security Council in the area of defense.

Economics and Politics

Creeping inflation can be stopped in a free and vigorously growing economy only by reforms in many fields of public policy. The political obstacles to these reforms are, indeed, formidable. Inflation raises the most difficult political problems because it pits the general interest in a dollar of stable buying power against many organized and articulate special interests. They include the "farm lobby" with a desire for high and rigid supports of farm prices; oil and mining interests with built-in profits from inflation, import quotas, and stock-piling programs; union officials with a desire for unbridled economic power; and business groups seeking protected markets to shelter their inefficiencies. All of these groups must be educated to understand that their own welfare turns in the long run upon an efficient American economy competing in open markets and capable of flexible adaptation to change.

Ability to solve the problem of creeping inflation will be a supreme test of the economic wisdom of Americans and of the vitality of our political institutions. Will good economics prove to be good politics? American efforts to stabilize the dollar are being observed throughout the world, especially by people in nations yet wavering in their choice of economic development under freedom or under totalitarian control. We must not fail to pass the test. The United States must form a visible example to the world of an advanced industrial nation operated on the principles of economic freedom and financial probity. Here lies a great challenge to the economists and policy makers of our time.

15 This was the concensus of participants in an American Assembly meeting Oct. 16-19, 1958. See *U. S. Monetary Policy* (New York: The American Assembly, 1959) pp. 116, 222. For a contrary view see Ascher Achinstein. *Federal Reserve Policy and Economic Stability*, 1951-57. A study Prepared for the Committee on Banking and Currency. (Washington: U. S. Government Printing Office, 1958).

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poration equipment industry and increased activity in construction. Claims fell noticeably in New York, Michigan, Illinois, California, and Pennsylvania.

$630-Billion Building Boom in Next Decade Seen

The construction industry is in for a spectacular $630-billion boom during the next decade, according to the building magazine "Architectural Forum."

By 1968, according to "Forum" economist Miles Colean, spending for new construction will reach a whopping $75-billion a year, a rise of 53% over last year's mark.

The magazine adds that its projections for the next decade "may be too modest." They are based on conservative productivity and population increases, both of which could well exceed estimates, thereby sending the building figure even higher.

No Problems Adjusting to New Int'l Inch

Manufacturers see little difficulty in producing gauges based on the new international inch, reports "American Machinist," McGraw-Hill magazine of metalworking.

The new international inch of exactly 25.4 millimeters, adopted by English-speaking countries, will go into official use July 1. It is approximately two millionths of a millimeter shorter than the U. S. inch, 1.7 millionths longer than the British inch and the same size as the Canadian inch.

The changeover in production to the new international inch will affect customers to the extent of the accuracy they require.

Third Quarter Steel Orders Arriving

Some steel users already are placing orders for third quarter delivery, according to "The Iron Age," national metalworking weekly.

"Iron Age" said these buyers realize the odds favor a steel strike in third quarter and want to be at the head of the line when it ends. If there is no strike, they figure they can cancel orders they don't need.

As one steel buyer put it: "What's the good of having inventory during a strike if you are stuck for a month at the end of it?"

The metalworking magazine said some steel users are having trouble building inventory as a strike hedge despite the record-breaking production pace of the mills.

"Our business is a lot better than we thought it would be," worries one metalworking executive. "As a result, our inventory is building up at a slower pace than we had hoped for."

For example: American Motors Corp. last month reviewed its production schedules, added 40,000 units to its March, April, May program. Result: Its steel usage has gone up from 12,000 tons per month a year ago to 32,000 tons per month today.

Another automaker has raised its 1959 production goal by 100,000 units. Its purchasing agents are now sparring with steel mills for an increase in allocations in line with stepped-up output.

"Iron Age" said that a large mill reports last week's new orders set a two-year record. Its experience is probably typical of what is happening throughout the steel industry. Incoming tonnages are so heavy that the mills are having a hard time keeping things straight.

"By April, the tempo in steel will be stronger than at any time in steel history" the magazine said, in summing up the situation this way:

(1) Demand is spreading to all products, including railroad steel and structurals.

(2) Steel order carryovers are mounting. What this means is that in some cases the mills are finding it impossible to deliver some orders in the month promised. As a result, some March business will spill over into April, April in May, and so on.

(3) These carryovers will tend to offset the effect of duplicate orders some buyers are placing with more than one mill. So the bottom isn't likely to drop out of the steel market should there be a peaceful settlement of steel labor contract demands.

New Steel Output Records Anticipated

We made more steel in the week ended March 7 in the United States than we ever produced before, "Steel" magazine reported. The week's record marks only the beginning of a series of records to be set in the coming weeks by the steel industry, the metalworking weekly commented. Steelmen are struggling to keep pace with customers' demands for steel deliveries in the first half.

Mills turned out 2,562,000 net tons of steel for ingots and castings with operations at 90.5% of capacity, up 1.5 points. In their best previous week (Dec. 17-23, 1956), they produced 2,525,000 tons. Rates were up or held steady in ten out of 12 steelmaking districts.

Output is topping consumption, "Steel" said. The rush to buy steel can be explained by these factors: (1) Users cut stocks too much last year, and they're trying to bring them up to normal. (2) "Normal" inventories aren't enough because mill deliveries are slower than usual. (3) As usage rates increase, inventory targets are being constantly revised. (4) Strike fears encourage hedging.

Bars, for instance, are in tighter supply. Demand is reflecting a marked improvement in current consumption and continued emphasis on inventory building. Knowing that bar mills expect little third quarter business, some consumers are making this proposition: They'll place orders for August and September delivery if sellers will guarantee to ship at today's prices.

Vinyl-coated steel sheets, a new product announced today by U. S. Steel Corp., is an example of how the scope of steel is being broadened by research and development, the magazine commented.

Normally pictured as the construction material of skyscrapers, bridges, and ships, steel now can be used more widely in the leisure and pleasure markets. This new product adds the warmth of color and feel to the strength of steel.

The construction industry may set a record this year in the value of work put in place, "Steel" said. If the trends continue, and if the government's road building program progresses as planned, close to $53 billion should be spend for new construction put in place this year. Some of the $4 billion increase over 1958's total will be accounted for by rising costs. In the last year, building costs have gone up about 4%. But physical volume should increase by close to 3% over 1958.

"Steel's" composite on the prime grade of steelmaking scrap declined 50 cents last week to $42.33 a gross ton. The anamoly of a rising ingot rate and a decreasing scrap price can be accounted for by mill satisfaction with current scrap stocks and increased use of hot metal in the steelmaking mix.

Steel Production Continues to Soar

The American Iron and Steel Institute announced that the operating rate of steel companies will average *161.9% of steel capacity for the week beginning March 9, equivalent to 2,600,000 tons of ingot and steel castings (based on average weekly production for 1947-49) as compared with an actual rate of *159.1% of capacity and 2,556,000 tons a week ago.

Actual output for March 2 week was equal to 90.3% of the utilization of the Jan. 1, 1959 annual capacity of 147,633,670 net tons. Estimated percentage for the week of March 9 is 91.8%.

For the March 9 week a month ago the rate was *147.6% and production 2,371,000 tons. A year ago the actual weekly production was placed at 1,463,000 tons, or *91.1%.

*Index of production is based on average weekly production for 1947-1949.

Car Output Up 19% From Year Ago

A 14% gain in new car sales marked Feb. 21-28 as the auto industry's best 10-day period since December, "Ward's Automotive Reports" said today.

The statistical service said the increase gave entire February 405,300 new car sales compared with only 321,000 in February last year, a 26% increase. It swelled January-February purchasing to 833,000, up 19% from last year.

The February sales included 130,200 in the closing 10-day period that averaged to 18,600 a day compared with 16,344 Feb. 11-20 when 147,100 were sold. Feb. 11-20 had two additional selling days.

"Ward's" said that car production in the U. S. in the week ended March 7 was near the 1959 peak set in mid-January. Estimated for the week were 133,363 automobiles, 4% more than last week (127,783) and the best yield since Jan. 12-17 (135,953).

Responsible for the increase was Chrysler Corp., which had all of its assembly plants on five-day schedules for the first time in seven weeks. The company programmed its highest output of 1959—over 21,000 cars—and topped last week by over 50%.

"Ward's" said the other corporations—General Motors, Ford Motor Co., American Motors and Studebaker-Packard—followed schedules similar to last week. Only three car-making plants operated six days: AM in Kenosha, Wis.; S-P in South Bend, Ind.; and Ford Division's San Jose, Cal., facility. Working four days were Chevrolet factories at Baltimore, Md., and Tarrytown, N. Y.

The statistical publication reported car output in 1959 at 1,157,603 units through the end of this week, 20% higher than corresponding 1958 (965,418). Truck volume is 28% higher than last year, 221,154 units against 173,309.

Production of trucks this week was estimated at 23,363 units, down 7% from last week (25,104) and the smallest weekly yield in seven weeks.

Electric Output Down Slightly Below Previous Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, March 7, was estimated at 12,945,000,000 kwh., according to the Edison Electric Institute. Output the past week was below the level of the preceding week and marked the second weekly decrease below the 13,259,000,000 kwh. total recorded the week ended Feb. 21.

For the week ended March 7, output decreased by 27,000,000 kwh. below that of the previous week, but showed a gain of 1,152,000,000 kwh. above that of the comparable 1958 week.

Car Loadings 4.4% Above Corresponding 1958 Week

Loading of revenue freight for the week ended Feb. 28, 1959, totaled 575,583 cars, the Association of American Railroads announced. This was an increase of 24,391 cars, or 4.4% above the corresponding week in 1958, but a decrease of 128,400 cars, or 18.2% below the corresponding week in 1957.

Loadings in the week of Feb. 28, which included the Washington Birthday holiday, were 7,598 cars, or 1.3% below the preceding week.

Lumber Shipments 5.7% Above Production

Lumber shipments of 479 mills reporting to the National Lumber Trade Barometer were 5.7% above production for the week ended Feb. 28, 1959. In the same week new orders of these mills were 6.8% above production. Unfilled orders of reporting mills amounted to 43% of stocks. For reporting softwood mills,

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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 0.1% above production; new orders were 4.5% above production.

For week ended Feb. 28, as compared with the previous week, production of reporting mills was 1.2% above; shipments were 6.7% above; new orders were 8.9% above. For the latest week, as against the corresponding week in 1958, production of reporting mills was 5.7% above; shipments were 19.5% above; and new orders were 27.2% above.

Business Failures Continue Lower

Commercial and industrial failures declined slightly to 288 in the week ended March 5 from 296 in the preceding week, reported Dun & Bradstreet, Inc. At the lowest level in four weeks, casualties also were down considerably from 358 in the similar week a year ago and the 327 in 1957. However, they remained 1% above the prewar total of 286 in the corresponding week of 1939.

All of the week's dip occurred among failures with liabilities of $5,000 or more, which fell to 248 from 261 in the previous week and 317 last year. On the other hand, small casualties, those involving liabilities under $5,000, edged up to 40 from 35 and were about even with the 41 of this size a year ago. Liabilities exceeded $100,000 for 29 of the concerns failing during the week as against 36 last week.

Manufacturing and construction accounted primarily for the week-to-week decrease. The toll among manufacturers dropped to 42 from 57 and among contractors to 37 from 42, while commercial service casualties dipped to 23 from 24. Contrasting increases lifted retailing failures to 153 from 141 a week earlier and wholesaling to 33 from 32. Fewer businesses succumbed than last year in all industry and trade groups except wholesaling.

The Pacific States, down to 54 from 75, the South Atlantic, down to 17 from 25, and the East North Central, off to 56 from 62, were largely responsible for the week's downturn. There was little change in the Middle Atlantic States, with 101 as against 102, and no change in the East South Central, steady at 5. Meanwhile, four regions reported increases from the previous week; the sharpest rise occurred in the New England States where the toll climbed to 23 from 11. Business mortality fell below 1958 levels in all regions.

Wholesale Food Price Index at New 1959 Low

The wholesale Food Price Index, compiled by Dun & Bradstreet, Inc., again declined and hit the lowest level since Oct. 15, 1957. On March 3 the index fell to $6.11 for the sixth consecutive decline. This was 0.5% below the $6.14 of the prior week and 8.5% below the $6.68 of the similar date a year ago.

Higher in price during the latest week was wheat, corn, oats, cottonseed oil, cocoa, steers, and hogs. Commodities quoted lower were flour, rye, hams, bellies, lard, sugar, milk, coffee, eggs and potatoes.

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 Slips Fractionally

Reflecting price declines on flour, coffee, sugar, and steel scrap, the general commodity price level slipped slightly this week. The Daily Wholesale Commodity Price Index, compiled by Dun & Bradstreet, Inc., felt to 277.08 on March 9 from the 1959 high of 277.22 of a week earlier. It compared with 282.10 a year ago.

Most grain prices rose noticeably at the beginning of the week, but declined at the end of the period. Trading in wheat expanded appreciably, but prices finished close to those of a week earlier, export transactions in wheat moved up considerably, and stocks in Chicago were reduced.

Transactions in rye were steady, but prices slipped somewhat. Corn trading matched that of the prior week and prices were unchanged; corn supplies moved up somewhat. The buying of soybeans strengthened during the week, but prices remained close to prior week levels. Soybean receipts were light.

Purchases of flour slackened this week and prices fell moderately; there was a slight rise in export volume. Domestic trading in rice moved up as buyers sought to replenish depleted stocks. There were export inquiries for rice from Indonesia, Ceylon, and Cuba. Rice prices were unchanged from the prior week.

Sugar trading declined and prices fell appreciably; further price decreases are in prospect for the coming weeks. Coffee buying slackened at the end of the week and prices finished moderately below those of a week earlier. Increased turnover helped cocoa prices rise for the fourth consecutive week.

Although hog receipts in Chicago declined moderately, trading moved up appreciably during the week; hog prices slightly exceeded those of the prior week. There was a noticeable gain in cattle receipts, and trading rose somewhat; prices on steers were moderately higher. Prices on lambs moved up somewhat as turnover improved.

There was a slight decline in cotton prices on the New York Cotton Exchange this week. Both domestic and export buying of cotton declined during the week. United States exports of cotton for the week ended last Tuesday were estimated at 31,000 bales, compared with 71,000 in the prior week and 66,000 in the comparable period a year ago. Total exports for the season through last Tuesday came to about 1,848,000 bales, compared with 3,318,000 in the similar period last season.

Consumer Buying Exceeds Year Ago

Although consumer buying in the week ended March 4 remained close to that of the prior week, it climbed moderately over that of the similar week last year. The most noticeable year-to-year gains occurred in women's apparel, furniture, and draperies; interest in men's clothing and appliances matched the similar 1958 levels. Further sales gains were reported in new passenger cars, and volume was appreciably higher than a year ago, according to scattered reports.

The total dollar volume of retail trade in the week ended March 4 was 3% to 7% 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: South Atlantic +5 to +9; East North Central +4 to +8; New England and West North Central +3 to +7; Middle Atlantic and Pacific Coast +2 to +6; East South Central +1 to +5; Mountain 0 to +4; West South Central —2 to +2.

High sales of women's winter coats and suits and increased volume in spring coats, dresses, and millinery boosted over-all sales in women's apparel moderately over a year ago; interest in spring fashion accessories and sportswear was sluggish. There was a marked rise over last year in girls' merchandise. Continued clearance sales promotions helped volume in men's winter suits and overcoats match that of a week earlier and moderately exceed that of the comparable 1958 week. Interest in boys' clothing was sustained at a high level.

There were substantial year-to-year gains in furniture sales this week, especially in bedroom sets, upholstered chairs, and occasional tables. The call for draperies and linens was up moderately over a year ago and slight increases occurred in floor coverings. Appliance stores reported the most noticeable advances in television sets, radios, laundry equipment, and lamps.

Food buying at retail was sustained at a high level this week. Dairy products, canned goods, and frozen foods continued to sell well offsetting slight declines in produce, fresh meat, and poultry.

Nationwide Department Store Sales Up 10%

Department store sales on a country-wide basis as taken from the Federal Reserve Board's Index for the week ended Feb. 28, advanced 10% above the like period last yar. In the preceding week, for Feb. 21, an increase of 24% was recorded. For the four weeks ended Feb. 28 a gain of 12% was registered.

According to the Federal Reserve System department store sales in New York City for the week ended Feb. 28 showed a 4% decrease from that of the like period last year. In the preceding week, Feb. 21, an increase of 47% was reported. For the four weeks ended Feb. 28 an increase of 9% was noted over the volume in the corresponding period in 1958.

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Applying Realism to Investing In a Revolutionary Era

larly people who "lock things up." For example, the Pension Funds—which are growing at the rate of $4 billion annually—are putting about $1 billion a year into the Stock Market. Moreover, mutual funds sales last year were better than $1 billion net. If we add to this the billions being invested by banks and insurance companies, it's easy to see an effective price influence has come into being. Don't forget, that the average New York Stock Exchange volume represents only about 15%-20% of the shares listed—and only about one-third of this figure is a medium for the institutional buyer.

(3) Those who are the security buying public are being excited —and rightfully so—by Industry's dramatic earnings recovery. Corporate earning power probably will reach a record high in 1959 —and dividends will go up, too. Furthermore, Management has caught the "fever"—and is splitting their stocks—in some cases, quite frankly, inadvisedly. But it all adds up to an environment which is like waving a red flag in front of a bull.

(4) Personally, I discount inflation as a reason to buy common stocks. Most people have forgotten that the "shrinking dollar" is not a postwar invention. From 1897 to 1913, prices rose an average of 2.5% annually. Yet, economic history books make no mention of inflation fears in these easier-living years. Above all, I call your attention to the fact that the biggest economic collapse this country has ever experienced came after a period of relative price stability in the 1920s.

Purposely, I've talked about the Stock Market before discussing the business outlook. It's not a question of putting the cart before the horse—for stock prices are made by psychology, the price you are willing to pay to have a part in American Industry. And that price, to some extent, is related to the emotions. In other words; (a) The good old days, when being "right" on the Stock Market was dependent upon being "right" on the business trend, no longer exists. (b) Unfortunately, there is no statistical yardstick which can conclusively prove over-valuation—or undervaluation. Both are only areas.

Doubts Another 1932

Speaking of emotions, and areas of over-valuation, I'm sure many have heard the comment "This is 1929!"—It is—in the sense that all America is seemingly interested in buying common stocks. But there are some important differences which should prevent another 1932. Note the following:

(1) This time, we have what is practically a cash market—a market which is inherently stronger than ever before.

(2) This time, there are no "insiders." Information is more widely disseminated—and better understood—than it was 30 years ago.

(3) This time, we have an analytical profession making America's security opinions who should know the difference between right and wrong.

(4) This time, we are really in a new era — one with more inherent resiliency and buoyancy— than ever before in the Nation's history.

Analyzes Upward Business Trend

As for the business trend, it is obviously upward—not for everyone, but for the country as a whole. Sure, unemployment will be high—competition will be keen —and labor troublesome. But I suspect that the FRB Index will duplicate its 1956 peak this Spring—and rise to a new high by the year-end.

Frankly, the glib generalities we read concerning our Gross National Product do not interest me as much as the fact that ours is a truly revolutionary era. I'm not talking about the Space Age —or automation—or, the fact that our scientific progress has been accelerated by the "cold war." Rather, I have in mind the things we see in our everyday life—the shopping centers — kitchens of tomorrow, new fabrics, new wonder drugs, our fast-growing population. Apropos the latter, between now and 1965 there will be a 35% increase in the teen-age population — and teen-agers eat 25% more food than adults. They are enormous consumers of soft drinks. Believe, me, I know!

But let's be specific—for this is what will pay the rent. Here are some guideposts to watch:

Offers Guideposts to Watch

(1) We have been in, and will remain in, two-way markets— where the choice of issue is far more important that the Averages. This is no longer a market which moves in unison.

(2) Be on the alert for a major development which will change the investment climate. Until this happens, the worst to be expected are the perfectly normal and natural technical reactions.

(3) The real test of business outlook will come between the second and third quarters. By then, we'll know whether the inventory accumulation in anticipation of a steel strike has borrowed from the second half. We'll also have a pretty good idea of whether the capital goods industries are coming along to fill up the current void.

(4) Between now and then, I expect a "whopper" of a reaction —for common stocks do not cure all of man's ills: from dandruff to althlete's foot.

(5) Meanwhile, I suggest that you search for the values in the currently unpopular groups—such as the Oils, Textiles and Metals.

(6) I'd also look for the values in companies that have taken a new lease on life—say, American Standard or Flintkote.

(7) Rather than pay an absurdly high price for glamour, I'd seek out the companies that are benefiting from a change in Management — or, have a new product. American Steel Foundries, Cluett, Peabody, United Fruit come to mind.

(8) In a word, I would do what comes naturally — and emphasize the beneficiaries of our rising standard of living, the greater leisure for the masses, the enormous increase in disposable, discretionary income. Wilson, Northwest Airlines, are perfect examples.

But, whatever you do, please do not overlook two considerations:

(1) The key to success in the Stock Market is Faith, Courage, Ability — plus the fact that the Good Lord has to tap you on the shoulder every so often.

(2) The Stock Market is no different than life itself. It does not offer security—but it does offer opportunity.

Special Libraries Golden Anniversary

The Special Libraries Association will celebrate its golden anniversary in Atlantic City, May 31-June 4. SLA is an international organization of professional and information experts who serve manufacturing concerns, banks, corporations, law firms, newspapers, advertising and insurance agencies, transportation companies, research organizations, museums, hospitals and other organizations. Organized at Bretton Woods, New Hampshire, in 1909, the Association was incorporated under the laws of Rhode Island in 1928. There are approximately 5,000 members in the United States, Canada and many other countries. Banquet speaker for the Convention will be August Hechscher, Director, The Twentieth Century Fund.

With Hornblower & Weeks

HARTFORD, Conn.—Donald C. Walsh has been associated with Hornblower & Weeks, 750 Main 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. 15	§91.8	*90.3	83.7	54.2
Equivalent to—					
Steel ingots and castings (net tons)	Mar. 15	§2,600,000	*2,556,000	2,371,000	1,463,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Feb. 27	7,198,720	7,189,120	7,107,135	6,841,285
Crude runs to stills—daily average (bbls.)	Feb. 27	¶8,236,000	*8,052,000	8,140,000	7,560,000
Gasoline output (bbls.)	Feb. 27	27,966,000	*27,963,000	27,514,000	26,429,000
Kerosene output (bbls.)	Feb. 27	2,511,000	2,784,000	2,957,000	2,775,000
Distillate fuel oil output (bbls.)	Feb. 27	15,267,000	*15,584,000	14,972,000	12,155,000
Residual fuel oil output (bbls.)	Feb. 27	7,483,000	*7,162,000	7,600,000	7,520,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Feb. 27	208,772,000	204,987,000	197,511,000	215,191,000
Kerosene (bbls.) at	Feb. 27	19,828,000	19,648,000	20,910,000	17,167,000
Distillate fuel oil (bbls.) at	Feb. 27	83,368,000	84,021,000	96,745,000	88,638,000
Residual fuel oil (bbls.) at	Feb. 27	54,582,000	55,530,000	57,867,000	54,208,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Feb. 28	575,583	583,131	582,636	551,192
Revenue freight received from connections (no. of cars)	Feb. 28	552,518	*555,129	553,692	539,119
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Mar. 5	$523,100,000	$285,660,000	$284,240,000	$365,141,000
Private construction	Mar. 5	230,000,000	176,172,000	154,541,000	168,294,000
Public construction	Mar. 5	293,100,000	109,488,000	129,699,000	196,847,000
State and municipal	Mar. 5	131,600,000	85,211,000	107,877,000	161,972,000
Federal	Mar. 5	111,500,000	24,277,000	21,822,000	34,875,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Feb. 28	8,195,000	8,055,000	8,585,000	8,310,000
Pennsylvania anthracite (tons)	Feb. 28	425,000	390,000	521,000	571,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Feb. 28	118	109	106	107
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Mar. 7	12,945,000	12,972,000	13,292,000	11,793,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Mar. 5	288	296	271	358
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Mar. 3	6.196c	6.196c	6.196c	5.967c
Pig iron (per gross ton)	Mar. 3	$66.41	$66.41	$66.41	$66.49
Scrap steel (per gross ton)	Mar. 3	$41.83	$43.17	$43.83	$37.67
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Mar. 4	29.625c	29.625c	29.600c	24.175c
Export refinery at	Mar. 4	30.000c	29.300c	28.850c	19.875c
Lead (New York) at	Mar. 4	11.000c	11.000c	12.000c	13.000c
Lead (St. Louis) at	Mar. 4	10.800c	10.800c	11.800c	12.800c
‡Zinc (delivered) at	Mar. 4	11.500c	11.500c	12.000c	10.500c
Zinc (East St. Louis) at	Mar. 4	11.000c	11.000c	11.500c	10.000c
Aluminum (primary pig, 99.5%) at	Mar. 4	24.700c	24.700c	24.700c	26.000c
Straits tin (New York) at	Mar. 4	103.750c	104.750c	101.500c	94.625c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Mar. 10	85.75	86.63	86.12	94.38
Average corporate	Mar. 10	90.20	90.20	89.78	95.62
Aaa	Mar. 10	94.12	94.41	93.97	102.13
Aa	Mar. 10	92.79	92.93	92.20	99.52
A	Mar. 10	90.34	90.34	89.78	95.16
Baa	Mar. 10	83.91	83.79	83.53	86.51
Railroad Group	Mar. 10	88.81	89.09	88.40	91.62
Public Utilities Group	Mar. 10	89.92	89.78	89.23	96.85
Industrials Group	Mar. 10	91.77	91.77	91.62	98.25
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Mar. 10	3.85	3.76	3.82	2.98
Average corporate	Mar. 10	4.40	4.40	4.43	4.03
Aaa	Mar. 10	4.13	4.11	4.14	3.62
Aa	Mar. 10	4.22	4.21	4.26	3.78
A	Mar. 10	4.39	4.39	4.43	4.06
Baa	Mar. 10	4.87	4.88	4.90	4.67
Railroad Group	Mar. 10	4.50	4.48	4.53	4.30
Public Utilities Group	Mar. 10	4.42	4.43	4.47	3.95
Industrials Group	Mar. 10	4.29	4.29	4.30	3.86
MOODY'S COMMODITY INDEX	Mar. 10	387.6	383.2	385.4	397.5
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Feb. 28	324,109	297,549	293,331	236,717
Production (tons)	Feb. 28	301,751	304,774	293,826	266,581
Percentage of activity	Feb. 28	92	94	92	87
Unfilled orders (tons) at end of period	Feb. 28	423,667	400,485	375,635	348,266
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Mar. 5	110.76	114.72	110.10	109.47
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Feb. 14	2,201,040	2,230,050	3,030,260	1,309,780
Short sales	Feb. 14	326,190	347,000	565,090	267,830
Other sales	Feb. 14	1,904,960	1,961,170	2,563,620	1,008,250
Total sales	Feb. 14	2,231,150	2,308,170	3,128,710	1,276,080
Other transactions initiated on the floor—					
Total purchases	Feb. 14	405,880	501,830	491,330	316,420
Short sales	Feb. 14	60,800	56,400	56,700	49,600
Other sales	Feb. 14	355,900	430,690	526,890	275,860
Total sales	Feb. 14	416,700	487,090	583,590	325,460
Other transactions initiated off the floor—					
Total purchases	Feb. 14	645,209	729,705	993,710	427,380
Short sales	Feb. 14	101,470	111,420	184,650	92,960
Other sales	Feb. 14	711,265	793,972	1,032,569	507,090
Total sales	Feb. 14	812,735	905,392	1,217,219	600,050
Total round-lot transactions for account of members—					
Total purchases	Feb. 14	3,252,129	3,461,585	4,515,300	2,053,580
Short sales	Feb. 14	488,460	514,820	806,440	410,390
Other sales	Feb. 14	2,972,125	3,185,832	4,123,079	1,791,200
Total sales	Feb. 14	3,460,585	3,700,652	4,929,519	2,201,590
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. 14	1,700,754	1,786,795	2,471,409	1,068,724
Dollar value	Feb. 14	$85,178,715	$87,528,880	$124,660,797	$47,003,911
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Feb. 14	1,405,376	1,549,251	2,046,854	928,044
Customers' short sales	Feb. 14	10,279	7,604	6,905	24,192
Customers' other sales	Feb. 14	1,395,097	1,541,647	2,039,949	903,890
Dollar value	Feb. 14	$69,718,840	$76,215,124	$102,410,496	$41,292,892
Round-lot sales by dealers—					
Number of shares—Total sales	Feb. 14	370,310	410,740	492,000	276,190
Short sales	Feb. 14				
Other sales	Feb. 14	370,310	410,740	492,000	276,190
Round-lot purchases by dealers—					
Number of shares	Feb. 14	657,580	640,390	914,450	412,030
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. 14	646,180	640,590	895,990	740,730
Other sales	Feb. 14	14,784,410	16,807,450	21,512,010	9,771,580
Total sales	Feb. 14	15,430,590	17,448,040	22,408,000	10,512,310
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Mar. 3	119.2	119.1	119.3	119.4
Farm products	Mar. 3	90.3	89.9	90.8	99.0
Processed foods	Mar. 3	107.2	107.2	108.3	109.6
Meats	Mar. 3	93.9	98.2	102.3	103.7
All commodities other than farm and foods	Mar. 3	127.6	*127.5	127.5	125.8

*Revised figure. ¶Includes 902,000 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
ALUMINUM (BUREAU OF MINES):			
Production of primary aluminum in the U. S. (in short tons)—Month of November	140,962	139,836	135,024
Stocks of aluminum (short tons) end of Nov.	138,545	124,202	172,105
AMERICAN GAS ASSOCIATION—For month of December:			
Total gas sales (M therms)	8,709,000	6,455,800	8,083,400
Natural gas sales (M therms)	8,423,900	6,268,300	7,814,700
Manufactured gas sales (M therms)	21,300	13,700	21,900
Mixed gas sales (M therms)	263,800	173,800	246,800
BUSINESS INCORPORATIONS (NEW) IN THE UNITED STATES—DUN & BRADSTREET, INC.—Month of January	18,773	16,458	13,030
BUSINESS INVENTORIES — DEPT. OF COMMERCE NEW SERIES — Month of Dec. (Millions of dollars):			
Manufacturing	$49,200	$49,300	$53,500
Wholesale	12,000	12,100	12,700
Retail	24,000	23,600	24,500
Total	$85,200	$85,000	$90,700
COTTON AND LINTERS — DEPARTMENT OF COMMERCE—RUNNING BALES:			
Consumed month of December	727,410	672,838	569,873
In consuming establishment as of Jan. 3	1,542,092	*1,430,857	*1,593,507
In public storage as of Jan. 3	12,725,950	*11,908,071	*12,622,615
Linters—Consumed month of December	106,667	90,146	98,584
Stocks Jan. 3	857,485	827,437	876,015
Cotton spindles active as of Jan. 3	17,616,000	17,616,000	18,144,000
LIFE INSURANCE—BENEFIT PAYMENTS TO POLICYHOLDERS — INSTITUTE OF LIFE INSURANCE—Month of November:			
Death benefits	$214,800,000	$244,400,000	$222,400,000
Matured endowments	65,400,000	60,400,000	57,800,000
Disability payments	9,200,000	10,200,000	9,200,000
Annuity payments	46,500,000	53,600,000	44,800,000
Surrender values	103,700,000	120,200,000	101,700,000
Policy dividends	97,000,000	105,200,000	89,300,000
Total	$536,600,000	$594,000,000	$525,200,000
LIFE INSURANCE PURCHASES — INSTITUTE OF LIFE INSURANCE — Month of Dec. (000,000 omitted):			
Ordinary	$4,382,000	$3,905,000	$4,208,000
Industrial	499,000	588,000	492,000
Group	2,132,000	728,000	2,137,000
Total	$7,013,000	$5,221,000	$6,837,000
MANUFACTURERS' INVENTORIES AND SALES (DEPT. OF COMMERCE) NEW SERIES—Month of December (millions of dollars):			
Inventories—			
Durables	$27,824	*$27,877	$31,148
Nondurables	21,397	*21,424	22,372
Total	$49,221	*$49,301	$53,520
Sales	28,038	*27,503	26,690
METAL PRICES (E. & M. J. QUOTATIONS)—February:			
Copper—			
Domestic refinery (per pound)	29.617c	28.635c	25.114c
Exports refinery (per pound)	28.726c	27.927c	21.253c
††London, prompt (per long ton)	£236.206	£230.101	£171.369
††Three months, London (per long ton)	£235.531	£227.292	£174.023
Lead—			
Common, New York (per pound)	11.560c	12.667c	13.000c
Common, East St. Louis (per pound)	11.383c	12.467c	12.800c
††London, prompt (per long ton)	£69.966	£71.851	£72.168
††Three months, London (per long ton)	£70.775	£72.164	£72.545
Zinc (per pound)—East St. Louis	11.417c	11.500c	10.000c
§§Zinc, prime Western, delivered (per pound)	11.917c	12.000c	10.500c
††Zinc, London, prompt (per long ton)	£73.681	£74.884	£62.568
††Zinc, London, three months (per long ton)	£71.981	£72.932	£62.179
Silver and Sterling Exchange—			
Silver, New York (per ounce)	90.444c	90.206c	89.449c
Silver, London (per ounce)	77.206d	76.250d	76.847d
Sterling Exchange (check)	$2.80935	$2.80647	$2.281322
Tin, New York Straits	102.729c	99.345c	92.692c
Gold (per ounce, U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$218.000	$218.000	$220.692
¶Antimony, New York, boxed	32.590c	32.590c	36.590c
Antimony (per pound), bulk Laredo	29.000c	29.000c	33.000c
Antimony (per pound), boxed Laredo	24.417c	29.500c	33.500c
Platinum, refined (per ounce)	$57.278	$52.000	$77.000
†Cadmium, refined (per pound)	$1.45000	$1.45000	$1.55000
‡Cadmium (per pound)	$1.45000	$1.45000	$1.55000
§Cadmium (per pound)	$1.45000	$1.45000	$1.55000
Cobalt, 97% grade (per pound—ounce ton)	$1.75000	$2.00000	$2.00000
Aluminum 99% grade ingot weighted average (per pound)	$26.800	$26.800	$28.100
Aluminum, 99% grade primary pig	$24.700	$24.700	$26.000
Magnesium ingot (per pound)	35.250c	35.250c	35.250c
**Nickel	74.000c	74.000c	74.000c
Bismuth (per pound)	$2.25	$2.25	$2.25
MONEY IN CIRCULATION—TREASURY DEPT. As of Dec. 31 (000's omitted)	$32,193,000	$32,036,000	$31,834,000
MOTOR VEHICLE FACTORY SALES FROM PLANTS IN U. S.—AUTOMOBILE MANUFACTURERS' ASSN.—Month of January:			
Total number of vehicles	644,810	688,846	572,535
Number of passenger cars	546,320	594,393	489,643
Number of motor trucks	98,315	94,263	82,523
Number of motor coaches	175	190	369
RUBBER MANUFACTURERS ASSOCIATION, INC.—Month of December:			
Passenger Tires (Number of)—			
Shipments	7,739,376	6,764,947	5,739,277
Production	8,046,197	7,181,556	6,597,263
Inventory	17,778,036	17,419,873	19,817,850
Truck and Bus Tires (Number of)—			
Shipments	1,152,767	1,023,447	820,894
Production	1,329,978	1,211,076	1,018,089
Inventory	3,161,267	2,982,933	3,407,557
Tractor Implement Tires (Number of)—			
Shipments	257,666	209,366	183,188
Production	351,785	303,960	261,067
Inventory	921,539	814,494	852,626
Passenger Motorcycle, Truck and Bus Inner Tubes (Number of)—			
Shipments	3,410,974	2,898,650	2,717,439
Production	3,490,958	3,318,609	2,777,860
Inventory	8,602,097	8,371,927	7,670,868
Tread Rubber (Camelback)—			
Shipments (pounds)	45,200,000	40,008,000	36,070,000
Production (pounds)	43,638,000	40,585,000	33,136,000
Inventory (pounds)	27,550,000	29,352,000	25,061,000
UNITED STATES EXPORTS AND IMPORTS BUREAU OF CENSUS — Month of Nov. (000's omitted):			
Exports	$1,596,200	$1,599,100	$1,682,700
Imports	1,089,000	1,141,000	1,043,200

*Revised figure. †Average based on the producers' quotation. ‡Based on the average of the producers' and platers' quotations. §Average of quotation on special shares to platers. ¶Domestic five tons or more but less than carload lot boxed. §§Delivered where freight from East St. Louis exceeds 0.5c. **F.o.b. Fort Colburne U. S. duty included. ††Average of daily mean and bid and ask quotation at morning session of London Metal Exchange. ‡‡Increase all stocks.

Puritan Fund At Record High

Puritan Fund's quarterly report as of Jan. 31, 1959, shows total net assets, net asset value per share, shares outstanding, and number of shareholders all established new highs. Net assets totaled $62,085,500 compared with $54,018,406 on Oct. 31, 1958—an increase of 15%. Number of shares outstanding increased to 8,075,228 from 7,736,124. Number of shareholders increased to 19,300 from 18,800. Net asset value per share as of Jan. 31, 1959, was $7.69 compared with $6.98 on Oct. 31, 1958, and $6.33 on July 31, 1958.

New securities added to the portfolio during the quarter included J. P. Stevens Company; Interlake Iron Corporation and Greyhound Corporation. Eliminated from the Fund during the quarter were Walworth Company, United Fruit, and General Outdoor Advertising.

Mutual Funds

By ROBERT R. RICH

Boston Fund Rises To New Highs in All Categories

Boston Fund, one of the nation's largest and oldest mutual funds, achieved record highs in share value, total net assets, shareholders and sales during the fiscal year ended Jan. 31.

The fund's 27th annual report reveals these high levels:

(1) The asset value a share, when adjusted for capital gains paid out, increased 23% to $17.83 from $14.51.

(2) Net assets showed a 39% rise to $197,994,544 from $142,125,781.

(3) The number of shareholders climbed to 32,965 from 29,238.

(4) Purchases of new shares in the fund exceeded $25 million, which represents by far the largest amount subscribed by shareholders during any one-year period in the fund's history.

Henry T. Vance, President of the large balanced fund, told shareholders that new assets of $2,983,742 were acquired last November when The Bond Fund of Boston was merged into the fund.

He attributed the sharp rise in net assets chiefly to higher prices of common stocks and the fund's convertible issues and partly to the merger and the record flow of new cash into the fund.

In commenting on portfolio action taken by the fund, he observed that the common stock portion of the account a year ago was reduced to 57.2% and the backlog portion of bonds and preferred stocks was at 42.8%.

"The fund," he explained, "maintained a carefully hedged investment position during the early part of last year but as the year progressed and an improvement in business became evident, investments were made in additional convertible bonds and convertible preferreds. Important increases also were made in equity commitments in areas which management deemed interesting under the circumstances.

"During the early part of the year as the bond market improved, we disposed of a substantial amount of bonds, substituting a commitment in the common stock of American Telephone & Telegraph Company which became our largest single equity investment. By mid-year we had increased our common stock position to 63.5%.

"The program of somewhat heavier equity purchases was continued throughout the balance of the year and at Jan. 31 the common stock position was at 67.9% with the backlog of bonds and preferreds representing 32.1% of the portfolio."

New equity commitments in the final quarter of the year were made in U. S. Plywood, Walter E. Heller, Glidden, Inland Steel, James Talcott, Owens, Illinois Glass, Libbey, Owens, Ford Glass, and Texas Gas Transmission. The common holdings in Grand Union were substantially reduced, and those in Safeway Stores, A & P and Atlas Powder were eliminated.

National Crosses $100 Million Mark

Net assets of National Investors Corporation, the 22-year-old growth stock fund of the Broad Street Group of Mutual Funds, have crossed the $100,000,000 mark, it was announced by Francis F. Randolph, chairman of the Board.

Net assets reached a record high of $100,205,335 on Feb. 27, for a gain of more than $6 million over the $94,001,772 at the start of the year.

According to Mr. Randolph, growth through the sale of new shares accounted for $2,593,000 of this rise in assets. The balance of the gain was the result of market appreciation of the fund's portfolio securities.

Affiliated Fund Assets Now at $524 Million

Affiliated Fund, in its ninety-ninth quarterly report for the three months ended Jan. 31, reports total net assets rose from $477,785,334 to $524,629,520 while share value went up from $6.94 to $7.27.

In the quarter, realized securities' profits totaled $8,552,863 and unrealized profits rose by $31,351,829.

Investors bought $28,446,883 in new shares in the three months, while other investors cashed in $4,894,201, an unusually low ratio.

Gross income for the quarter totaled $4,775,543 which, after expenses of $627,955, made for a net income of $4,147,588.

During the three month period, Affiliated Fund made new common stock commitments in Champion Spark Plug Co., First National City Bank of New York, Hanover Bank and McGraw-Edison. The equity holding in Sterling Drug was eliminated.

Largest Monthly Sales Total in Chemical's History

Chemical Fund, Inc. reported that sales of new shares in February totaled $4,127,000, the largest sales volume for any month in the Fund's 21 year history. The previous record month was June, 1955 when sales amounted to $3,779,000.

The February total was 24% greater than sales in the previous month, January 1959. Sales for the first two months of 1959 totaled $7,446,000, more than two times the sales in the same period a year ago.

Putnam Fund Assets at All-Time High of $180 Mil.

The George Putnam Fund of Boston, "balanced" mutual investment fund, reports total net assets at an all-time high of over $180,400,000 on December 31, 1958, compared with $133,200,000 a year ago, the largest dollar gain in the history of the Fund. Asset value per share increased almost 30% to a new high of $14.08, after adjustment for a capital gains distribution of 44 cents per share, compared with $10.85 at the end of 1957.

Payments to shareholders in 1958 rose to a new high total of over $11,000,000, consisting of $5,325,700, or 42 cents a share, from investment income, and $5,675,500, or 44 cents a share, from realized capital gains. As of the year-end the total market value of all securities owned exceeded cost by over $52,033,000.

On December 31 common stocks represented 63% of the Fund's total investments, compared with 60% a year ago. The Fund's 10 largest common stock investments were Florida Power & Light Co., International Business Machines, Royal Dutch Petroleum Co., Standard Oil Co. (N. J.), Central & South West Corp., Polaroid Corp., Aetna Life Insurance Co., Continental Casualty Co., Florida Power Corp., and Winn-Dixie Stores.

New common stock additions to the portfolio during the last quarter of 1958 included: Fireman's Fund Insurance Co., Great Atlantic & Pacific Tea Co., North Carolina Natural Gas Corp., and Seaboard Air Line R.R. Co.

Eliminations included: Consolidation Coal Co., Dresser Industries, Inc., Franklin Life Insurance Co., General Electric Co., Hooker Chemical Corp., Kellogg Co., Northwest Natural Gas Co., Puget Sound Power & Light Co., and State Loan & Finance Co. "A".

Broad Street's Feb. Sales 195% Above Last Year's

Gross sales of $3,787,000 for new shares of the Broad Street Group of Mutual Funds during February were 195% higher than the $1,283,000 of February a year ago, according to Milton-Fox-Martin, President of Broad Street Sales Corporation, national distributor of shares of Broad Street Investing Corporation, National Investors Corporation and Whitehall Fund, Inc.

Mr. Fox-Martin also brought out that gross sales of new shares of the three funds for the first two months of 1959 of $8,247,000 were nearly three times greater than the $2,834,000 for the same period of 1958.

In contrast to the $5,413,000 increase in sales for the first two months of 1959, redemptions of shares increased only $462,000 to $1,647,000 from $1,185,000 a year earlier.

American Mutual Now Above the $100 Million Mark

Total net assets of American Mutual Fund have crossed the One Hundred Million Dollar mark and on Dec. 31, 1958, stood at $103,461,643, it was stated by President Jonathan B. Lovelace at the 10th Annual Meeting of the shareholders held in Los Angeles. During calendar 1958 total assets of the Fund increased by $39,512,937—a rise of 62% from the $63,948,706 total asset figures for Dec. 31, 1957.

Net asset value per share on Dec. 31, 1958 was $9.11 compared to $7.05 a year earlier. Adjusted for the capital gain distribution during the period of 43 cents, this represented an increase of 35.2%.

Mr. Lovelace pointed out that since the date of the first public offering on Feb. 21, 1950, American Mutual Fund has grown from $9 million to $103 million.

Public utility stocks represented the largest industry holdings in the Fund's portfolio on Dec. 31, 1958. Stocks in this category had a total market value on that date of $10,975,125. American Telephone and Telegraph was the largest single holding in the Fund.

The second largest industry concentration was in steel and iron, with holdings totaling $8,-044,325. The largest single issue in this category and the second largest holding in the Fund was United States Steel.

All officers and directors were re-elected at the meeting.

Canadian Fd. Pays 26th Quarterly Div.

Total net assets of Canadian Fund, Inc. at Jan. 31, 1959 were $47,619,095, Hugh Bullock, President, told shareholders in the report accompanying the fund's 26th quarterly dividend. This dividend, paid March 2 to shareholders of record Feb. 6, was at the rate of 10 cents per share and was derived from net income from the fund's investments.

Assets of the fund, which is the U. S.-domiciled fund in the Calvin Bullock group, consisted on Jan. 31, of stocks of 51 Canadian corporations plus Canadian Government and corporate bonds and cash. The largest percentages of total assets invested in stocks continue to represent paper and paper products, oil and gas, non-ferrous metals and the food and beverages groups, Mr. Bullock said.

Pioneer Fund's Net Asset Value Rose 36.92% in Past Year

Total net assets of Pioneer Fund, Inc., climbed to a new high of $30,385,858 at Dec. 31, 1958, compared with the Dec. 31, 1957 figure of $19,731,553, Philip L. Carret, president, said in the annual report to shareholders. Net asset value per share rose to $16.32 at the close of 1958, a gain of 36.92% above the $12.16 at the end of the previous year, he added.

Net income in 1958 amounted to $766,224, the realized gain from sales of investments was $611,645 and the increase in unrealized appreciation of investments was $7,229,874, Mr. Carret pointed out.

He also reported that currently assets of Pioneer Fund are approximating the $32,000,000 level, with net asset value per share around $16.84, up 3.8% from the year-end figure of $16.32.

"In addition to $3,068,325 proceeds of sale of portfolio securities in 1958, Pioneer Fund's resources increased through the investment of $3,463,843 by the purchasers of 238,516 shares, net of redemptions, during the year", Mr. Carret said. The funds thus made available were used by management to add to Pioneer's holdings of 36 issues already represented in its portfolio a year earlier, plus purchases of 15 new items, he stated.

N. Y. Capital Fund Of Canada Net Assets Up Sharply

Net assets of New York Capital Fund of Canada, Ltd. on December 31, 1958 totaled $28,094,860, equal to $36.69 a share on 765,759 shares outstanding on that date, according to the Fund's annual report for 1958. At the close of the preceding year net assets were $23,047,238 or $27.13 a share on 849,534 outstanding shares.

Unrealized appreciation of investments as of December 31, 1958 was $7,181,029 compared with $774,112 on December 31, 1957.

Net income from investments was $517,798 in 1958 and net realized gain on securities sold was $731,985, a total of $1,249,783. In accordance with the investment policy of the Fund no dividends were paid during the year, income from investments and realized gain on securities sold being retained in the business. In 1957 combined net income from investments and net realized gain on securities was $1,128,816.

Of the Fund's net assets on December 31, 1958, approximately 87% was in equity securities and 13% in short-term liquid items and other priorities.

The report stated that "when the national accounts have been tallied, Canada, in 1958, on the basis of the preliminary data, will have posted a new high record in its overall economic activity. The total output of goods and services exceeded $32 billion compared with $31.4 billion in 1957." The outlook for the year 1959 is "good", the report said.

12 Dealers Win NCE "Oscar"

Twelve mutual fund dealer organizations were recently notified by William G. Damroth, Vice-President of Nucleonics, Chemistry & Electronics Shares, Inc., that they had been selected from the many active NCE dealers to receive the handsome silver "Oscar," the NCE President's Trophy, for outstanding sales in 1958. When ever possible, there will be a formal presentation of the trophy before a monthly meeting of each of the winning firms. Among the top twelve were North American Planning Corporation, Planned Estates, and Metropolitan Planning in New York City; Rhulen Planning in Monticello, N. Y.; Mutual Funds of America in Washington, D. C., and Associated Investors in Frankfurt, Germany.

In his letter of congratulations, Mr. Damroth credited these twelve firms with having a very active part in NCE sales growth that pushed the fund over $4,000,000 in total assets and over $7,000,000 in ten-year investment programs.

General Investors Had 91.4% Assets Gain in Fiscal 1958

A 91.4% rise in net assets during the fiscal year ended Dec. 31 is disclosed in the 1958 annual report of General Investors Trust.

At market close, Dec. 31, net assets of the Boston-based investment company came to a year-end record of $6,233,032 as compared with $3,257,146 12 months earlier.

During the same period, its net asset value per share increased 21.9%—from $6.16 to $7.51. Adjusted for a 38c per share capital gains distribution last February, the increase amounted to 28.1%. (Income dividends for the year totaled 28c a share.)

General Investors Trust reported new highs in both shares outstanding and shareholders at the end of its fiscal year.

Total shares outstanding on Dec. 31 amounted to 829,542 for a 56.9% gain over the 528,858 total on the like 1957 date.

The fund had 3,715 shareholders at the 1958 close, compared with 3,025 at the end of the previous year, for a 22.8% rise.

General Investors Trust's 1958 sales of shares (less load charges) were a record $2,183,171—216.4% above the 1957 total of $689,926, according to its national distributor, Investors Planning Corp. of America.

The ratio of redemptions to sales was a low 7.1%, compared with 13.5% the previous year.

During the 1958 last quarter, G. I. T. took new positions in the bonds of the Commonwealth of Australia, the City of Montreal, and Kerr-McGee Oil Industries, and added the common stocks of the Atchison, Topeka & Santa Fe Railroad and Rochester Gas & Electric Co. to its portfolio.

For the same period, the fund increased its bond holdings in Boeing Airplane Co., Temco Aircraft, the Chicago, Rock Island & Pacific Railroad, and The Martin Co., and its common stock position in Seaboard Air Lines Railroad, Hammond Organ Co., The New England Electric System, and Southern Natural Gas. It also increased its holding in the cumulative preferred stock of El Paso Natural Gas.

Fourth quarter purchases of securities totaled $809,156, as against sales of $479,902.

As of Dec. 31, General Investors Trust held 57.1% of its assets in common stocks, 36.8% in bonds and preferreds, and 6.1% in cash and receivables.

Nat'l Stock Series Reaches All-Time High in Assets

National Stock Series Report to shareowners accompanying the 58th consecutive dividend payment shows that total assets of the fund stood at an all-time high of $174,305,303 on the quarter ending January 30, 1959. This represented a 52% increase over the $114,775,-224 total a year earlier.

During the same 12 month period asset value per share of the fund sponsored and managed by National Securities & Research Corporation rose from $6.90 to $9.09, a gain of 32%, including adjustment for a capital gains distribution of $0.26 per share. On January 30, 1959 shareowners numbered 51,477 compared to 46,-023 a year earlier while shares outstanding totalled 19,750,224 compared to 16,636,439.

The largest individual industry holdings in the portfolio on January 30 were railroads and steel and iron, which accounted for 13.15% and 13.05% of total asset value, respectively. Auto parts accounted for 8.89%, tobacco 7.80%, utilities 7.68% and retail trade 7.25%.

Bullock Fd. Notes Assets Increment

Total net assets of Bullock Fund, Ltd. at Jan. 31, 1959 were $48,306,-444, an increase of $3,211,461 in the first two months of the current fiscal year, Hugh Bullock, President, told shareholders in the report accompanying the fund's 105th quarterly dividend. It was paid March 2 at the rate of 10 cents per share to shareholders of record Feb. 6, and consists entirely of net income from the fund's investments.

The increase in the assets of the fund, which is the "growth fund" in the Calvin Bullock group, reflects not only the rise in market value of its investments, Mr. Bullock said, but also an increase of 88,056 in the number of its shares outstanding.

"The selection of investments with attractive future growth possibilities is a challenging problem," Mr. Bullock told the shareholders. "In this age of space—of jets, rockets, automation, electronics, vast research—new industries have been created and many are expanding. Some appear to hold great promise for the future —and to offer profitable opportunities for the investor. Here are a few: nuclear energy, automation, chemicals, electronics, guided missiles, high energy fuels, medical research, special metals and jet propulsion. Bullock Fund, as a 'growth fund' has an investment in companies engaged in every one of these industries—and many more."

Dreyfus Fund Hits New Records

All time highs were reached by the Dreyfus Fund in total net assets, net asset value per share and total number of shares outstanding. The total net assets reached $36,622,420 on Dec. 31, 1958, as compared to the year earlier figure or $15,231,324 and net asset value per share rose to $12.566 from $8.494 per share. Total number of shares increased to 2,914,202 from the level of 1,-792,986 at the close of 1957.

Portfolio changes in the fourth quarter included purchases of American & Foreign Power; Arkansas Louisiana Gas; Briggs & Stratton; Burlington; Celanese; Chicago Pneumatic; Gimbel, Hertz, Martin Co., Merck, Minneapolis-Honeywell, National City Lines, Pan-American Sulphur, Philco, Pitney-Bowes, Rexall, Reynolds Metals, U. S. Foil "B" and Tennessee Gas Transmission.

Eliminated from the portfolio were Santa Fe Ry.; Chrysler; Cities Service; Dome Mines; Eastern Air Lines; Getty Oil; Homestake Mining; Kerr-Addison, Masonite; National Acme; National Cash Register; National Gypsum; Pure Oil; Quaker Oats; Ruberoid; Southern Ry.; Union Oil of California and Warner-Lambert.

Edward A. Bircher Joins Edward D. Jones & Co.

(Special to The Financial Chronicle)

ST. LOUIS, Mo.—Edward A. Bircher has become associated with Edward D. Jones & Co., 300 North Fourth Street, members of the New York and Midwest Stock Exchanges. Mr. Bircher was formerly an officer of the Manufacturers Bank with which he had been associated for 25 years.

With A. G. Edwards Sons

(Special to The Financial Chronicle)

BELLEVILLE, Ill. — James F. Smith has joined the staff of A. G. Edward & Sons, 13 Public Square.

Joins Hornblower & Weeks

(Special to The Financial Chronicle)

CHICAGO, Ill. — Charles M. Parrish has joined the staff of Hornblower & Weeks, 134 South La Salle Street.

I. P. C. Inaugurates New Feature in Contractual Plans

A major revision in its mutual fund contractual plans, enabling Planholders to set higher investment goals without increasing their monthly payments, was announced by Investors Planning Corporation of America.

The change raises the permissible number of monthly payments to 150 from the fund industry standard of 120, according to Walter Benedick, President of I. P. C.

He said the change is designed for greater flexibility in that it allows Planholders to set larger objectives at no increase in their monthly payments, but with an actual decrease in the ratio of overall charges to total contemplated payments.

"The improved Plans, we believe, offer the investor more leeway in planning and establishing his financial goals," Mr. Benedick said.

He pointed out that all of the rights and privileges enjoyed by Planholders of I. P. C.'s exclusive contractual plans have been retained.

In addition to sponsoring contractual plans, I. P. C. distributes shares of virtually all mutual funds and currently services over 60,000 accounts.

"More and more investors are coming to regard the contractual plan method as a convenient way to build for the future out of current income," Mr. Benedick said. "Its rapidly growing acceptance convinces me that, before many years, contractual planholders will number in the millions."

Int'l Resources Fund Reports Gain In Net Asset Value

Net assets of International Resources Fund increased to $18,-828,728 during the fiscal year ended Nov. 30, 1958, from a total of $16,606,363 on the same date in 1957, it was stated by President Coleman W. Morton in his annual report to the shareholders. Net asset value per share of the 4,602,-398 shares outstanding on Nov. 30, 1958, was $4.09, compared to $3.75 per share on the 4,424,155 shares outstanding at the close of fiscal 1957. After adjusting for the 18-cents-per-share cash distribution made in February, 1958, this represented an increase of 13.8%. Between the low point in February and the end of the fiscal year net asset value per share increased 25.8%.

Net investment income for the Fund for the year under review was $459,060 as compared with $427,802 for the previous year.

Important new portfolio holdings for International Resources Fund include two producers of oil and natural gas—Dome Petroleum Limited and Monterey Oil. Also in the energy fuels category is a newly acquired holding in North American Coal Corporation.

Consumers Bankers Announce Programs

The Consumers Bankers Association has announced that the Atlantic States sectional meeting will be held June 25-27 at the Wyianno Club, Hyannis, Mass.

On Aug. 9-21 the School of Consumer Banking will be held at the University of Virginia, Charlottesville, Va.

The Annual Convention of the Association is scheduled for Oct. 14-17 at the Warwick Hotel, Philadelphia.

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.

★ **Alco Oil & Chemical Corp. (4/1-8)**
March 5 filed 500,000 shares of common stock. **Price**—To be supplied by amendment. **Proceeds** — To selling stockholders. **Office** — Trenton Avenue and William Street, Philadelphia, Pa. **Underwriter**—Chace, Whiteside & Winslow, Inc., Boston, Mass.; and Ball, Burge & Kraus, Cleveland, Ohio.

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. (3/16-20)**
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 Investors Syndicate, Inc.**
Feb. 24 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds**—For operation of an apartment hotel. **Office** —513 International Trade Mart, New Orleans 12, La. **Underwriter**—Assets Investment Co., Inc., New Orleans, Louisiana.

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 Telemail Service, Inc.
Feb. 17, 1958, filed 375,000 shares of common stock (par $1). **Price**—$4 per share. **Proceeds**—To purchase equipment and supplies and for working capital and other corporate purposes. **Office**—Salt Lake City, Utah. **Underwriter**—Amos Treat & Co., Inc., of New York. **Change in Name**—Formerly United States Telemail Service, Inc. **Offering**—Expected early in 1959.

★ **American Vitrified Products Co.**
March 3 (letter of notification) 10,000 shares of common stock (par $1) to be offered for subscription by stockholders on the basis of one share for each 20 shares held. **Price**—$30 per share. **Proceeds**—To reduce short-term bank borrowing and for working capital. **Office**—c/o Edgar L. Miller, President, 20725 Shaker Blvd., Shaker Heights, Ohio. **Underwriters**—E. R. Daveport & Co., Providence, R. I. and Merrill, Turben & Co., Inc., Cleveland, Ohio.

★ **AMP Inc. (4/1)**
March 9 filed 104,000 shares of endorsed common stock. **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriters**—Kidder, Peabody & Co. and Blyth & Co., Inc., New York.

★ **Ampex Corp. (4/6)**
March 2 it was announced that the directors have approved the issuance of about 183,000 additional shares of common stock, which will be offered to stockholders on the basis of one new share for each 10 shares held on or about April 6, 1959; rights to expire about April 24. **Proceeds**—For general corporate purposes. **Underwriters**—Blyth & Co., Inc., San Francisco and New York; and Irving Lundborg & Co., San Francisco, Calif. **Registration**—Expected any day.

● **Amphenol-Borg Electronics Corp. (3/23-24)**
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.

★ **Armco Steel Corp. (4/1)**
March 11 filed $75,000,000 of 25-year sinking fund debentures due 1984. **Price**—To be supplied by amendment. **Proceeds**—For plant expansion program. **Underwriter**—Smith, Barney & Co., 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-Lencher, Inc., Pittsburgh, Pa.

Associated Bowling Centers, Inc.
Nov. 24 filed 300,000 shares of 20-cent cumulative convertible preferred stock (par one cent) and 50,000 outstanding shares of common stock (par one cent). The preferred shares are to be offered for public sale for the account of the company and the common shares will be offered for the account of a selling stockholder. **Price**—To be supplied by amendment. **Proceeds**—To acquire new bowling centers and increase working capital (part to be used in defraying cost of acquisition of stock of owner of a Brooklyn (N.Y.) bowling center. **Office**—135 Front St., N. Y. **Underwriter** — To be named by amendment. **Offering**—Expected in two weeks.

Atlas Investment Co.
Feb. 3 filed 50,000 shares of common voting stock (par $10). **Price** — $25 per share. **Proceeds** — To purchase additional contribution certificates of Great Basin Insurance Co. **Office**—704 Virginia Street, Reno, Nev. **Underwriter**—None.

Australian Grazing & Pastoral Co., Ltd.
Jan. 13 filed 4,000,000 shares of common stock. **Price**—At par (56¼ cents per share). **Proceeds**—To purchase cattle; for improvements; to buy additional ranch in Queensland, Australia; and for other corporate purposes. **Office**—1301 Avenue L, Cisco, Tex. **Underwriter**—None. Robert Kamon is President.

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.

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 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.

★ **Basic Atomics Inc.**
March 5 filed 444,246 shares of common stock (par 10 cents). **Price**—At prevailing market price, in the Over-the-Counter Market. **Proceeds**—To selling stockholders. **Underwriter**—None.

★ **Bella Coola Exploration Corp.**
Feb. 27 (letter of notification) 980,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Office**—710 South Fourth Street, Las Vegas, Nev. **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.

★ **Brockton Edison Co. (4/22)**
March 6 filed 40,000 shares of preferred stock (par $50). **Proceeds**—To reduce short-term bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp.; Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Wood, Struthers & Co. (jointly); Kidder, Peabody & Co., White, Weld & Co. and Shields & Co. (jointly). **Bids**—To be received up to 11 a.m. (EST) on April 22 at 49 Federal St., Boston, Mass.

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 at office of O'Melvany & Myers, 433 So. Spring St., Los Angeles 13, Calif.

● **California Financial Corp. (3/16-20)**
Feb. 27 filed 100,000 shares of capital stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Office**—San Jose, Calif. **Underwriter**—William R. Staats & Co., Los Angeles, Calif.

Canal-Randolph Corp.
Jan. 28 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.

★ **C-E-I-R, Inc. (3/19)**
Feb. 27 (letter of notification) 34,750 shares of class A common stock (par $1), of which 8,000 shares will be reserved for employees. **Price**—$6.50 per share. **Proceeds**—For working capital. **Office**—734 Fifteenth St., N. W., Washington, D. C. **Underwriter**—Alex. Brown & Sons, Baltimore, Md.

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 $8,040,200 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.

★ **Chesapeake Life Insurance Co., Baltimore, Md. (3/16-20)**
Feb. 26 (letter of notification) 8,500 shares of class B non-voting capital stock (par $10). **Price**—$35 per share. **Proceeds**—To increase capital and surplus. **Office**—611 St. Paul St., Baltimore 2, Md. **Underwriter**—White, Weld & Co., Baltimore, Md., and New York, N. Y.

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.

★ **Cities Service Co.**
March 6 filed $10,620,000 of Participations in the company's Employees Thrift Plan, together with 180,000 shares of common stock which may be purchased pursuant thereto.

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 to be received up to 11 a.m. (EST) on March 24 at Room 624, 55 Public Square, Cleveleand 1, Ohio.

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.

★ **Columbia Gas System, Inc. (4/1)**
March 5 filed 1,799,057 shares of common stock (par $10) to be offered for subscription by common stockholders on the basis of one new share for each 15 shares held on April 1, 1959; rights to expire on April 20. **Price**—To be named on March 31. **Proceeds**—To finance System construction expenditures. **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.

Commerce Oil Refining Corp.
Dec. 16, 1957 filed $25,000,000 of first mortgage bonds due Sept. 1, 1968, $20,000,000 of subordinated debentures due Oct. 1, 1968 and 3,000,000 shares of common stock to be offered in units as follows: $1,000 of bonds and 48 shares of stock and $100 of debentures and nine shares of stock. **Price**—To be supplied by amendment. **Proceeds** — To construct refinery. **Underwriter**—Lehman Brothers, New York. **Offering**—Indefinite.

Commercial Investors Corp.
Nov. 28 (letter of notification) 900,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For investment. **Office**—450 So. Main St., Salt Lake City, Utah. **Underwriter**—Earl J. Knudson & Co., Salt Lake City, Utah.

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.

★ **Cooperative Grange League Federation Exchange, Inc.**
March 6 filed $250,000 of 4% subordinated debentures, 15,000 shares of 4% cumulative preferred stock, and 300,000 shares of common stock. **Price**—$100 per debenture, $100 per preferred share, and $5 per common share. **Proceeds**—From the sale of the common stock will be used, in part, to repurchase such outstanding common shares as the holders elect to tender for redemption, the balance to be added to working capital; the proceeds from the debentures will be used to reduce short-term bank loans; the proceeds from the preferred stock will be used principally to provide funds for the repurchase of the company's outstanding 4% cumulative preferred stock and to provide funds to be advanced to its subsidiary, Cooperative G. L. F. Holding Corp., for similar purposes. **Office**—Terrace Hill, Ithaca, N. Y. **Underwriter**—None.

★ **Cordillera Corp.**
March 2 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For mining expenses. **Office**—902 Seaboard Building, Seattle 1, Wash. **Underwriter**—None.

● **Cormac Chemical Corp. (3/23-27)**
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

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NEW ISSUE CALENDAR

March 12 (Thursday)
Illinois Central RR.____Equip. Trust Ctfs.
(Bids noon CST) $4,440,000
Itek Corporation____Common
(Offering to stockholders—underwritten by Paine, Webber, Jackson & Curtis) 164,842 shares

March 13 (Friday)
Glass-Tite Industries, Inc.____Common
(Stanley Heller & Co.) $330,000
Research Specialties Co.____Common
(Myron A. Lomasney & Co.) $300,000
Standard Security Life Insurance Co. of N. Y.__Com.
(Ira Haupt & Co.) $1,500,000

March 16 (Monday)
Aloe (A. S.) Co.____Debentures
(Goldman, Sachs & Co.) $2,500,000
California Financial Corp.____Common
(William R. Staats & Co.) 100,000 shares
Chesapeake Life Insurance Co.____Common B
(White, Weld & Co.) $297,500
Consumer Acceptance Corp.____Preferred
(McLaughlin, Kaufman & Co.) $270,000
Electronic Assistance Corp.____Common
(Amos Treat & Co., Inc. and Bruno-Lenchner, Inc.) $300,000

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
Simplex Wire & Cable Co.____Common
(Paine, Webber, Jackson & Curtis) 203,250 shares

March 18 (Wednesday)
Standard Sign & Signal Co.____Common
(Sano & Co.) $300,000
White Stag Manufacturing Co.____Common
(Francis I. du Pont & Co.) 127,500 shares

March 19 (Thursday)
C-E-I-R, Inc., Washington, D. C.____Common
(Alex. Brown & Sons) $173,875
Indiana Steel Products Co.____Common
(Offering to stockholders—underwritten by Kalman & Co., Inc.) 42,193 shares
Texas Eastern Transmission Corp.____Preferred
(Dillon, Read & Co., Inc.) $15,000,000

March 20 (Friday)
General Builders Corp.____Debentures
(No underwriting) $2,131,000
Thorncliffe Park Ltd.____Debentures & Common
(Bache & Co.) 4,000 units

March 23 (Monday)
Amphenol-Borg Electronics Corp.____Common
(Hornblower & Weeks) 100,000 shares
Cormac Chemical Corp.____Common
(Offering to stockholders of Cormac Photocopy Corp.—underwritten by Ross, Lyon & Co., Inc.) $217,334
Food Fair Stores, Inc.____Debentures
(Offering to stockholders—underwritten by Eastman Dillon, Union Securities & Co.) $21,750,000
High Point Chemical Co., Inc.____Common
(Pearson, Murphy & Co., Inc.) $300,000
Investors Research Fund, Inc.____Common
(Bache & Co.) $5,891,280
Thermal Power Corp.____Common
(J. Barth & Co.) $300,000
United States Servateria Corp.____Common
(Van Alstyne, Noel & Co.) 275,000 shares
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 11 a.m. EST) $25,000,000
Montana Power Co.____Bonds
(Bids 11 a.m. EST) $15,000,000
Upper Peninsular Power Co.____Common
(Kidder, Peabody & Co., Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp.) 40,000 shares

March 25 (Wednesday)
Eurofund, Inc.____Common
(Glore, Forgan & Co.) $50,000,000
F X R, Inc.____Common
(C. E. Unterberg, Towbin Co.) 200,000 shares
General Transistor Corp.____Common
(Kidder, Peabody & Co. and Hayden, Stone & Co.) 40,000 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
Miami Window Corp.____Debentures
(Cruttenden, Podesta & Co. and Clayton Securities Corp.) $2,500,000
Ohio Edison Co.____Bonds
(Bids to be invited) $30,000,000

March 26 (Thursday)
Texas & Pacific Ry.____Equip. Trust Ctfs.
(Bids to be invited) about $3,000,000

March 27 (Friday)
Gray Drug Stores, Inc.____Debentures
(Offering to stockholders—underwritten by Merrill, Turben & Co., Inc.) $2,313,500
Inter-Mountain Telephone Co.____Common
(Offering to stockholders—underwritten by Courts & Co.) 399,000 shares

March 30 (Monday)
Gold Seal Products Corp.____Preferred
(S. D. Fuller & Co.) $1,250,000
Hoffman Motors Corp.____Common
(Van Alstyne, Noel & Co.) $2,500,000
Ohio Power Co.____Bonds
(Bids 11 a.m. EST) $25,000,000
Public Service Co. of New Mexico____Preferred
(Allen & Co., Lehman Brothers, Bear Stearns & Co., E. F. Hutton & Co. and Salomon Bros. & Hutzler) $5,600,000
Scranton-Spring Brook Water Service Co.__Debens.
(Offering to stockholders—underwritten by Allen & Co. $8,000,000

March 31 (Tuesday)
California Electric Power Co.____Common
(Bids 9 a.m. PST) 300,000 shares
Monongahela Power Co.____Bonds
(Bids 11 a.m. EST) $16,000,000
Patterson Dental Supply Co. of Delaware___Com.
(Stone & Webster Securities Corp.) 200,000 shares

April 1 (Wednesday)
Alco Oil & Chemical Corp.____Common
(Chace, Whiteside & Winslow, Inc. and Ball, Burge & Kraus) 500,000 shares
AMP, Inc.____Common
(Kidder, Peabody & Co. and Blyth & Co., Inc.) 104,000 shares
Armco Steel Corp.____Debentures
(Smith, Barney & Co.) $75,000,000
Columbia Gas System, Inc.____Common
(Offering to stockholders—bids 11 a.m. EST) 1,799,057 shares
Hudson Bay iMning & Smelting Co., Ltd.____Common
(White, Weld & Co.) 75,000 shares
Lock Joint Pipe Co.____Common
(Kidder, Peabody & Co.) 166,716 shares
Ritter Finance Co.____Preferred
(Stroud & Co., Inc.) $1,500,000
Ritter Finance Co.____Common B
(Stroud & Co., Inc.) 25,000 shares
Southern Pacific Co.____Equip. Trust Ctfs.
(Bids noon EST) $7,620,000

April 2 (Thursday)
Gulf Power Co.____Bonds
(Bids 11 a.m. EST) $7,000,000

April 6 (Monday)
Ampex Corp.____Common
(Offering to stockholders—underwritten by Blyth & Co., Inc. and Irving Lundborg & Co.) 183,000 shares

April 7 (Tuesday)
Pittsburgh & Lake Erie RR.____Equip. Tr. Ctfs.
(Bids to be invited) $2,475,000

April 10 (Friday)
Erdman, Smock, Hosley & Read, Inc.____Common
(Simmons & Co.) $300,000

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 22 (Wednesday)
Brockton Edison Co.____Preferred
(Bids 11 a.m. EST) $2,000,000

April 24 (Friday)
Maine Public Service Co.____Common
(Merrill Lynch, Pierce, Fenner & Smith and A. G. Becker & Co.) 50,000 shares

April 28 (Tuesday)
Public Service Co. of Colorado____Bonds
(Bids to be invited) $20,000,000 to $30,000,000

April 30 (Thursday)
Alabama Power Co.____Bonds
(Bids to be invited) $20,000,000

May 12 (Tuesday)
El Paso Electric Co.____Common
(Offering to stockholders—underwritten by Stone & Webster Securities Corp.) 76,494 shares

May 19 (Tuesday)
El Paso Electric Co.____Bonds
(Bids 11 a.m. EST) $3,500,000
El Paso Electric Co.____Preferred
(Bids 11 a.m. EST) $2,000,000

May 25 (Monday)
West Penn Power Co.____Bonds
(Bids noon EST) $14,000,000

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 23 (Tuesday)
Consolidated Edison Co. of New York, Inc.__Bonds
(Bids to be invited) $50,000,000 to $75,000,000

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

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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

★ Dalton Finance, Inc.
March 9 filed $500,000 of 7% subordinated debentures, due Jan. 2, 1974, with attached warrants for the purchase of 100,000 shares of class A common stock. **Price**—At face amount (in units of $500 each). **Proceeds**—To finance making of additional loans and to reduce short-term debt. **Office**—3800-34th St., Mt. Rainier, Md. **Underwriter**—Paul C. Kimball & Co., Chicago, Ill., on a best efforts basis.

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.
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. **Offering**—Expected today (March 12).

★ Drug Fair-Community Drug Co., Inc.
Feb. 10 filed 55,000 shares of common stock A (par $1). **Price**—To be supplied by amendment. **Proceeds** — For expansion and inventories. **Underwriter** — Auchincloss, Parker & Redpath, Washington, D. C. **Offering** — Expected today (March 12).

★ Eagle-Picher Co.
March 4 (letter of notification) 6,521 shares of common stock (par $10), at not to exceed an aggregate of $300,000, to be offered to employees pursuant to the company's 1959 Employees' Stock Purchase Plan. **Price**—95% of the closing price on the New York Stock Exchange on the day on which allocations are made and purchase contracts accepted. **Proceeds** — To purchase said stock. **Office** — American Building, Cincinnati, Ohio. **Underwriter**—None.

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.

★ Eaton & Howard Stock Fund
Feb. 25 filed (by amendment) 2,000,000 shares of capital stock. **Price** — At market. **Proceeds** — For investment. **Office**—Boston, Mass.

● Electric Assistance Corp. (3/16)
Feb. 18 (letter of notification) 100,000 shares of common stock (par 10 cents) of which 5,000 have been reserved for sale to two directors, at $2.70 per share. The offering of such 5,000 shares expires 24 hours after first being extended. If not accepted such shares will then be offered to the public. **Price**—$3 per share. **Proceeds**—For research and development of ultrasonic equipment and for working capital. **Office**—20 Bridge Ave., Red Bank, N. J. **Underwriters**—Amos Treat & Co., Inc., New York, and Bruno-Lenchner, Inc., Pittsburgh, Pa.

★ Elva Imports Ltd.
Feb. 24 (letter of notification) 150,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—To purchase cars from Elva Engineering Co., Ltd.; to repay a promissory note and for working capital. **Office**—1401 Rhode Island Avenue, N. E., Washington, D. C. **Underwriter**—None.

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.

★ Erdman, Smock, Hosley & Read, Inc. (4/10)
Feb. 26 (letter of notification) 100,000 shares of class A common stock and 10,000 stock purchase warrants, to be offered in units of 10 shares of stock and one warrant. **Price**—$30 per unit. **Proceeds** — For general corporate purposes. **Office** — 1008 Sixth St., N. W., Washington, D. C. **Underwriter**—Simmons & Co., New York.

● Eurofund, Inc. (3/25)
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.

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.

★ Filmways, Inc.
Feb. 27 (letter of notification) 12,903 shares of common stock (par 25 cents). **Price** — At market (estimated at $7.75 per share). **Proceeds**—To selling stockholder. **Office**—18 East 50th St., New York 22, N. Y. **Underwriters**—H. N. Whitney, Goadby & Co., New York.

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 Investors Corp. of New York
March 5 filed (by amendment) an additional $100,000,000 of Periodic Payment Plans (F and FN) and Single Payment Plans (FP). **Price**—At market. **Proceeds**—For investment.

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. (3/23)
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 20, 1959, on the basis of $100 principal amount of debentures for each 25 shares of common stock held; rights to expire on April 6, 1959. **Price**—At par (flat). **Proceeds**—For general corporate purposes, including additional working capital and future capital expenditures. **Underwriter**—Eastman Dillon, Union Securities & Co., New York.

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.; to acquire machinery and equipment; for expansion and working capital. **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. 18 filed 250,000 shares of class "A" common stock (par one cent). **Price**—$10 per share. **Proceeds**—For working capital and general corporate purposes. **Underwriter** — Union Securities Investment Co., Memphis, Tenn.

General Telephone Co. of The Southwest (3/17)
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.

★ General Transistor Corp. (3/25)
March 5 filed 40,000 shares of common stock. The filing also includes an additional 26,841 shares of common stock to be offered pursuant to options granted or to be granted to officers and key employees of the company. **Price**—Related to market price on the American Stock Exchange. **Proceeds**—For new construction, machinery and equipment and working capital. **Underwriters**—Kidder, Peabody & Co. and Hayden, Stone & Co., both of New York.

● Glass-Tite Industries, Inc. (3/13)
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.

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.

★ Graham-Paige Corp.
March 11 filed 350,000 shares of 6% cumulative preferred stock (par $10 — convertible until April, 1969). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans incurred in connection with purchase of capital stock of Madison Square Garden Corp. **Business**—A closed-end non-diversified management investment company. **Underwriter**—Bache & Co., New York.

★ Gray Drug Stores, Inc. (3/27)
March 6 filed $2,313,500 of convertible debentures due 1974, to be offered for subscription by common stockholders of record on or about March 27, 1959, on the basis of $100 of debentures for each seven shares held. **Price**—To be supplied by amendment. **Proceeds**—To retire term loan indebtedness and the balance of note issued by the company as part of the consideration for the assets of The King Drug Co.; for capital expenditures; and the balance for working capital. **Underwriter**—Merrill, Turben & Co., Inc., Cleveland, Ohio.

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.

★ **Greater Finance Co., Philadelphia, Pa.**
March 4 (letter of notification) 20,000 shares of cumulative preferred stock (par $10) and 20,000 shares of common stock (par $2) to be offered in units of one share of each class of stock. **Price**—$13 per unit. **Proceeds**—For working capital. **Office** — 4675 Frankford Ave., Philadelphia 24, Pa. **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** — 1825 Connecticut Avenue, Washington, D. C **Investment Advisor** — Investment Advisory Service, Washington, D. C. **Underwriter**—Investment Management Associates, Inc., Washington, D. C.

★ **Gulf Power Co. (4/2)**
March 6 filed $7,000,000 of first mortgage bonds due April 1, 1989. **Proceeds**—To repay short-term bank loans and 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. **Bids**—To be received up to 11 a.m. (EST) on April 2 at Southern Services, Inc., Room 1600, 250 Park Avenue, New York 17, N. Y.

★ **Harzfeld's, Inc., Kansas City, Mo.**
March 11 filed 46,200 shares of common stock, of which 7,500 shares are to be sold for company's account and 38,700 shares for selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Underwriter**—Stern Brothers & Co., Kansas City, Mo.

Heartland Development Corp.
Oct. 23 (letter of notification) 22,320 shares of non voting convertible preference stock (par $12) to be offered for subscription by stockholders on the basis of one share of convertible preference stock for each 10 shares of common stock held on or about Nov. 1, 1958. Stockholders will have 45 days in which to exercise the rights. **Price** — At par. **Proceeds** — To repay debts, acquisition of investments, and for general purposes. **Address**—P. O. Box-348, Albany, N. Y. **Underwriter**—None.

Heliogen Products, Inc.
Oct. 22 (letter of notification) 28,800 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—For payment of past due accounts and loans and general working capital. **Office** — 35-10 Astoria Blvd., L. I. C 3, N. Y. **Underwriter**—Albion Securities Co., Suite 1512 11 Broadway, New York 4, N. Y.

★ **Herndon Medico, Inc., North Arlington, Va.**
Feb. 27 (letter of notification) 80 shares of preferred stock. **Price**—At par ($1,000 per share). **Proceeds** — To erect medical center in Herndon, Fairfax County, Va. **Office**—4900 16th St., North Arlington 9, Va. **Underwriter**—None.

★ **High Point Chemical Co., Inc. (3/23-27)**
March 3 (letter of notification) 300,000 shares of common stocks (par 10 cents). **Price**—$1 per share. **Proceeds**—For production equipment for nylon conversion process; to establish factory and offices and for working capital. **Office** — 44 Shore Drive, Great Neck, N. Y. **Underwriter**—Pearson, Murphy & Co., Inc., New York.

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.

★ **Hoffman Motors Corp. (3/30-4/3)**
March 9 filed 260,000 shares of common stock (par $1), of which 250,000 shares are to be publicly offered and 10,000 shares to officers and employees. **Price**—$10 per shares to public; $9 to employees. **Proceeds**—To selling stockholder. **Underwriter** — For public offering: Van Alstyne, Noel & Co., New York.

Home-Stake Production Co., Tulsa, Okla.
Nov. 5 filed 116,667 shares of common stock (par $5). **Price**—$6 per share. **Proceeds**—For working capital and general corporate purposes. **Office** — 2202 Philtower Bldg., Tulsa, Okla. **Underwriter**—None.

● **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.

★ **Hudson Bay Mining & Smelting Co., Ltd. (4/1)**
March 6 filed 75,000 shares of capital stock. **Price**—Related to market price on the New York Stock Exchange. **Proceeds**—To selling stockholder. **Underwriter**—White, Weld & Co., New York.

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 Electronics Co., Inc.**
March 3 (letter of notification) 8,000 shares of common stock. **Price**—At par ($25 per share). **Proceeds**—To pay outstanding notes and for working capital. **Office**—99 Grove Street, Rockland, Mass. **Underwriter**—None.

Industrial Minerals Corp., Washington, D. C.
July 24 filed 600,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—To develop and operate graphite and mica properties in Alabama. **Underwriters**—Dearborn & Co. and Carr-Rigdom & Co. both of Washington, D. C., on a best efforts basis. Statement effective Nov. 18.

★ **Institutional Shares Ltd., New York**
March 4 filed (by amendment) an additional 3,099,900 Institutional Growth Fund shares. **Price** — At market. **Proceeds**—For investment.

★ **Inter-Mountain Telephone Co. (3/27)**
March 5 filed 399,000 shares of voting common stock, which is to be offered for subscription by common stockholders of record March 20, 1959, on the basis of two new shares for each five shares then held; rights to expire on April 10. **Price**—To be supplied by amendment. **Proceeds**—For reduction of short-term notes to banks. **Underwriter**—Courts & Co., Atlanta, Ga. and New York, for 219,341 shares; balance to be offered to two principal stockholders—Southern Bell Telephone & Telegraph Co. and Chesapeake & Potomac Telephone Co. of Virginia.

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.

★ **International Grapho Analysis Society, Inc.**
Feb. 24 (letter of notification) 2,000 shares of 6% noncumulative preferred stock. **Price** — At par ($25 per share). **Proceeds**—For purchase of equipment and working capital. **Office**—Wilhoit Bldg., Springfield 4, Mo. **Underwriter**—None.

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. (3/23-27)**
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. (3/12)**
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 10, 1959; rights to expire on March 30. The remaining 14,000 shares will be offered to eligible employees. **Price**—$39 per share. **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.

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.

★ **Lennon (Jay A.) Co., Hartford, Conn.**
March 9 filed $7,500,000 of securities, as follows: $2,500,000 of certificates in the Lennon Co. Aetna Life Stock Investment Program; $2,500,000 of certificates in the Lennon Co. Connecticut General Stock Investment Program, and $2,500,000 of certificates in the Lennon Co. Travelers Stock Investment Program. **Office**—750 Main St., Hartford, Conn.

● **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. Statement effective Feb. 26.

★ **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 working capital and 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 up to 11:30 a.m. (EST) 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.

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.

★ **Massachusetts Life Fund**
March 4 filed (by amendment) an additional 600,000 shares of Beneficial Interest and 3,500 Trust Certificates. **Price**—At market. **Proceeds**—For investment. **Trustee**—Massachusetts Hospital Life Insurance Co., Boston, Mass.

★ **McQuay, Inc.**
March 9 filed 50,000 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—For capital expenditures and working capital. **Office**—1600 Broadway Northeast, Minneapolis, Minn. **Underwriter**—Loewi & Co., Inc., Milwaukee, Wis.

★ **Meadowhill Golf Club, Inc., Farmingdale, Me.**
March 3 (letter of notification) 800 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—For operation of a golf club. **Underwriter**—None.

★ **Metals & Pertoleum Corp.**
March 4 (letter of notification) 90,000 shares of common stock (par $1). **Price**—$2.50 per share. **Proceeds**—For mining expenses. **Office**—312 Byington Building, Reno, Nev. **Underwriter**—None.

● **Miami Window Corp., Hialeah, Fla. (3/25)**
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-

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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.

★ Mineral Resources Inc.
Feb. 25 (letter of notification) 5,000 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—For mining expenses. **Address**—R D No. 1, P. O. Box 255, Petersburg, N. Y. **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. Statement effective Feb. 27.

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 Electric Co.'s office, 50 Broad St., New York, N. Y.

★ Montana Power Co.
Feb. 26 (letter of notification) not to exceed 4,285 shares of common stock (no par) to be offered to employees under the company's Employees' Stock Purchase Plan. **Price**—$70 per share. **Proceeds**—To purchase said stock. **Office**—c/o John Earl Corette, President, 40 E. Broadway, Butte, Mont. **Underwriter**—None.

● Montana Power Co. (3/24)
July 1 filed $20,000,000 (amended later to $15,000,000) of first mortgage bonds due 1989. **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**—Expected to be received up to noon (EST) on March 24 at Room 2033, Two Rector St., New York, N. Y.

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 Acceptance Corp.
Feb. 27 (letter of notification) $150,000 of 7½% 10-year subordinated convertible debentures dated March 15, 1959 and due March 15, 1969, and 150,000 shares of class A common stock (par 50 cents) to be offered in units consisting of $100 of debentures and 100 shares of common stock. **Price**—$200 per unit. **Proceeds**—To purchase additional conditional sales agreements and as an initial investment in the capital stock of a credit life insurance company. **Office**—8425 Georgia Ave., Silver Spring, Md. **Underwriter**—None.

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.

★ National Trust Life & Accident Insurance Co.
March 3 (letter of notification) 100,000 shares of common stock (par $1). **Price**—$2.20 per share. **Proceeds**—To operate and write insurance. **Office** — c/o Aubrey Cecil Rhodes, President and Treasurer, 2273 Essex Drive, Augusta, Ga. **Underwriter**—None.

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.

★ Nease Chemical Co., Inc., Lock Haven, Pa.
Feb. 24 (letter of notification) 800 shares of common stock (no par) to be offered to a selected group of investors. **Price**—$42 per share. **Proceeds**—To purchase 100,000 shares of common stock of Phillips-Foscue Corp. **Underwriter**—None.

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.

★ North American Exploration Co., Inc.
Feb. 26 (letter of notification) 3,000,000 shares of common stock. **Price** — At par (10 cents per share). **Proceeds**—For mining expenses. **Office**—417 Paulsen Building, Spokane 1, Wash. **Underwriter**—None.

★ Northwest Livestock Co.
Feb. 24 (letter of notification) 1,600 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—To finance land, plant and equipment. **Office**—404 Silver Bow Block, Butte, Mont. **Underwriter**—None.

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 new construction. **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.

★ Outlaw Hotel Corp.
Feb. 24 (letter of notification) 268,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For construction of a motel unit and for operating costs. **Office**—Suite 204, 150 N. Center Street, Reno, Nev. **Underwriter**—None.

★ Pacific Hawaiian Products Co.
March 9 filed 213,000 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriters**—Dempsey-Tegeler & Co., St. Louis, Mo.; and Morgan & Co., Los Angeles, Calif.

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. **Proceeds** — For construction program. **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.

★ Patterson Dental Supply Co. of Delaware (3/31)
March 9 filed 200,000 shares of common stock. **Price**—To be supplied by amendment. **Proceeds** — Together with other funds to repay bank loan. **Office**—2531 University Ave., St. Paul, Minn. **Underwriter** — Stone & Webster Securities Corp., New York.

Peckman Plan Fund, Inc., Pasadena, Calif.
May 19 filed 20,000 shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment. **Underwriter**—Investors Investments Corp., Pasadena, Calif.

Pennsylvania Power Co.
Aug. 1 filed $8,000,000 of first mortgage bonds due 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.

★ Perfecting Service Co.
Feb. 26 (letter of notification) 28,250 shares of common stock to be offered for subscription by stockholders on a pro rata basis. Rights expire in 15 days. **Price**—At par ($10 per share). **Proceeds**—For accounts receivable and inventories. **Office**—332 Atando Ave., Charlotte, N. C. **Underwriter**—None.

Piedmont Natural Gas Co., Inc.
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.
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.

★ Public Service Co. of New Mexico (3/30)
March 6 filed 56,000 shares of cumulative preferred stock, 1959 series ($100 par) with attached warrants entitling the holders to purchase an aggregate of 168,000 shares of common stock. This includes 2,000 preferred shares to be offered to company employees. **Price**—To be supplied by amendment. **Proceeds**—For construction program and other corporate purposes, including repayment of $1,000,000 of bank borrowings. **Underwriters**—Allen & Co., Lehman Brothers, Bear Stearns & Co., E. F. Hutton & Co., and Salomon Bros. & Hutzler, all of New York.

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. (3/13)
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.

★ Rittenhouse Fund
Feb. 25 filed (by amendment) 60,000 participating units. Price—At market. Proceeds—For investment. Office—Philadelphia, Pa.

★ Ritter Finance Co. (4/1)
March 5 filed 30,000 shares of 6% cumulative convertible preferred stock (par $50). Price—To be supplied by amendment. Proceeds—To be added to the general funds of the company and initially used to reduce temporary notes payable to banks. Underwriter—Stroud & Co., Inc., Philadelphia, Pa.

★ Ritter Finance Co. (4/1)
March 5 filed 25,000 shares of class B common stock (par $1). Price—To be supplied by amendment. Proceeds—To selling stockholders. Underwriter—Stroud & Co., Inc., Philadelphia, Pa.

Routh Robbins Investment Corp.
Jan. 29 filed 475,000 shares of common stock. Price—$1 per share. Proceeds — For investments and working capital. Business — Real estate investments. Office — Alexandria, Va. Underwriter—None.

• St. Paul Ammonia Products, Inc.
Dec. 29 filed 250,000 shares of common stock (par 2½ cents), to be offered for subscription by common stockholders at the rate of one new share for each four shares held. Price—$2.50 per share. Proceeds—For additional working capital. Office—South St. Paul, Minn. Underwriter—None. Statement effective Feb. 27.

★ Schoolman Mand Carpet Mills, Inc.
Feb. 17 (letter of notification) 300,000 shares of common stock. Price — At par ($1 per share). Proceeds—To acquire and operate California Weavers, Inc., Schoolman Mand Carpet Mills and California Latex Corp. Office—1226 E. Slauson Ave., Los Angeles, Calif. Underwriter—None.

• Scranton-Spring Brook Water Service Co. (3/30)
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—$200 per unit. Proceeds—To repay bank loans. Underwriter—Allen & Co., New York.

Selected Risks Insurance Co.
Jan. 23 (letter of notification) 8,500 shares of common capital stock (par $10) being offered to stockholders of record Feb. 16, 1959 on the basis of one share for each 13 2/17th shares held (after giving effect to a stock dividend of 11½%). The warrants expire on March 16, 1959. Price—$35 per share. Proceeds—For working capital. Office—Branchville, N. J. Underwriter—None.

Service Life Insurance Co.
Sept. 26 (letter of notification) 3,567 shares of common stock (par $1). Price—$18.75 per share. Proceeds—To go to a selling stockholder. Office—400 W. Vickery Blvd., Fort Worth, Tex. Underwriter—Kay & Co., Inc., Houston, Tex.

Shares in American Industry, Inc.
Dec. 12 filed 50,000 shares of common stock. Price—At market. Proceeds—For investment. Office — 1033-30th St., N. W., Washington 7, D. C. Investment Advisor—Investment Fund Management Corp. Former Name—Shares in America, Inc.

Sheridan-Belmont Hotel Co.
Aug. 19 (letter of notification) $250,000 of 6% convertible debentures due Sept. 15, 1963 to be offered for subscription by common stockholders on a pro rata basis. Price—At par. Proceeds—For working capital. Office — 3172 North Sheridan Rd., Chicago 14, Ill. Underwriter—None.

• Simplex Wire & Cable Co. (3/17)
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.

★ Southwestern Electric Service Co.
March 3 (letter of notification) an estimated 14,052 shares of common stock (par $1) to be offered for subscription by stockholders of record March 16, 1959 on the basis of one new share for each 30 shares now held. Price—$16 per share (estimated). Proceeds—For construction purposes. Office — 1012 Mercantile National Bank Building, Dallas, Texas. Underwriter—None.

Sports Arenas (Delaware) Inc.
Nov. 18 filed $2,000,000 of 6% 10-year convertible debentures (subordinated), due Jan. 1, 1969 Price—To be supplied by amendment. Proceeds—$750,000 to pay AMF Pinspotters, Inc. for bowling alley beds; $350,000 to pay for other installations, fixtures and equipment; $85,000 to expand two present establishments by increasing the number of alley beds by eight at Yorktown Heights and by six at Wilton Manor Lanes, Fort Lauderdale; $300,000 for deposits on leaseholds, telephones and utilities; and $395,000 for working capital. Underwriter—None.

Sports Arenas (Delaware) Inc.
Nov. 18 filed 461,950 shares of common stock (par one cent). Price—At the market (but in no event less than $6 per share). Proceeds—To selling stockholders. Office—33 Great Neck Rd., Great Neck, N. Y. Underwriter—None.

• Standard Security Life Insurance of New York (3/13-16)
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. (3/18)
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. Statement effective March 9.

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 Eastern Transmission Corp. (3/19)
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-quarters of a 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. Statement effective March 4.

★ Thermal Power Corp. (3/23-27)
Feb. 27 (letter of notification) about 40,000 shares (par $1), not to exceed an aggregate value of $300,000 of common stock. Price—Around $7.50 per share. Proceeds—For expenses for exploration and drilling to increase the steam supply. Office—593 Market St., San Francisco, Calif. Underwriter — J. Barth & Co., San Francisco, Calif.

• Thorncliffe Park Ltd. (3/20)
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.

★ Trylon Chemicals, Inc., Lock Haven, Pa.
Feb. 24 (letter of notification) 709 shares of common stock (no par) to be offered for subscription by the stockholders of record Feb. 10, 1959 on the basis of one share for each 15 shares held. Price—$10 per share. Proceeds—For general corporate purposes. Underwriter—None.

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 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. (3/23-27)
March 3 filed 275,000 shares of common stock (par $1). 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.

★ Upper Peninsula Power Co. (3/24)
March 4 filed 40,000 shares of common stock (par $9). Price—To be supplied by amendment. Proceeds—For general corporate purposes, including 1959 construction program. Underwriters—Kidder, Peabody & Co., Paine, Webber, Jackson & Curtis, and Stone & Webster Securities Corp., all of New York.

Uranium Corp. of America, Portland, Ore.
April 30, 1957 filed 1,250,000 shares of common stock (par 16 cents). Price—To be supplied by amendment (expected to be $1 per share). Proceeds—For exploration purposes. Underwriter—To be named by amendment. Graham Albert Griswold of Portland, Ore., is President.

Utah 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.

★ Victoreen Instrument Co.
March 4 filed 248,394 shares of capital stock (par $1) to be offered for subscription by holders of common stock and debentures, at the rate of new share for each four common shares held and eight shares for each $100 of debentures held. Price — To be supplied by amendment. Proceeds—For working capital. Underwriter.—None.

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.
Feb. 11 filed 100,000 shares of capital stock (par $5) being 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 24. Price—$45.50 per share. Proceeds—To increase capital and surplus. Underwriters — Kidder, Peabody & Co., New York; and Prescott, Wright, Snider Co., Kansas City, Mo.

★ Western Wood Fiber Co.
March 5 filed 100,000 shares of common stock (par $10) and 40,000 shares of preferred stock (par $25). Price — At par. Proceeds—For construction and equipment of company's plant and for working capital. Office—300 Montgomery St., San Francisco, Calif. Underwriter—None.

• White Stag Manufacturing Co. (3/18)
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.

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.

★ Wisconsin Power & Light Co. (4/15)
March 9 filed $14,000,000 of first mortgage bonds, series J, due March 1, 1989. Proceeds—To pay part of the cost of property additions and improvements. 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.

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.

★ Yale & Towne Manufacturing Co.
March 6 filed 100,000 shares of capital stock, to be offered to certain of the company's officers and key employees pursuant to its Officers and Employees 1957 Stock Option Plan.

Prospective Offerings

Alabama Power Co. (4/30)
Dec. 10 it was announced that the company plans the issue and sale of $20,000,000 of 30-year first mortgage bonds. Proceeds — For construction program. Underwriter—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Eastman Dillon, Union Securities & Co., Equitable

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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.

● Central Power & Light Co.
March 9 it was announced company plans to sell $11,000,000 of first mortgage bonds due 1989. **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.

★ Consolidated Edison Co. of New York Inc. (6/23)
March 9 it was reported that the company plans to issue and sell $50,000,000 to $75,000,000 of first refunding mortgage bonds. **Proceeds**—For additions, improvements, etc. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp. **Bids**—Expected to be received on or about June 23.

● 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.; Eastman Dillon, Union Securities & Co. **Bids**—Expected to be received on or about April 21.

★ Duke Power Co.
March 9 it was reported that the company plans to issue and sell $25,000,000 of new preferred stock. **Underwriter**—To be determined by competitive bidding. Probable bidders: Eastman Dillon, Union Securities & Co.; The First Boston Corp.; Morgan Stanley & Co.; Stone & Webster Securities Corp. **Offering** — Expected about mid-year.

● El Paso Electric Co. (5/19)
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 up to 11 a.m. (EST) on May 19.

● El Paso Electric Co. (5/19)
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 up to 11 a.m. (EST) on May 19.

● El Paso Electric Co. (5/12)
Feb. 9 it was reported that the company is also planning an offering of 76,494 shares of common stock to common stockholders on the basis of about one new share for each 15 shares held as of May 11, 1959; rights to expire on May 26. **Proceeds**—For construction program. **Dealer-Manager**—Stone & Webster Securities Corp., New York.

★ El Paso Natural Gas Co.
March 4 it was announced stockholders will on April 28 vote on increasing the authorized preferred stock to 1,000,000 shares from 472,229 shares, and the common stock to 25,300,000 shares from 20,300,000 shares. **Proceeds** — For major expansion program. **Underwriter** — White, Weld & Co., 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.

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.

★ Illinois Central RR. (3/12)
Bids will be received up to noon (CST) on March 12 for the purchase from the company of $4,440,000 of equipment trust certificates maturing semi-annually from Oct. 1, 1959 to April 1, 1974, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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.

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.

★ Maine Public Service Co. (4/24)
March 9 it was announced that the company plans early registration of 50,000 shares of additional common stock (par $7). **Proceeds**—To reduce outstanding bank loans. **Underwriters**—Merrill Lynch, Pierce, Fenner & Smith Inc. and A. G. Becker & Co., both of New York. **Registration**—Planned for April 1.

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.

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.

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 up to noon (EST) 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 Co. of Colorado (4/28)
March 12 it was reported that the company plans to issue and sell about $20,000,000 to $30,000,000 of first mortgage 30-year bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc. and Smith Barney & Co. (jointly); Harriman Ripley & Co. Inc., Eastman Dillon, Union Securities & Co., Merrill Lynch, Pierce, Fenner & Smith Inc. and Dean Witter & Co. (jointly); Lehman Brothers, Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Bids**—Expected to be received on April 28.

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.

Ryder System, Inc.
Jan. 12 it was reported that the company plans the issuance and sale of 150,000 shares of common stock (par $5). **Proceeds**—For acquisitions. **Underwriter**—Blyth & Co., Inc., New York. **Offering**—Expected any day.

Southern Electric Generating Co. (5/28)
Dec. 10 it was announced that the company plans to issue and sell $25,000,000 of 30-year first mortgage bonds. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co. and Equitable Securities Corp. (jointly); Merrill Lynch, Pierce, Fenner & Smith; Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Registration**—Planned for April 17. **Bids**—Expected to be received on May 28.

★ Southern Pacific Co. (4/1)
Bids will be received up to noon (EST) on April 1 at 165 Broadway, New York, N. Y., for the purchase from the company of $7,620,000 of equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Southwestern Electric Power Co.
Jan. 26 it was reported that this company (formerly Southwestern Gas & Electric Co.) plans the issuance and sale of about $16,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Smith Inc. and Eastman Dillon, Union Securities & Co. (jointly); Equitable Securities Corp.; Lehman Brothers; Kuhn, Loeb & Co.; Blyth & Co. Inc. **Bids**—Expected to be received in April or May.

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.

★ Texas & Pacific Ry. (3/26)
Bids will be received on March 26 for the purchase from the company of about $3,000,000 of equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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. (5/25)
March 10 it was reported the company contemplates the issue and sale of about $14,000,000 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 up to noon (EST) on May 25 at office of West Penn Electric Co., 50 Broad St., New York, N. Y.

● Worth Fund, Inc.
Feb. 13 it was reported that the Fund was planning the sale of about $5,000,000 of common stock. **Price**—Around $14.25 per share. **Underwriters**—Blair & Co. Inc. and G. H. Walker & Co., both of New York. **Offering**—Indefinitely postponed.

Our Reporter's Report

As long as the Federal Reserve-Treasury announcement relative to the Government bond market had to come, it could not have developed at a much better time than right now, judging by the behavior of the investment markets generally.

Reassurance to Government dealers that nothing in the way of a "witch-hunt" is contemplated, seems to have taken much of the initial sting out of this development and opened the way for sober thinking.

True, the Treasury list and gilt-edge corporate obligations have cancelled out a good part of their recent improvement and the immediate future is shrouded in a bit of indecision. But there certainly has not been any tendency to panic.

On the contrary, the letdown in the Treasury market quite obviously reflects the precautionary dropping down of bids by dealers and not any serious liquidation by institutional holders of these securities.

What the outcome of the continuing study of Treasury financing will be is difficult to imagine at this time. But, it is a certainty that attempt to shift any substantial portion of the prevailing short-term debt from institutions to individuals will mean higher costs for the Treasury, either through higher coupons or the sale of new issues at a discount.

The Northern Indiana Public Service Co., going through with its offering of $25 million 30-year first mortgage bonds, braved the reaction in the wake of the Treasury-Federal Reserve statement.

The company received a top bid of 100.83 from a banking syndicate which specified a 4½% interest rate and a public offering price of 101.656% for an indicated yield of 4.40% to maturity.

The last time the company borrowed, in August, 1957, it raised $20 million on a 30-year basis, the bonds carrying a 5% interest rate with public offering a par.

The secondary bond market has profited during the last few days from the absence of any substantial new corporate debt offerings. Recent issues like Illinois Bell Telephone's offering were still over the market but with no immediate move to turn the unsold balance loose.

The dearth of new corporate debt issues promises to continue into the week ahead. Not a single such undertaking of any consequence is in the cards. Several preferred stock deals are slated of which the largest is Texas Eastern Transmission Corp.'s $15 million issue.

This is the kind of interval when junior debt issues, carrying stock privileges, come into their own. With the equity market pushing steadily into hitherto unexplored territory, the conversion privileges attaching to such debt offerings lend a bit of glamor.

This was clearly demonstrated yesterday when two such offerings, namely KLM Royal Dutch Airlines' 4¾% debentures, and White Stores Inc. 4¾s debentures, both convertible, mounted immediately to sharp premiums.

Meantime, however, it appeared that the Northern Indiana Public Service offering, on a 4.40% basis, had closely approximated investors' ideas and was moving well.

NSTA Notes

SECURITY TRADERS ASSOCIATION OF NEW YORK

The board of directors of the Security Traders Association of New York, an affiliate of the National Security Traders Association, have named D. Raymond Kenney of D. Raymond Kenney & Co., New York, a trustee of the Gratuity Fund.

D. Raymond Kenney

Mr. Kenney, a former director of STANY, is Chairman of the Publicity Committee of the National Security Traders Association which consists of 32 affiliates throughout the United States.

The 23rd Annual Reception and Dinner of the Security Traders Association of New York, largest of the 32 Affiliates of the National Security Traders Association, will be held at the Waldorf Astoria in New York, on Friday evening, May 1, 1959.

Bank of America-Bankers Trust Group Marketing $100 Million California Bonds

A Bank of America N. T. & S. A. underwriting syndicate merged with a Bankers Trust Co. syndicate to purchase $100 million State of California bonds on March 11. The State sold $50 million Veterans' Bonds and $50 million State Construction Program Bonds at competitive bidding.

The merged syndicate is managed by Bank of America, with Bankers Trust Co. acting as joint manager. The Bank of America syndicate includes American Trust Co., San Francisco, and Security-First National Bank and California Bank, Los Angeles. The Bankers Trust group includes Chase Manhattan Bank, First National City Bank of New York, and the First National Bank of Chicago.

The underwriting group bid a premium of $23,451 for a combination of 5%, 4%, 3¼%, and 3½% Veterans' Bonds, or a dollar bid of 100.047, and a net interest cost to the State of 3.55%. The group bid a premium of $4,691 for a combination 5%, 3¾%, 3¼% and 3½% State Construction Program Bonds, or a dollar bid of 100.009. The net interest cost to the State was 3.54%.

Both bond issues were reoffered to investors to yield from 1.90% to 3.60%, according to maturities. The Veterans' Bonds are due Oct. 1, 1960-84 and the State Construction Program Bonds Dec. 1, 1960-1984.

The net interest cost of 3.55% on the Veterans' Bonds compared with 3.23% on the $100 million Veterans' Bonds sold in July, 1958. Net interest cost of 3.54% on the State Construction Program Bonds compared with 3.58% on the Construction Bonds sold in December 1958.

The $50 million Veterans' Bonds sold today mark the final sale from a $500 million authorization voted in 1956. Proceeds will be used to finance home and farm loans to California veterans under a program in operation since 1921. The program has been self-supporting since its inception.

Up to Jan. 1, 1959 the State has loaned approximately $100 million to World War I veterans; $900 million to World War II veterans, and $138 million to Korean War veterans. A total of 135,000 home loans and almost 2,000 farm loans have been granted under the program. Of the total, almost 45,000 have been paid off in full.

The $50 million State Construction Bonds sold today are the second issue from a $200 million authorization approved in the elections of November 1956. Proceeds will finance in part a five-year, $500 million Construction program to meet the State's institutional needs. The largest percentage of the proceeds from today's sale will go to State colleges and special schools.

In the past 12 months underwriting accounts managed by Bank of America N. T. & S. A. have purchased more than $716 million of California State and Municipal Bonds. The bank and its underwriting syndicates, through successful competitive financing, provide an assured source of funds for civic improvements and public facilities required by California's expanding economy.

Other major members of the merged Bank of America and Bankers Trust Co. syndicates include:

Halsey, Stuart & Co. Inc.; Guaranty Trust Co. of New York; J. P. Morgan & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp.; Harriman Ripley & Co. Inc.; Harris Trust and Savings Bank; Smith, Barney & Co.

Lehman Brothers; Kuhn, Loeb & Co.; Drexel & Co.; Glore, Forgan & Co.; Chemical Corn Exchange Bank; C. J. Devine & Co.; Continental Illinois National Bank and Trust Co. of Chicago; The Northern Trust Co.; R. H. Moulton & Co.

Goldman, Sachs & Co.; Kidder, Peabody & Co.; Eastman Dillon, Union Securities & Co.; Bear, Stearns & Co.; Merrill Lynch, Pierce, Fenner & Smith Inc.; Blair & Co. Inc.; Weeden & Co.; The First National Bank of Boston; The First National Bank of Oregon.

The Philadelphia National Bank; Seattle-First National Bank; Equitable Securities Corp.; Stone & Webster Securities Corp.; Dean Witter & Co.; Phelps, Fenn & Co.; White, Weld & Co.; Salomon Bros. & Hutzler.

R. W. Pressprich & Co.; Paine, Webber, Jackson & Curtis; Mercantile Trust Co.; Lazard Freres & Co.; Shields & Co.; Reynolds & Co.; Crocker-Anglo National Bank; J. Barth & Co.; Ladenburg, Thalmann & Co.

John Nuveen & Co. Inc.; William R. Staats & Co.; American Securities Corp.; Bache & Co.; Bacon, Whipple & Co.; A. G. Becker & Co. Inc.; Alex. Brown & Sons; Clark, Dodge & Co.; Dick & Merle-Smith; Dominick & Dominick; Fidelity Union Trust Co., Newark, N. J.

Marcus Co. to Admit

Marcus & Company, 61 Broadway, New York City, members of the New York Stock Exchange, on March 19 will admit Walter N. Frank, Jr. to limited partnership.

Named Directors

CHICAGO, Ill.—J. Patrick Lannan, noted investment banker, and Harold C. Stuart, prominent Tulsa and Washington, D. C. attorney, have been elected to the board of directors of The Greyhound Corp., it has been announced by F. W. Ackerman, President of Greyhound. Mr. Lannan is Chairman of the Board and Chief Executive Officer of the investment banking firm of H. M. Byllesby & Co., Inc.

J. Patrick Lannan

du Pont, Homsey Partner

BOSTON, Mass.—On March 19 William H. Legate will be admitted to limited partnership in du Pont, Homsey & Company, 31 Milk Street, members of the New York and Boston Stock Exchanges.

Ferris & Co. to Admit

WASHINGTON, D. C.—Julia M. Montgomery on April 1 will be admitted to partnership in Ferris & Company, Washington Building, members of the New York Stock Exchange.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — Not within the memory of some of the oldest political observers in Washington has there been as many Democratic Presidential hopefuls as of now. They are falling over each other on the Senate side of the Capitol.

But Capitol Hill does not include nearly all of them. There are several in the state capitols. The picture, as far as the Democrats are concerned, is extremely unclear.

On the Republican side, Vice-President Richard M. Nixon, who has had more training for the office of President than any man in the history of the United States, apparently is the front runner. Nevertheless, it is no certainty that he has the nomination nailed down.

Governor Nelson A. Rockefeller of New York, may or may not be a candidate for the Republican Presidential nomination, but it seems inevitable he is going to the Republican convention with some delegate strength.

The woods are going to be full of "favorite son" Democratic Presidential candidates, and probably the Republicans will have a handful. A favorite son candidate usually receives the first one or two ballots, before the delegates switch to the serious contender of their choice. Sometimes favorite son ballots are used by delegates as a preliminary holding action to see how the political winds are blowing.

Kennedy in the Lead

There is strong speculation in Washington political circles that the next slate of the Democrats, if not of both parties, will have a member of the Catholic religious faith on it — either for President or Vice-President. The last Catholic Presidential candidate, of course, was the late Governor Al Smith of New York.

Senator John F. Kennedy of Massachusetts appears as of now to be the pace setter of the Democrats. Senator Kennedy, son of the wealthy former Ambassador of the Court of Saint James, is a Catholic. Some of the Senator's colleagues say privately that he may wind up as a Vice-Presidential candidate.

Ever since he rolled up many delegate votes in the South in 1956, Mr. Kennedy has been grateful. He told a group of friends facetiously of course, that since 1956 "I've been singing Dixie every morning before breakfast."

Johnson Running "Hard"

Senate Majority Leader Lyndon B. Johnson of Texas is running like mad. He has vacated the traditional role of Texas Senators of bygone years, who always attended the regional Southern caucus of Senators. He and his colleague, Senator Ralph Yarbrough of Texas, now attend the Western regional caucus. Because of the big Democratic victories in the West last November, there are now 23 Democratic senators from that part of the country.

It is apparently impossible to nominate a Southerner for the Presidency. Whether Senator Johnson had this in mind when he decided to switch to the Western caucus, is his own secret.

Other Democratic Hopefuls

Some of the other Democratic hopefuls are Senator Hubert Horatio Humphrey of Minnesota; Governor Robert B. Meyner of New Jersey; Governor G. Mennen (Soapy) Williams of Michigan; Senator Stuart Symington of Missouri; Governor A. B. "Happy" Chandler of Kentucky, and Governor Edmund G. (Pat) Brown of California.

There is still another Democratic candidate, and a strong one. Former Governor Adlai E. Stevenson of Illinois was his party's candidate in 1952 and in 1956. He could very well be his party's choice again in 1960. Many people, including some astute politicians in Washington, believe that Governor Stevenson wants one more chance, down deep in his heart. The former state executive has considerable potential delegate strength in the Midwest today. It could grow stronger.

Governor Meyner will go to the Democratic National Convention in Los Angeles next year at least in the role of favorite son. President Woodrow Wilson, a Virginian by birth, was Governor of New Jersey when he was nominated and elected to the White House.

Williams and Reuther

More than 700 Convention votes will be needed to capture the Presidential nominations. For this reason candidates must develop more than regional strength to gain the nomination. Therefore, the favorite son votes from the various states probably will determine the next Presidential nominee of the Democrats.

One of the major questions to be answered is: Who will be the choice of the labor union bosses. Michigan Governor Williams owes a great measure of his political success to Walter Reuther, head of the United Auto Workers. Williams is chomping at the bit for a place on the Democratic ticket.

Symington and Others

Senator Symington, called "Stu" by his close friends, has substantial strength in the Mid-West. Like Mr. Stevenson, he could become the compromise candidate of the Democrats. He also represents a strategically important state. Some of the important Southern leaders shy away from Mr. Symington because he has had support of the Americans for Democratic Action, which is anything but a middle-of-the-road group.

Should the Democrats nominate Senator Humphrey, a native of Wallace, South Dakota, for either President or Vice-President, they would have one of the most articulate politicians in all the land. He can talk and talk. The Kremlin bosses realize that he is one of the foremost talkers in the land as a result of the hours he spent with Soviet Premier Khrushchev late last year in Moscow.

A book was recently published in Kentucky calling Governor Chandler one of the greatest Kentuckians of all-time. Kentucky has had some famous native sons including Abraham Lincoln. Governor Chandler, who neither drinks nor smokes, but loves fried chicken, and loves to sing, has been a favorite son candidate before. He also received a few votes beyond the Kentucky borders.

Brown and the West

Governor Brown, a Catholic, who won the California governorship hands down over former Senate Majority Leader William F. Knowland last November, could emerge in the Presidential picture as more than a favorite son. The West is growing, and it desires greater recognition in Washington. The strength of the Democratic party seems to be growing faster in the West than any other region of the country.

The Democrats are going to hold their big 1960 shindig in Los Angeles. That was one reason the majority of the national committeemen decided to hold the next convention across the sunset Rockies.

The Republicans are still up in the air over their convention site, but it appears strongly unlikely they will go back to California. The 1956 pow-wow was held at San Francisco. Party leaders are meeting in Washington this month to make a final determination on the site.

Philadelphia seems to have a good chance of being the host city. The city of "brotherly love" was host for both Democrats and Republicans in 1948 when Harry S. Truman and Thomas E. Dewey were chosen their party nominees. In addition to Philadelphia, Chicago, New York, Miami Beach and Los Angeles are bidding for the convention. Each has offered a sizable sum of money, in an effort to attract the convention.

Some Republican strategists maintain that if the Convention would be held in New York it would be an assist to Governor Rockefeller, and should it be held in Los Angeles it would aid Vice-President Nixon. The feeling in Washington is—right or wrong and Washington often is wrong—that Mr. Rockefeller would garner substantial delegate strength from the Eastern states, while Mr. Nixon would triumph overwhelmingly in the Western states.

Some Democratic bigwigs in the party are saying privately that they hope that Mr. Nixon gets the nomination over Mr. Rockefeller, because they believe the New York Governor would be harder to beat. That may be wishful thinking. Vice-President Nixon is a hard-hitting campaigner.

[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

"When I said to put the zone on our letters, Miss Stupely, I didn't mean TEMPERATE Zone!"

Francis I. Du Pont Will Admit M. A. Speicher

On April 1 Francis I. du Pont & Co., 1 Wall Street, New York City, members of the New York Stock Exchange, will admit Milton A. Speicher to partnership.

Business Man's Bookshelf

Colombo Plan—Facts and Figures (Colombo Plan is a plan for Cooperative Economic Development of South and South-East Asia)—Colombo Plan Bureau, 15 Alfred House Gardens, Colombo 3.

Convertible Bond Opportunities—Special report—R. H. M. Associates, Dept. CF-2, 220 Fifth Avenue, New York 1, N. Y.—On request.

Digest of 100 Selected Health and Insurance Plans Under Collective Bargaining, Early 1958—Bulletin No. 1236—U. S. Department of Labor, Bureau of Labor Statistics, 341 Ninth Avenue, New York 1, N. Y.—$1.25.

Digest of 100 Selected Pension Plans Under Collective Bargaining, Winter 1957-1958—Bulletin No. 1232—U. S. Department of Labor, Bureau of Labor Statistics, 341 Ninth Avenue, New York 1, N. Y.—$0.45.

European Securities and How They Are Traded — European Securities Markets Analysts, Inc., 11 West 42nd Street, New York 36, N. Y., $45.00.

Facts and Figures of the Metal-working Industry—11th edition—Editorial Service, Steel, Penton Building, Cleveland 13, Ohio.

Freeman, March, 1959—Containing articles on Declaration of Independence against Itself; Moral Goal for Business; Ethics Is Personal; Business Taxes Concern Everyone; Mutual Security; Inflation Spells Ruination; A Way to Finance Higher Education, etc.—Foundation for Econmic Education, Inc., Irvington-on-Hudson, N. Y.—50c per copy.

How to Combine the Tax Advantages of Both Corporations and Partnerships for Your Business—Random House, Inc., 457 Madison Avenue, New York 22, N. Y.—$12.

How to Take a Case Before the National Labor Relations Board — Revised Edition — Louis G. Silverberg—Bureau of National Affairs, Inc., 1231 Twenty-fourth Street, N. W., Washington 7, D. C.

Speak Up — 12-page primer in color for citizens testifying at public hearings at all levels of Government — Colortone Press, 2412-24 — 17th Street, N. W., Washington 9, D. C., 25¢ per copy (quantity prices on request).

United States Monetary Policy—Neil H. Jacoby, Editor—American Assembly, Columbia University, New York 27, N. Y.—$2.