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EDITORIAL

As We See It

Ever since its orginal presentation last January, the leaders of the Democratic party have been vociferous in their assertions that the President's budget was not really in balance. The balance claimed by the President, they said, was "synthetic" on the ground that charges which should go against it were shunted to another year, and tax estimates much too high. There was and is much truth in these accusations, of course. Just how much, the future will disclose. In any event, the opposition is not interested in balancing the budget in reality, but rather in taking many steps which would render the accounts when they are finally rendered much more out of balance than they would be if the President had his way. In point of fact, many of the Democratic leaders scorn prudent fiscal management, and find virtue in many varieties of financial recklessness. The President seems more interested in a truly balanced budget—so far as any of them are so interested—than do those who oppose and endeavor to discredit him.

The fact remains—and the rank and file must not fail to recognize it—that we are not even on our way to a balanced budget. It now appears to be a fact that tax collections have been seriously over-estimated — or at least estimates are much larger than the guesses of experts at the other end of Pennsylvania Avenue with excellent records of tax estimation. And it is a fact, too, that outlays the President is asking Congress to appropriate are in at least one important instance not included in the budget as proposed by the President for the year ended June 30, 1960. So well informed a student of these matters as Senator

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Analysis and Forecast for 1959 and the Business Cycle

By REUBEN E. SLESINGER

Professor of Economics, University of Pennsylvania

Pittsburgh economist foresees an end of the year GNP rate of $480-$485 billion, averaging out $473 billion for the year, indicative of genuine recovery. Doubtful that unemployment will end unless $500 billion GNP is reached, Dr. Slesinger expects full employment in 1960, accompanied by upward rising price level and followed by a year with characteristics similar to 1958. Turning to the problem of the business cycle, the writer singles out variation in employment of one-third of the labor force for mechanical cause of instability, and prescribes alternations in government demand to counter business fluctuations. Economist analyzes the specifics determining the scope of national output; comments on monetary policy and semantics of the word inflation.

Dr. R. E. Slesinger

The revival of business activity which began during mid-1958 will continue throughout 1959 as output and employment will make noticeable gains. Increased sales of new automobiles, a reversal in the inventory liquidation trend, improved activity in steel, and continued high levels in construction are basic optimistic factors that loom for 1959. Nonetheless, the improvement has a considerable distance to travel before various peak levels of industry will be reached. The improvement in the economy will stem mainly from a concurrence of factors that were responsible for and have been propelling the recovery to date — increased government spending, a high level of construction, and diminished inventory liquidation. One factor—private business spending — continues to be somewhat sluggish and there is little evidence that its total will

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Outlook for Petrochemicals

By HENRY G. McGRATH*

Sales Executive, M. W. Kellogg Co., New York

In uncovering enormously growing opportunities in petrochemicals, Mr. McGrath states the rate of expansion is such as to presage a fast growing and profitable future. The chemical engineer discusses the extent to which the industry is outpacing the now world-wide advance in petroleum refining and chemical industries' growth rate; reviews latest petrochemical activities by successful oil companies; cites some of the petrochemical building blocks and intermediates which are bridging the gap between chemical and fuel production; and doubts gas-turbines and free-piston engines will significantly affect the conventional engine in the next decade. The writer expects petrochemicals to constitute 29% of all chemical production in 1959.

Introduction

H. G. McGrath

It was not so many years ago when the word "petrochemicals" was unknown. Even as recently as 20 years ago it was only an infant industry —and even at that—only an American industry. Today it is fast becoming a world-wide industry. Its origin was associated with petroleum refining in the United States. Certain oil and chemical companies interested in the potentialities of olefin chemistry recognized the possibilities existing in utilization of a segment of the refinery gas stream. The industry spread to Western Europe after World War II. However, until the early 1950's it remained but a very small segment of the chemical industry. With millions of barrels of inexpensive Middle East oil being brought into Europe each day the European petrochemicals industry quickly brought about a chemical revolution. Today projects are being planned

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*Based on a recent talk by Mr. McGrath before the South Jersey Section of the American Chemical Society, with slight modifications by the author to bring it up to date.

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

The Security I Like Best

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

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

This Week's Forum Participants and Their Selections

MERRITT F. BEAL

Analyst, Peter P. McDermott & Co. New York City

Members: New York Stock Exchange, American Stock Exchange and Chicago Board of Trade

Seaboard Finance Company (Delaware)

Present-day stock market thinking gives primary consideration to growth. This is about the only way to justify many prevailing prices and especially is applied to chemicals and electronics which are basically mystery issues anyway. Growth, however, where it has been demonstrated over a period of time, is a sound reason for looking favorably on a stock. That is my reason for liking the common stock of Seaboard Finance Co. (Delaware).

Merritt F. Beal

This is the third largest small loan company and its growth over the past 10 years has been phenomenal, even in this field. In 1949, it did a volume of loans approximating $87.5 million; whereas, for the fiscal year ended Sept. 30, 1958, this figure had advanced to $395.73 million. The gross income of the company in 1954 was a little above $29 million and for last year was well above $57 million. The net before taxes has advanced steadily and consistently for the past 11 years and the net income figures follow the general pattern. Earnings per share have steadily mounted.

In the fiscal year ended Sept. 30, 1958, the company added 102 branches to its operations, partially through acquirement of offices of another company and these were paid for in stock. For that year the company earned $1.47 per share which is ample coverage for the $1.00 dividend (cash) and it has become the practice of the company to pay a stock dividend in May of 2%. This stock dividend has been declared and is payable May 11, going ex-dividend April 6. The quarterly cash dividend of 25c is payable April 10 and the ex-dividend date is March 16. At the current price for the stock, and including the value of the stock dividend, the yield to present purchasers for the next 12 months will be about 5.8%, and a 5.8% return, well-protected, is not too freely available in current markets.

At the present time earnings are looked at in connection with price-earnings ratios rather than as potential dividends and the price-earnings ratios of the bulk of favorite speculative stocks are something fantastic. In the case of Seaboard Finance this ratio is about 16 times earnings and that is exceptionally conservative from a comparative standpoint.

Dividends are of little moment among large traders because they are seeking capital gains, while the law still permits them, rather than current yields, but for the average stock buyers now coming into the market in ever-increasing numbers, yields are and should be very important, and this is another reason for looking upon Seaboard Finance with favor.

There are many danger signals in the general economy and while it is definitely unpopular to mention the fact that the stock market is not a one-way street and that many quotations are at levels completely out of step with common sense and entirely out of line so far as the conventional yardsticks by which we judge values are concerned, still these are facts which the prudent man should take into consideration.

Extravagance is in daily practice, debt is not feared and thrift is out of fashion, but high prices without justification are in themselves warnings which should not be ignored. The fact that small loan companies have flourished in times of prosperity is a fair indication of what they should be able to do when times become a little more stringent and their services are in still greater demand.

Seaboard has the statistical earmarks of a well and aggressively managed company that should continue to expand. Its business is growing and the yield is liberal. I like it better than many more glamorous issues, which sell on hope.

A. RICHARD STERN

Security Analyst

San Diego, California

The Beryllium Corporation

During the past two decades the requirements of the military have propelled the world into the electronic-atomic-space age. The exacting requirements of new technologies have fostered the use of many rare elements which have contributed specific properties necessary to the specialized metallurgical demands of this era.

A. Richard Stern

One of these is beryllium, whose main application has been as an alloy to copper, to which it gives greater hardness, fatigue resistance and strength. To date, the commercial success of beryllium copper has been primarily responsible for the growth of the beryllium industry, and the demand for this alloy is increasing.

Future expansion may also stem from the expanding use of pure metal and beryllium oxide, a high-temperature ceramic. A new use is in the atomic field where beryllium metal and beryllium oxide are employed as moderators and reflectors of neutrons. Another major outlet for beryllium metal may appear in air frame manufacture where its lightness, stiffness and high melting point have stimulated keen interest.

Leading factor in the industry is The Beryllium Corporation, which pioneered methods of ore reduction, alloying, hot and cold working of alloys, and built an industry out of beryllium copper. It now markets a comprehensive line of beryllium copper and other beryllium alloys.

The second largest and only other, existing major factor in the industry is Brush Beryllium. The company has done well and sells the major portion of its output to U. S. Governmental Agencies.

The first large-scale production of beryllium for atomic energy was in government-owned facilities. In 1955, however, the AEC decided to purchase its requirements from private industry. Beryllium Corporation was subsequently awarded a contract to deliver to the Commission 100,000 pounds annually of nuclear grade beryllium billet for a five-year period. The Company built a special plant at Hazleton, Pennsylvania, to produce this metal. Production problems were encountered which extended the shake-down period. Deliveries were curtailed which depressed earnings well into 1958. The AEC reduced the billet contract, effective June 30, 1958, to deliveries of 37,500 pounds annually for five years. For this cutback the Company will receive compensation approximating $1.8 million.

Interest in beryllium metal outside the nuclear field has allowed the Company to use surplus billet capacity. It is now planning to increase its existing fabricating facilities. Hazleton is also providing the capacity to enter the air frame structural field. The attractiveness of beryllium metal for airplane, missile and rocket structures has been well illustrated in calculations made by materials engineers. It now appears that the production difficulties at Hazleton have been overcome and future earnings are expected to reflect continuing improvement.

There are obstacles that must be overcome before beryllium air frame components reach the stage of quantity production. Beryllium metal is now too brittle for many uses. Moreover, its availability in conventional metalworking forms —rolled sheets, forgings, etc.,— must await the development of appropriate techniques. Fortunately the problems of brittleness and fabrication are the subjects of intensive research and development projects now sponsored by the Air Force.

Nevertheless, beryllium metal as presently produced does have some application in air frames. In many instances components can be produced from powdered pressings. Therefore, the Company does have access to at least a portion of this vast market.

The Company is actively pursuing research activities in many directions and the technical organization is being expanded.

The basic raw material of the beryllium industry is beryl, a mineral from which beryllium oxide is extracted and then converted into beryllium metal, alloys or high purity oxide for commercial uses. The main sources of beryl ore are South America, Africa and India. Large reserves of low-grade beryllium are believed to exist in the United States. The possibility of utilizing these deposits is being actively explored by the Company and governmental agencies. Meanwhile the supply picture for commercial grade beryl appears favorable and sufficient to meet the contemplated expanding demand.

Although sales of Beryllium Corporation have quadrupled since 1949, rising from $3.5 million in 1949 to $16 million in 1957 and about $14.5 million in 1958, earnings have not grown correspondingly. This is due to a number of reasons, one of which has been discussed in connection with the Hazleton operation. In addition to increased research and depreciation charges, earnings in 1957

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Chemical Industry Prospects

By RALPH W. H. GEER*
Vice-President, Laird & Company Corp., New York City

Reversal of the below-average ratio of chemical shares to the market, prevalent since 1955, is predicted by Mr. Geer in his analysis of favorable factors presaging dramatic profit gains for most companies. In taking a longer term approach, and assuming increasing capacity operation and good general business, the Wall Street underwriter-dealer envisions substantial profit gains continuing for most companies and considerable room for market appreciation as near and intermediate term profits come closer to reality. In concluding, the author analyzes several companies that are believed to be attractive in their respective quality groups.

I think chemical shares, in general, might well be market favorites in the next 12 to 18 months. I believe this to be true because for the first time in several years, general business conditions should permit the sustained utilization of chemical productive facilities at high rates. I might inject here that these projected industry operations are based on an estimated average of 145-46 for the FRB Industrial Production Index in 1959 compared with the 134 average for 1958, and assumes that this index will average still higher in 1960. Based on this trend of general business, chemical operations should average 80-85% of capacity in 1959 and work closer to a maximum efficient rate next year.

Ralph W. H. Geer

Supporting reasons for the anticipated general market improvement for chemical shares are: (1) the above indicated unused capacity will be utilized with substantially reduced break even levels, (2) the prospect for somewhat higher prices for basic chemicals, (3) many new high profit specialty products coming from research, and (4) somewhat lower start up expenses, all of which should permit substantial increases in share earnings and cash flow compared with 1958 results. These factors should reverse the below-average relationship of chemical shares to the general market which has prevailed since the summer of 1955. Let's look at these specific reasons more closely:

The chemical industry is so diverse that complete statistics are slow in being compiled but checks with several companies indicate that in the past 18 months this industry has not operated anywhere near a maximum efficient rate. Using 1949 as a base year, sales for an important group of chemicals averaged in 1958 at the same general level as they did two years earlier. Reflecting the general improvement in business since May, 1958, these sales expanded rather sharply in the latter part of last year and are continuing to do so. Nevertheless, the sales index is not now materially above the 1956 high. Thus, giving weight to the more than \$3 billion spent in the last two years for new facilities, there is a considerable amount of capacity which will be operated as general business conditions move ahead in the next 12-18 months.

During the recent general business readjustment, chemical managements endeavored to cut costs in practically all areas of operations. Some of the most significant have been the elimination of inefficient personnel which was added in the lush early postwar years. Certain random picked companies illustrate this point. Du Pont, for example, reduced their number of employees in 1958 nearly 6,000, or some 5%; Allied Chemical cut their total employment by 6%; Hercules Powder 7%; Air Reduction 8%, and Diamond Alkali 11%. For better perspective, by using indicated average annual wage, this reduction in help totalled nearly \$50 million for du Pont in 1958. Most of those people laid-off by these manufacturers will not be rehired.

Another operating area where management was successful in cutting costs pertains to freight. Many companies have found that these can be reduced by using water transportation, where possible. For example, Hooker is now shipping by barge from the Niagara Falls area to the midwest and to the east coast. Secondly, companies are also using these new large size freight cars with 120 ton capacity compared with the older 50 ton type. One company by using these larger, more efficient cars has reduced the cost of shipping certain chemicals from the east coast to the midwest by as much as 50c a 100 pounds. When more than 100 million pounds of a product are shipped, the total saving mounts up. Still other savings have been effected by the elimination of obsolete plants and processes as well as the rehabilitation of old plants.

Effect Upon 4th Quarter Earnings

It is difficult to illustrate all of these cost savings because so many other factors are involved, but at least part of the sharp improvement in the fourth quarter earnings rate can be attributed to these austerity programs and the fact that these companies had available capacity to satisfy the higher demand. For example, Allied Chemical's earnings from the fourth quarter of last year were at an annual rate of \$4.25

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*An address by Mr. Geer before the New York Society of Security Analysts' Chemical Forum, March 25, 1959.

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Observations . . .

By A. WILFRED MAY

DANGER SIGNAL DEPARTMENT

One of the traditional appendages of a stock market boom, exhibited in the speculative jamboree of the nineteen twenties, is the spilling over of the buying into other areas. Now again Wall Street speculators are ferreting out still "green" profit opportunities not only in the Florida marshes but abroad. Misgivings over the diminishing yields and high price-earnings ratios here are serving to extinguish the American investor's memories of his previous burnings abroad. And resulting enthusiasm over the European Common Market is prompting the formation of a closed-end investment company to invest in industries operating in that area.

A. Wilfred May

Substantial amounts of American money have lately entered the German market. Considerable of such U. S. funds, through Swiss accounts, have gone into the 12 West German mutual funds.

Whereas foreign purchases have been largely confined to institutional buyers and the funds, with Philip Lamp Works the most heavily bought issue by the latter during the last quarter of 1958,* the individual is becoming more and more glamorized by the role of "international investor." How long will such glamor outlive a bust in our own market?

* * *

SPLITOMANIA OUTBURST OF THE WEEK — IBM in the Bargain Basement?

Even the current tired market could not resist the temptation to construe mighty IBM's long-awaited split delivered in the form of a 3-for-2 share adjustment as a market and "Business" fillip sufficient to zoom the stock up 37 points in two days. Whatever excuse there may be for the investor's split enthusiasm that is based on the alleged attraction of a reduction in the market price to what the buyer "can afford," is non-existent in this instance. The now 360 price surely is no bargain basement tag!

*cf. Quarterly Investment Company Survey, "Chronicle" Feb. 5, 1959.

* * *

NEW SCANDAL—AN ETHICAL MORAL

The disclosure of shortages connected with the Olen-H. L. Green transactions, involves important implications in wide areas of financial regulation, corporate conduct and investing policy. The bare fact we face is that after 25 years of ever-tightening Federal Securities supervision and control, filching of shareholders' property through a writeup of assets, fictitious statement of assets and omission of liabilities, cannot be prevented.

The McKesson & Robbins scandal of just 20 years ago was perpetrated by Messrs. Coster and Musica despite the attendance of a most reputable auditing firm, who did all that was usual and possible in spot-checking inventories, and in the face of supervision by highly responsible and conscientious operating officials. In 1959 as in 1939, it must be recognized that there are unbridgeable difficulties in the way of prescribing hard-and-fast accounting rules that will be burglar-proof. Fixed rules cannot make proper allowance for experienced and subjective judgment which suits auditing policy to individual cases. Revealing more information quantitively does not improve its veracity in case of false representation. More specifically, a complete physical check of all the merchandise in all stores cannot be made by the auditors. The additional services of expert engineers would be necessitated, whose checking would be rendered impracticable as a general practice by the amount of time required.

The net is that honesty cannot be legislated or insured by regulation. The smart, well versed thief at the top will always devise means of outwitting even the most stringent regulation, particularly when an enterprise is prosperous.

It is true that if the epochal Kreuger super-manipulations had taken place in America instead of Sweden, they could not have been consummated. But this only means that here Kreuger would have concocted other means for perpetrating his grandiose peculations — and with his suicide accelerated.

The British Pattern

The solution for the abolition of fraud lies in greater self-imposed ethics to implement legal regulation. The chance for progress lies along the lines of building **ethical tradition and a changed attitude toward the law** along British lines. While we think of the law as a hurdle to be skirted as closely as permissible, the Englishman conceives the law rather as a wall marking the extreme outer limits of an area in which one moves according to one's idea of what is reasonable and "cricket." The Englishman follows a complete code of proper behavior under which he operates independently of the law; the latter simply being held in reserve as an occasional weapon against the most flagrant abuses.

Investment policy-wise, too, the Green incident offers important implications. Reminding us of the unavoidable and everpresent risks in common stock holding, it underlines the inadequacy of current dividend and earnings yields. Surely it warrants skepticism over current boom market defense of the inverted stock-bond yield ratios, with the reminder that other factors outside of "inflation" are at stake in the appraisal of equities. Moreover, the occurrence of such an imponderable as criminal sabotage underlines the desirability of portfolio *diversification.*

FUND STATESMANSHIP

Offering of additional stock through rights by closed-end investment companies whose shares sell at a discount has constituted a long continuing abuse. Even though existing stockholders are given the opportunity to take up their pro rata number of shares, the differential of the outstanding shares' market price below asset value inflicts a dilution — and hence an assessment — on those shareholders who are unwilling or unable to fork up the subscription money.

This device for enlarging the kitty by managements has been pursued with some scattered but ineffective opposition by minority stockholders.

All the more remarkable is the current position exhibited by the Overseas Securities Co., a closed-end company which sells at a sizable premium (recently 40%) in lieu of the usual discount, in opposing a stockholder's pending proposal for the offering of additional shares on its outstanding proxy statement. The proposal is motivated by the desire to offset the fund's substantial capital gains distributions. The suggested offering would not be made below asset value, thus avoiding asset dilution of nonsubscribers' interest. But the management, which personally holds sizable amounts of stock, is suiting its policy to solicitousness for the body of stockholders on the grounds of avoiding needless underwriting expense, and of forestalling the risk of knocking down the premium and diluting *market* value.

In other quarters of the fund industry a new statesmanship is likewise being displayed. Over the years in cases of a proxy fight or other controversy fund management has embraced a hands-off policy even accepting the absurd "if you don't like it, sell your stock" rationalization. But now, we see an enlightened approach. In an interview with this writer, Edward A. Merkle, President of the Madison Fund, Inc., expressed his progressive philosophy thus: "When we see an abuse in a company in which we are a substantial stockholder, we make an all-out effort to needle the management to do the right thing. If this does not work, we will vote against management, whether or not there is a proxy fight. No matter what, we will at all times vote our stock. To do otherwise is in effect to disfranchise our own shareholders, and to default on one of our chief management obligations. And taking the easy way out by just disposing of our holding is to contradict the first principle of proper corporate practice!"

The State of Trade and Industry

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

The business recovery is entering its 11th month without showing significant loss of momentum states the Harris Trust and Savings Bank in its March "Barometer of Business." The monthly business summary admits that the rate is slowing but believes that present trends conform to previous recoveries. Industrial output has risen one point monthly the last two months whereas in the first seven months of recovery the average monthly rise was 2 points. The continuing expansion of steel output, partially due to inventory accumulation prior to wage negotiations, presages a further rise in the February index of industrial production. Despite disrupting strikes, personal incomes in January were running at a new peak rate of $362.3 billion, $2.5 billion above December. Total employment rose 250,000 persons in January after seasonal adjustment, but unemployment was down only slightly to 6.0% of the labor force. Nonagricultural employment, which had been expanding very slowly since September, showed an encouraging rise in January to a new recovery high.

As over-all economic activity reattains former highs, the Harris Bank observes a broad dispersion of experience among major industries. Some have already moved ahead to new production highs while others still lag. Each recovery period, while possessing broad characteristics common to all recoveries, has its individual composite of forces. The automobile industry, which led the way in the 1955 recovery, has leveled out in the past two months at an annual sales rate near 5 million units. Imports now add about 425,000 units to this total, whereas they were nominal in 1955. Other laggers are machinery, both electrical and non-electrical, and minerals production. Leading the way into new high levels of output are chemicals, paper and printing, foods and beverages, instruments, and major household appliances. Generally these are industries which have moderate cyclical tendencies but display modest-to-vigorous long-term growth. Not until the predominantly cyclical industries achieve new highs will the recovery take on "boom" characteristics.

Nationwide Bank Clearings Up 3.1%

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 28, clearings for all cities of the United States for which it is possible to obtain weekly clearings will be 3.1% above those of the corresponding week last year. Our preliminary totals stand at $23,105,101,224 against $22,403,604,380 for the same week in 1958. Our comparative summary at the principal money centers was as follows:

Week Ended Mar. 28—	1959	1958	%
New York	$12,311,266,307	$12,106,579,100	+ 1.7
Chicago	954,872,918	1,055,118,784	— 9.5
Philadelphia	896,000,000	964,000,000	— 7.1
Boston	773,913,154	706,430,790	+ 9.6

Construction Contracts Set New Record in February

Construction contracts in the United States (excluding Alaska) totalled $2.3 billion in February, setting a new all-time record for the month 18% above February, 1958, according to F. W. Dodge Corporation.

In releasing the latest figures, Dodge Corporation's Vice-President and Economist, George Cline Smith, said that nearly every major construction category rose above last year's level.

"By far the strongest element in February was housing," Dr. Smith reported. "The number of new dwelling units covered by contracts during the month totalled 85,206, an increase of 44% over February of last year. Units in apartments, single family houses and two family houses all were up by approximately the same percentage, marking the first time in several years that single family houses have been as strong as the other two types."

"But the most encouraging feature of the new figures," Dr. Smith said, "was the first upturn in industrial building contracts since the recession. This category is an extremely important indicator of economic conditions ahead, and the fact that it rose by 37% over February, 1958, is highly significant of business optimism about the future."

Non-residential building contracts in February totalled $704,337,000, down 6% below February, 1958. The decline was primarily accounted for by decreases in contracts for offices,

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Incoming Tidewater

By DR. IRA U. COBLEIGH

Enterprise Economist and Author of "How to Get Rich Buying Stocks."

Summarizing some of the factors about Tidewater Oil Company, which suggest a substantial improvement in earnings for 1959.

The tide was out for Tidewater in 1958. From net earnings of $34,937,000 in 1957, the results last year showed a drop in net to about $2,600,000. This created an estimated deficit per share, after preferred dividends, of three cents, against a plus figure of $2.42 for 1957. On the face of it these soggy statistics do not appear to be a very sprightly springboard from which to dive into a favorable consideration of Tidewater common at this juncture. Yet that is what we propose to do—to consider TV (that's the NYSE symbol for the stock—not a video set) as an equity that has put it deficits behind and, for a variety of reasons, should demonstrate a notable resurgence in earning power for 1959.

Ira U. Cobleigh

Last year was no thing of beauty for the oil industry in general, but Tidewater was particularly hard hit. It had just completed in 1957, on the largest property ever assembled for industrial purposes on the Eastern seaboard, a fabulous new $200 million refinery at Delaware City. This 130,000 barrel-per-day beauty is the largest new refinery ever built at one time, and is the very last word in design and function. It converts crude oil into high test gasoline and develops a whole series of useful fractions in the process. But this magnificent plant was designed to receive, and to operate on, lower cost foreign crude coming in by tankers. And just as the plant was ready to run full blast, there was an untimely "voluntary" reduction of crude oil imports imposed, followed, more recently, by a mandatory crude import restriction affecting all major companies.

To digress for a moment, these import limitations, offered in the guise of "national security" appear in some ways to be a rather pious fraud. They originated with certain large-scale domestic producers who, no doubt, generated considerable political pressure to reduce domestic competition from oil surfaced overseas. The broader viewpoint would seem to suggest sustained, or even rising foreign petroleum imports, so that in any military emergency, our own native oil supplies would be kept adequate, in case tankers could no longer cross the seas in safety.

However this may be, the net result of this partial embargo on oil will be that American users will pay more for gasoline and space heating oils, and our country will lose a few more friends abroad, who will not understand why we deny them access to our huge markets for their lower-priced products.

For Tidewater's big Eastern refinery there are hopes for a more equitable quota treatment, and the lower prices of such crude as is permitted entry, make for much higher refinery profit margins, than those existing a year ago. In any event this refinery is one of the most efficient in the world and can prosper on quite thin runs of crude, whether foreign or domestic.

Tidewater's other refinery at Avon, Calif., has a throughput capacity of 108,000 barrels-per-day. This unit, and the larger Eastern one, require together over twice as much crude oil to feed them as the company itself produces. That is why Tidewater has been so concerned about limited imports and restricted domestic production; and has been so aggressive in its search for domestic oil.

On this point, Tidewater had at the 1957 year-end, 5,873 net producing wells, recoverable reserves of 520 million barrels of crude; 85 million barrels of gas liquids; and over three trillion cubic feet of natural gas. About half of Tidewater's total production comes from Texas and Louisiana; and the company has a most promising 25% interest in the CATC group doing extensive drilling on choice and sizable offshore Gulf acreage. In further search for oil, Tidewater has for the past decade drilled on the average 190 exploratory and development wells a year.

In transportation, Tidewater is extensively equipped with some 1,150 railroad cars, 2,000 automotive units, over 40 million barrels of tankage, 1,650 miles of pipe and gathering lines, a part interest in about 4,500 additional miles of pipelines; and an ocean tanker fleet that, on completion of present building program in 1962, will total 1½ million tons.

Which brings us up to marketing. Tidewater has been moving rapidly ahead with its Flying A gasoline; and its Veedol oils and greases are now distributed in 77 countries around the world. In the domestic market it has sales outlets in 32 states, Hawaii and the Philippines. It has over 2,700 major service stations and almost 10,000 outlets, in total, handling the company's branded products. Aggressive selling and attractive service stations are moving the Flying "A" brand name to the forefront, especially on the East and West Coasts.

Not only does Tidewater boast the finest refinery in the business but it can also boast the finest offices. Late last year the company moved into its own $10 million world headquarters building on Wilshire Blvd. in Los Angeles. This magnificent Vermont marble and steel-clad edifice is the control center for all company activities throughout the globe. It is completely air conditioned and its elevators are the last word in push button electronic control.

Then to provide parallel facilities on the Eastern seaboard, Tidewater's Eastern Division moved, on Feb. 1, into plush new quarters in the new $15 million Getty Building at 600 Madison Ave., New York. Here Tidewater occupies floors five through nine, plus basement space, and employees work in an atmosphere of sybaritic luxury. The building is completely air conditioned, has diffused fluorescent lighting, recessed in acoustical tile ceilings; and Hi-Fi back-ground music provides soothing accompaniment to the electric typewriters and electronic office data machines. On the outside the building glistens in aluminum with porcelain panels; and the lower areas of the building are sheathed in granite. All in all, Tidewater presents an exceedingly modern decor and the ultimate in 20th Century office sophistication to those who visit its executive suites.

Today, with gross properties of over a billion dollars, Tidewater ranks among the world's major oil companies. It is modern in every sense with the industry's newest and finest refinery, some of the larger and latest designed tankers, the ultimate in executive offices, and a broad, expanding sales-conscious chain of service stations. (Three Flying A dealers in 1958 won the "Service Stations of the Year" awards in Connecticut.) Tidewater has all the facilities that make for petroleum progress and profitability, including aggressive leadership under the direction of Mr. George F. Getty II, President.

With such glistening physical properties, what then are the prospects for Tidewater in the immediate future? Well, first of all the whole industry is looking better now than it did a year ago. Much of the over-production, which stemmed from the Suez crisis, has been corrected; excessive inventory positions have been corrected, and an indicated increase in total demand for 1959 in the order of 5%, has resulted in stronger product prices with a rise in gasoline prices in prospect. With firm product prices, and some reductions in crude prices, refinery profit margins generally are showing great improvement. Integrated refiner-marketers, such as Tidewater, should be able to show substantial earnings gains, over the first six months of 1958.

Thus it takes no wild or rampant optimism to suggest that Tidewater has turned the corner, and that its common stock, at current levels of around 23½, is a more attractive looking equity than it has been for many months. The problems of start-up costs of new units, the expenses and inconveniences of moving into new quarters, and the lag in consumer demand are now comfortably behind. The capitalization affords a considerable leverage for TV common. There are $281.5 million in long-term debt, and 2,495,708 shares of $25 par $1.20 cumulative preferred standing on the balance sheet ahead of the 13,224,714 shares of common listed on the New York Stock Exchange. Of this equity approximately 65% is reported to be owned by the Getty interests; and Tidewater has been discussed in connection with possible union or merger with other Getty controlled properties at some future date. Since 1954, dividend policy has been confined to paying 5% in stock each June.

Marketwise TV common has ranged in the past five years between a low of 14¼ and a high of 43⅜. At 23½, therefore, this common appears to have remained relatively uninflated by the general market pyrotechnics of recent months. It sells in a popular price range, and assuming a significant restoration of earning power in the current year, Tidewater might well prove a rewarding equity for patient shareholders.

Romney to Address N. Y. Financial Writers

George Romney, President, American Motors Corp., will be the speaker at the annual dinner meeting of the New York Financial Writers Association at the Hotel Astor on April 21. The meeting is open to the public. Mr. Romney will discuss the growing conflict between small and large cars and between domestic and foreign automobiles, and the effect of the automotive industry on the nation's future economy.

George Romney

Mr. Romney was a tariff expert in Washington for Senator David I. Walsh, D., Mass., in 1929 and 1930. He was managing director of the Automotive Council for War Production from 1941 to 1945 and is a past president of the Automobile Manufacturers Association.

Continued from page 2

The Security I Like Best

and the first part of 1958 were also affected by the general business recession. Furthermore, the sharp declines in copper prices in 1957 acted as a drag on earnings for that year. (The Company consistently maintains a generous working inventory of this metal.) Beryllium Corporation has operated in the black in every year since 1947. The earnings trend was irregularly upward from 1947 through 1957. The company has not as yet hit its full earnings stride. Present indications suggest that finally a start should be made in that direction this year. During the full year 1959, it can be reasonably anticipated that net earnings per share common stock could approach $2.50. These would be the highest earnings as yet reported by the Company and compare with an estimated $1.00 in 1958; $1.72 in 1957; and 35 cents in 1949.

The financial position of Beryllium Corporation is strong and adequate to meet all present contingencies and expansion plans. Capitalization is simple, with 606,533 shares of common stock outstanding, preceded by 3.5 million of 4½% notes, and $134,725 of a 5% mortgage on an acquired plant.

The common stock of Beryllium is now selling in the Over-the-Counter Market around $40. A stockholder, although assuming many of the risks inherent in a small-to-medium sized company, should participate in the growth of a new metallurgy with exciting potentialities. It is believed that once Beryllium Corporation has clearly demonstrated that its earnings are in an upward trend, the investment community will respond and generously evaluate these higher profit levels.

Joins Walston Staff

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Geraldine Hamburg has joined the staff of Walston & Co., Inc., Denver U. S. National Center. Miss Hamburg was formerly with L. A. Huey Co.

Inflation is Unpopular And Can be Prevented

By DR. JOHN KENNETH GALBRAITH*
Professor of Economics, Harvard University
Author: *The Affluent Society,* New York: Houghton Mifflin, 1958.

Professor Galbraith denies his proposal of public intervention to eliminate price inflation constitutes any added interference with the free market system. He contends the concentrated, unionized industries are the principal loci of inflation and are least subject to monetary, fiscal, antitrust and voluntary appeal remedies as we reach or approach full employment. Equally opposed to a "do nothing policy" that uses unemployment to check price inflation and to the condonation of inflation by some fellow Harvard economists, Prof. Galbraith avers a tripartite hearing board of labor, business and the public would no longer make the goal of a strong dollar the antithesis of necessary public activities, foreign aid and national defense.

I

During the last two or three years, if I sense matters correctly, there has been an increasing measure of agreement on the causes of inflation and the logic of its remedies. Evasion of the awkward questions is still possible and much practiced. But increasingly the hard core of the problem is showing through. The visible and inescapable bones of the problem can be described briefly, and, on a matter where words are so often used to obscure meaning, there is a positive advantage in brevity.


John K. Galbraith

*A statement by Prof. Galbraith before the Subcommittee on Antitrust and Monopoly of the Committee on the Judiciary, United States Senate, Washington, D. C., March 11, 1959.

II

Full Employment Ahead of Price Stability

First, let me lay down the primary economic and political condition which controls any useful discussion of this problem. This is the overriding importance of high employment. The opportunity for a job and the income that goes with it come first in our thinking on economic policy. This is understandable. Unemployment is rarely considered desirable or healthy by anyone who has experienced it. For most, it remains the major misfortune of our economic society. High employment is also related to a high rate of economic growth. High output is an inducement to investment. Low output and idle plant capacity reduce the incentive to investment.

It follows that no policy designed to promote the stabilization of prices has any chance of permanent success if it depends, either directly or indirectly, on deliberately continued unemployment.[1] Those who recommend such policies may get a certain amount of applause for their soundness and for their courage in committing other people to misfortune. This should not be confused with popular approval.

III

Prices in Concentrated Industries

Next we must be clear that at high employment, prices in the American economy—or more particularly in one sector of it—are not stable. Structural defects exist in the design of economic systems as they exist in machines. There is such a defect in our system. We do not remove it either by pretending that it doesn't exist or by horrified denunciation of those who point it out.

In the sector of the economy where firms are large and the control over prices is substantial, there is opportunity for large discretionary increases in prices when demand is favorable. The demand that is favorable to high employment is favorable to such price action. There is a powerful motive for the use of this price discretion when wages are raised. So the increase in wages is covered by a price increase—usually with something more. So long as demand is at or so long as it is near full employment levels, we must expect that, in industries characterized by strong firms and strong unions, prices and wages will react on each other in a steady upward spiral. Even with considerable idle capacity, the spiral will continue in some industries. I have gone into the fuller analytical reasons in earlier testimony before the Subcommittee on Antitrust and Monopoly of the Committee (July 11, 1957). Dr. Means in recent hearings has persuasively documented these conclusions by showing how inflation has been localized in the concentrated or administered sector of the economy since World War II. In fact, commodity inflation since the late forties is largely accounted for by the increase in prices of steel, steel products, machinery, automobiles, pulp and paper, rubber, tobacco and beverages.[2] These, in general, are the concentrated industries. Prices of textiles and apparel and most importantly of food have contributed little to the inflation. And, generally, when the index has been stable, it has been not because of stability in the concentrated industries but because of the offsetting effect of falling prices in the unconcentrated industries.

1 It is my own hope that sooner or later we will do something to remove both the stigma and the economic penalties which are associated with involuntary unemployment. When this is done, we shall be committed to less stringent goals of economic management and full employment may well cease to be such a social imperative as now. But it is equally clear that we haven't accomplished this reform yet—and won't for some time.

IV

Four Possible Remedies

The remedies follow with a certain obstinacy from the diagnosis. The possible courses of action are as follows:

(1) Do nothing.
(2) Rely on monetary or fiscal measures or a combination of the two.
(3) Break up the large corporations and unions.
(4) Design some direct approach to the problem of wage and price setting in the concentrated industries which will insure that these are noninflationary.

V

To do nothing is, of course, to accept inflation. There are a few forthright supporters of this position. There are more indirect or unconscious advocates who oppose all available courses of action or hope that the problem will yield to prayer, incantation and admonition.

To do nothing is not a tolerable choice. Let us reflect well and carefully on the kind of inflation we are talking about. It is led by the prices of the largest and strongest firms. It is paced by the wages of the largest and strongest unions. Those who suffer are the weaker firms and weaker unions. Also the public servants, school teachers, unorganized workers who usually do not have effective bargaining power. Also the retired and the aged who have no real bargaining position at all. Those who endorse an inflation of the modern sort are endorsing a policy of giving the most to the biggest and strongest and the least to the smallest and weakest. This is not the whole case against inflation. But one point must be seen with all clarity. The modern inflation is not neutral. Because of its inherent identification with economic strength, it is inequitable, regressive and reactionary.[3]

VI

Finds Monetary and Fiscal Policies Limited

Monetary and fiscal policy do not make contact with present forms of inflation in a useful or practical way. The administered price sector can advance its prices, and does, whenever the economy is anywhere close to full capacity and employment. The level of use of capacity and the level of employment depends on the level of demand. Both monetary policy and fiscal policy make contact with the problem by reducing the level of demand. To be effective, they must reduce it enough to create idle capacity and unemployment, since the inflation occurs when these are not present in substantial amount. But a policy of creating idle capacity and unemployment collides with the higher objective of full employment and full use of capacity. We set higher store by these, as I have stressed than we do by price stability.

2 Prices of services have also risen but for reasons related to the low rate of productivity gains and the need to match, at least in part, the increase in money wages in the economy as a whole.

3 As I have elsewhere put the matter, under inflation countervailing power ceases to regulate relations between groups. Thus a coalition between those with bargaining power and against the public interest becomes all but certain.

Let me add that monetary policy, under all circumstances, is a secondary instrument of public policy. Nothing has been more salutary than our discovery—more properly our rediscovery—in these last few years that there is no subtle monetary magic here by which an economy can be guided and directed. The less reliance we place on monetary policy, the better off we will be.

The case of fiscal policy is different. To say that fiscal policy—the purposeful use of taxes and expenditures to influence the level of economic activity—will not of itself bring stabilization at full employment is not to say that fiscal policy is unimportant. When there is unemployment and idle capacity, an excess of government expenditures over receipts is by far the surest way of expanding economic activity. Then we should have a deficit, and when output and employment are high, the budget should be balanced. Even though a balanced budget does not insure stability *at full employment,* it is one of the conditions necessary for stability at full employment. Budget balancing, I might add, does not necessarily mean reducing expenditures. If the services that are needed by the community exceed the revenues produced at full employment, then the proper course is to raise taxes.

VII

No Hope in Antitrust Laws

The position so far is this: At or near full employment we shall have inflation in the concentrated industries. Monetary and fiscal policy can be a remedy only by severely cutting back output and employment. This remedy is worse than the disease. The third possibility is to break up the large corporations and perhaps also the large unions. Can we not enforce the antitrust laws with all vigor and extend them somehow to the unions?

The antitrust laws serve a valuable purpose. They bring the conscience of the community to bear on the problem of economic power. And thus they restrain the strong firm in its relation with weaker customers, suppliers and competitors. It is for this reason that they have always had a strong claim on the interest of men of moral sense. They could be stronger and better enforced than they are.

But to suppose that the antitrust laws will work the kind of revolution which will reconcile full employment with price stability is out of the question. This would mean a wholesale revision in industrial structure—a wholesale disintegration of existing business units. Even though desirable there is not the slightest indication from history that the antitrust laws are the instrument for such a revolution. As applied to industry, the policy would be politically divisive. The application to unions would provide a field day for those who would think the attack on inflation a wonderful excuse for an attack on labor organization as such.

There is no hope for an inflation remedy in the antitrust laws. To argue that there is may be to engender doubts about the effectiveness of the antitrust laws for other important purposes.

VIII

The Case for Intervention

Only one course of action remains. That is some form of public intervention in that part of the economy where full employment

Continued on page 24

This announcement is under no circumstances to be construed as an offering of these bonds for sale or as a solicitation of an offer to buy any of these bonds, and is published in any state on behalf of only such of the underwriters, including the undersigned, as may legally offer these bonds in such state. The offer of these bonds is made only by means of the Official Statement.

NEW ISSUE

$30,000,000

The General State Authority of the Commonwealth of Pennsylvania

Tenth Series, Serial Bonds

Dated April 15, 1959 — Due July 15, as set forth below

These bonds are subject to redemption prior to maturity in part from time to time on July 15, 1964, or on any interest payment date thereafter if moneys in the Bond Redemption Fund are used for such purpose and at the option of the Authority on or after July 15, 1969, as a whole at any time or in part from time to time on any interest payment date, on at least 30 days' prior notice, either by publication or as otherwise provided in the Resolution, upon payment of the principal amount thereof and accrued interest thereon to the date fixed for redemption, plus a premium of ¼ of 1% of such principal amount for each year or fraction thereof from the date fixed for redemption to the date of maturity, not, however, in any case exceeding 3% of such principal amount.

Principal and semi-annual interest (January 15 and July 15, first coupon July 15, 1959) payable at Mellon National Bank and Trust Company, Pittsburgh, Pennsylvania, or at the option of the holder at The First Pennsylvania Banking and Trust Company, Philadelphia, Pennsylvania, or at Bankers Trust Company, New York, New York. Coupon bonds in the denomination of $1,000, registerable as to principal only or registered bonds without coupons in the denomination of $1,000 and any multiple thereof, interchangeable.

Interest exempt, in the opinion of counsel for the Authority, from present Federal income taxation under existing statutes and decisions.

The General State Authority Act of 1949 provides that the bonds, their transfer, and the income therefrom, including any profits made on the sale thereof, will be exempt from taxation (other than inheritance and estate taxes) within the Commonwealth of Pennsylvania.

The Fiduciaries Investment Act of 1949 provides that the bonds are authorized investments for fiduciaries, as defined in said Act, in Pennsylvania.

The bonds are secured by the pledge of all rentals payable by the Commonwealth from its current revenues under leases covering projects leased by the Authority to the Commonwealth.

The bonds are additional bonds issued under and authorized by Resolution of The General State Authority as supplemented. The Resolution, as supplemented, provides for the issuance of the bonds and of additional bonds under the limitations therein set forth, the custody and application of the proceeds of the bonds, the construction of projects and the leasing thereof to the Commonwealth, the fixing and collection and disposition of rentals under such leases and the pledge thereof as security for the bonds, the security for the moneys on deposit and the investment of funds, and the rights, duties and obligations of all parties. There have been issued under the Resolution, as supplemented $30,000,000 First Series Bonds in 1949 ($10,420,000 retired), $65,000,000 Second Series Bonds in 1950 ($14,149,000 retired), $40,000,000 Third Series Bonds in 1952 ($5,779,000 retired), $20,000,000 Fourth Series Bonds in 1953 ($2,401,000 retired), $30,000,000 Fifth Series Bonds in 1954 ($2,476,000 retired), $50,000,000 Sixth Series Bonds in 1955 ($1,565,000 retired), $20,000,000 Seventh Series Bonds in 1956 ($663,000 retired), $25,000,000 Eighth Series Bonds in 1957 ($249,000 retired), and $30,000,000 Ninth Series Bonds in 1958 ($20,000 retired).

The full faith and credit of the Commonwealth will not be pledged to the payment of principal and interest on the bonds.

The bonds are offered when, as and if issued and received by us and subject to the approval of legality by Messrs. Burgwin, Ruffin, Perry & Pohl, Pittsburgh, Pennsylvania, bond counsel, and Warren W. Holmes, Esq., general counsel for the Authority. It is expected that delivery of the bonds in definitive coupon form in denomination of $1,000 will be made on or about April 30, 1959.

Principal Amount	Interest Rate	Due	Yield to Maturity (or Price)	Principal Amount	Interest Rate	Due	Yield to Maturity (or Price)	Principal Amount	Interest Rate	Due	Yield to Maturity (or Price)
$ 805,000	6%	1961	2.25%	$1,040,000	3¼%	1969	3.20%	$1,345,000	3½%	1978	3.55%
850,000	2¾	1962	2.50	1,075,000	3¼	1970	100	1,395,000	3½	1979	3.55
875,000	2¾	1963	2.70	1,105,000	3¼	1971	3.30	1,445,000	3.60	1980	100
900,000	2¾	1964	2.80	1,140,000	3¼	1972	3.35	1,495,000	3.60	1981	100
925,000	2.90	1965	100	1,175,000	3.40	1973	100	1,550,000	3.60	1982	3.65
950,000	3	1966	100	1,185,000	3.40	1974	3.45	1,605,000	3.60	1983	3.65
980,000	3	1967	3.05	1,215,000	3.40	1975	3.45	1,660,000	3.60	1984	3.70
1,010,000	3	1968	3.15	1,255,000	3½	1976	100	1,720,000	3.60	1985	3.70
				1,300,000	3½	1977	100				

(accrued interest to be added)

For information relating to The General State Authority and to these bonds, reference is made to the Official Statement of The General State Authority dated March 31, 1959, which should be read prior to any purchase of these bonds. The Official Statement may be obtained in any state from only such of the underwriters including the undersigned, as may legally offer these bonds in such state.

DREXEL & CO. — HARRIMAN RIPLEY & CO. INCORPORATED — THE FIRST BOSTON CORPORATION — KIDDER, PEABODY & CO.

SMITH, BARNEY & CO. — BLYTH & CO., INC. — LEHMAN BROTHERS — PHELPS, FENN & CO.

EASTMAN DILLON, UNION SECURITIES & CO. — B. J. VAN INGEN & CO. INC. — WHITE, WELD & CO.

A. C. ALLYN AND COMPANY INCORPORATED — HEMPHILL, NOYES & CO. — LEE HIGGINSON CORPORATION — F. S. MOSELEY & CO.

STROUD & COMPANY INCORPORATED — YARNALL, BIDDLE & CO. — ALEX. BROWN & SONS — SCHAFFER, NECKER & CO.

W. E. HUTTON & CO. — A. G. BECKER & CO. INCORPORATED — REYNOLDS & CO. — SHEARSON, HAMMILL & CO. — HALLGARTEN & CO.

AMERICAN SECURITIES CORPORATION — SCHOELLKOPF, HUTTON & POMEROY, INC. — ROOSEVELT & CROSS INCORPORATED

W. H. NEWBOLD'S SON & CO. — BUTCHER & SHERRERD — SCHMIDT, ROBERTS & PARKE — SINGER, DEANE & SCRIBNER

AUCHINCLOSS, PARKER & REDPATH — MOORE, LEONARD & LYNCH — J. A. HOGLE & CO. — WILLIAM R. STAATS & CO.

J. W. SPARKS & CO. — JANNEY, DULLES & BATTLES, INC. — GREEN, ELLIS & ANDERSON — RAND & CO.

April 1, 1959.

Dealer-Broker Investment Recommendations & Literature

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

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

Canadian Banking Industry—Review—W. C. Pitfield & Co., Inc., 30 Broad Street, New York 4, N. Y.

Chemicals—Discussion in April issue of "Business and Securities"—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y.

Convertible and Participating Securities and Share Purchase Warrants—Study—McLeod, Young, Weir & Company, Limited, 50 King Street, West, Toronto, Canada.

How to Get Rich Buying Stocks—Dr. Ira U. Cobleigh—David McKay, Inc., 119 West 40th Street, New York, N. Y.—$2.50.

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.**

Listing on the New York Stock Exchange: Its Purposes, Advantages and Responsibilities—New York Stock Exchange, 11 Wall Street, New York 5, N. Y.

New Issues and the Market—Review—C. F. Childs and Company, 1 Wall Street, New York 5, N. Y.

New York Foreign Exchange Market—Alan R. Holmes—Federal Reserve Bank of New York, New York 45, N. Y. (paper) 50 cents.

Packaging Industry — Survey with particular reference to **American Can Company, Continental Can Company, Anchor Hocking Glass, Owens Illinois Glass Company, Fibreboard Products** and **Sealright-Oswego Falls**—Thomson & McKinnon, 2 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.

* * *

American Cyanamid Company—52nd annual report—Public Relations Department, American Cyanamid Company, 30 Rockefeller Plaza, New York 20, N. Y.

American-Marietta Company—Bulletin—A. C. Allyn & Co., 122 South La Salle Street, Chicago 3, Ill. Also available is a memorandum on **Commonwealth Life Insurance Co.**

Beneficial Standard Life—Data—Robert H. Huff & Co., 210 West Seventh Street, Los Angeles 14, Calif.

Borg-Warner Corp. — Analysis — Halle & Stieglitz, 52 Wall Street, New York 5, N. Y.

Bucyrus-Erie Co. — Memorandum — H. Hentz & Co., 72 Wall Street, New York 5, N. Y. Also available is a memorandum on **P. R. Mallory & Co.**

Burlington Industries—Data—du Pont, Homsey & Company, 31 Milk Street, Boston 9, Mass. Also in the same circular are data on **Flintkote, Hewitt-Robins** and **Mesta Machine.**

J. I. Case Company—Report—Harris, Upham & Co., 120 Broadway, New York 5, N. Y. Also available is the current issue of "Pocket Guide" with selected lists of securities.

Century Geophysical—Report—Searight, Ahalt & O'Connor, Inc., 115 Broadway, New York 6, N. Y. Also available is a report on **Alco Oil & Chemical.**

Christiana Oil Company—Analysis—Parrish & Co., 40 Wall Street, New York 5, N. Y.

Christiana Securities Co.—Bulletin—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Citizens & Southern National Bank — Memorandum — R. W. Pressprich & Co., 48 Wall Street, New York 5, N. Y.

Consolidated Water Power & Paper Company — Analysis — Loewi & Co. Incorporated, 225 East Mason Street, Milwaukee 2, Wis. Also in the same circular is an analysis of **Nuclear-Chicago Corp.**

Container Corp. of America—Analysis—Blair & Co. Incorporated, 20 Broad Street, New York 5, N. Y.

Eastern Industries—Bulletin—de Witt Conklin Organization, 120 Broadway, New York 5, N. Y.

Frigikar Corp.—Memorandum—Kenneth Blair & Co., 236-240 North Central Avenue, Phoenix, Ariz.

Great Northern Railway Company — Analysis — Peter P. McDermott & Co., 42 Broadway, New York 4, N. Y.

M. A. Hanna Co.—Study—Harriman Ripley & Co. Incorporated, 63 Wall Street, New York 5, N. Y.

Illinois Central Railroad Co.—Memorandum—J. R. Williston & Beane, 115 Broadway, New York 6, N. Y.

International Business Machines—Data—Oppenheimer, Neu & Co., 120 Broadway, New York 5, N. Y.

Magna Theatre Corp.—Memorandum—Candee & Co., 44 Wall Street, New York 5, N. Y.

McCall Corporation—Report in "Current Comments for Investors"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also in the same issue are data on **Atlantic Coast Line Railroad, Simmons Company,** and lists of stocks which appear interesting.

Mountain Fuel Supply Company—1958 annual report—Secretary, Mountain Fuel Supply Company, P. O. Box 989, Salt Lake City 10, Utah.

National Research Corp.—Analysis—G. C. Haas & Co., 65 Broadway, New York 6, N. Y.

Owens-Illinois Glass Company — Analysis — Reynolds & Co., 120 Broadway, New York 5, N. Y. Also available is a report on **Cosden Petroleum Corp.**

Parker Hannifin—Data in April "Investment Letter"—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y. Also in the same issue are data on **Dominion Tar and Chemical** and **Massey-Ferguson.**

Chas. Pfizer & Co., Inc.—Analysis—Edwards & Hanly, 100 North Franklin Street, Hempstead, N. Y.

Plastic Applicators, Inc.—Circular—C. D. Pulis & Co., 25 Broad Street, New York 4, N. Y.

Radio Corp. of America—Review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Robertshaw Fulton Controls Company—Bulletin—Schweickart & Co., 29 Broadway, New York 6, N. Y.

Safway Steel Products, Inc. — Report — Milwaukee Company, 207 East Michigan Street, Milwaukee 2, Wis. Also available are reports on **National Aluminate Corporation** and **Bank of America.**

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

Texas American Oil—Report—Greene and Company, 37 Wall Street, New York 5, N. Y.

Tractor Supply Co.—Analysis—Herbert E. Stern & Co., 52 Wall Street, New York 5, N. Y.

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

United Telefilms Ltd.—Report—Meade and Company, 27 William Street, New York 5, N. Y.

Wilcox Gay Corp. — Memorandum — Darius Inc., 90 Broad Street, New York 4, N. Y.

From Washington Ahead of the News

By CARLISLE BARGERON

In all the talk about inflation, as the Republicans think a lot of people are doing, the most inflationary thing I have seen recently is the new Senate Office Building, just finished and now being moved into, at a cost of $22,000,000. It has two cafeterias, the two of them taking up a whole block and two more dining rooms for Senators, one in which they can eat with their friends and another when they want to be alone. It has a sun roof and more wasted space than I have ever seen in a building. Only half of the 100 Senators will move into this building. Each one has seven rooms which, insofar as rooms are concerned, a Senator can use. But each one has a toilet which is more than a Senator can use. It is the most ostentatious place I have entered in a long time.

Carlisle Bargeron

The House is building another building which means that they will have three. Only four new Senators and two Representatives have been added to the scene but it is a fact that their staffs have grown. A Senator from a state like New York has at least 12 or 13 persons on his payroll at salaries ranging from $10,000 a year to $17,000. The highest a Congressman can pay is $12,400 a year but both Congressmen and Senators have committeeships which permit them to put three or four additional persons on the payroll.

This is the reason that charges of nepotism have aroused so much attention. Some Congressmen have put their wives, daughters and nieces and nephews on the payroll at relatively handsome salaries. Some of them have been pursuing their schooling in Washington while on their father's or uncle's payroll.

The rampant charges of nepotism have been manifestly unfair in the cases of a number of them. For example, President Truman had his wife on the payroll when he was a Senator. She worked at home, answering correspondence, too. Jack Garner had his wife, "Miss Nettie," as his Secretary the whole time he was in Congress. Where the relatives actually do the work no criticism should be levelled. After all, a man wants a person in whom he has absolute confidence on his payroll. But some of the cases revealed recently in Washington show that it was so much of a kickback, the relative did little work. It has given the Republicans a good issue, one which would be much better if it did not turn up that three Republicans were guilty. Twenty-six Democrats have been proved.

But I was talking about inflation. It may be highly dangerous to the economy. I don't doubt that in the slightest. But it is no good as a political issue. The Republicans have been talking about balancing the budget since 1932 and 1934 without avail. They sought to make it an issue in 1936 and would have in 1940 except they had the third term to talk about.

I don't think that the threat of inflation will scare people. Take me. I am selfish and ignorant enough just now to want a little inflation in the stock market. I have two stocks, one of which I bought at 28 and it went down to 7. It has struggled back up to 20 all on account of anticipation of inflation. It isn't paying a dividend.

I own my house which of course, under inflation will go up in value. I am ignorant enough to want to see that. I don't have enough sense to realize that if I sold and rented an apartment I would have to pay inflationary rentals. I don't have sense to realize that my insurance coverage would be reduced. I simply look at the immediate paper gains.

There are all too many people who look at it that way. The younger active people greatly outnumber those who live on pensions or fixed incomes. I am forced to believe from my own attitude and those with whom I talk that inflation would be a very popular thing.

Of course, we inflationists don't want anything such as happened in Germany after World War II. There, you would start down to the grocery store with a barrel of marks and find they had dropped in value before you could cash them in.

But we inflationists say that can't happen in this country. Why couldn't it?

It was pretty easy but inflation did pretty well under Roosevelt and Truman. But you try to argue with anyone now and tell him that he has only 52-cent dollars and he will say "Yes, but I have got plenty of them."

The Administration is making a heroic fight against inflation. I am afraid they are whistling in the dark and in spite of my two shares of stock and my house, I don't want to see it.

$52.8 Million Bonds Of Mass. Turnpike Authority to Be Sold

An underwriting group headed jointly by F. S. Moseley & Co., The First Boston Corp., Blyth & Co., Inc., and Tripp & Co., Inc., plans to offer on Thursday, April 9, 1959, $52,800,000 Massachusetts Turnpike Authority tunnel revenue bonds.

The bonds are to be issued for the acquisition from the City of Boston of the present two-lane Sumner Tunnel between Boston and East Boston and the construction of an adjacent two-lane tunnel. The bonds will be issued under a separate trust agreement and will be payable from different revenues than the outstanding bonds of the Massachusetts Turnpike Authority, which were issued in 1954 to finance the Massachusetts Turnpike. While the tunnels will be operated by the Turnpike Authority, all funds connected with its operation will be held and administered separately from the Massachusetts Turnpike.

NY Security Dealers To Hear Dr. McFarland

Dr. Kenneth McFarland, of General Motors Corp., will be the guest speaker at the 33rd annual dinner of the New York Security Dealers Association to be held at the Waldorf-Astoria, tomorrow evening, Friday, April 3.

Among the prominent guests expected to attend the dinner are Edward C. Werle, Chairman of the New York Stock Exchange; Edward T. McCormick, President of the American Stock Exchange, and Paul Windels, New York Regional Director for the Securities and Exchange Commission.

Robert M. Hanes

Robert M. Hanes, President of the Wachovia Bank and Trust Co. of Winston-Salem, N. C., passed away March 10. Mr. Hanes, a former President of the American Bankers Association, served as Chief of the Marshall Plan Mission to Belgium and Luxembourg, and later was Director of Economic Affairs for Germany and Chief of the Economic Cooperation Administration at Frankfort.

W. I. Cole Jr. With Beecroft, Cole Co.

TOPEKA, Kans. — Walter I. Cole, Jr. has joined the staff of Beecroft, Cole & Co., 117 West Sixth Street, members of the Midwest Stock Exchange, in the municipal department.

Mr. Cole has recently been with Smith, Barney & Co., New York City.

With Midland Investors

COLUMBUS, Ohio—Jacqulyn S. Pace is now with Midland Investors Company, 52 East Gay St.

Will Business Be Too Good?

By RAYMOND RODGERS*
Professor of Banking, Graduate School of Business Administration
New York University, New York City

In dashing a little "cold water" on exuberant optimism said to be emanating from Washington, Wall Street and Main Street about the immediate future, Mr. Rodgers cautions "business will be good in 1959 . . . [but] will not be as good as the statistics, as comparisons will be with the recession levels of last spring." The Professor also refers to the growing domestic and foreign competition; factors precluding demand-pull type of inflation in near future; and to new European developments

There is an old saying that "nothing succeeds like success." The same philosophy applies to business activity. When business is slowing up and you look down those declining trend lines on your charts, it is difficult to keep from becoming too blue. By the same token, when all the trends are rising, there is a great temptation to become over-optimistic and conclude that we just can't miss this time. In this vein, the black pessimism of last spring has been succeeded this spring by an optimism that is "beautiful to behold"!

Dr. R. Rodgers

The Administration Is Optimistic

The Administration in Washington is very optimistic. In the State papers which the President, by law, sends to the Congress each January, this optimism was set forth in quantitative form as well as in philosophy. The Budget Message, for example, estimates total revenues from fiscal 1959-60 of $77,100,000,000, as compared with estimated receipts of only $68,000,000,000 for the fiscal year ending June 30, 1959, and actual receipts of $69,100,000,000 for the year which ended June 30, 1958. Even though the revenue of certain minor new taxes is included in the 1959-60 estimates, the basic nature of the Administration's optimism is clearly shown by the fact that even during the fiscal year ended June 30, 1957—a year marked by a high level of business activity and full employment—the revenues of the government amounted to only $71 billion. It is, therefore, quite clear that the Administration expects business activity during the coming fiscal year to be at the highest level ever reached in the United States in peacetime.

Another indication of the optimism of the Administration can be clearly seen from their estimates of individual income tax receipts. Such receipts for fiscal 1960 are placed at $40,700,000,000, as compared with estimates for the current fiscal year of $36,900,000,000 and actual receipts of $34,724,000,000 in fiscal 1958.

Even more startling is the expected increase in revenues derived from corporation income taxes. These are placed at $21,448,000,000 for the next fiscal year, as compared with $17,000,000,000 during the present fiscal year.

The Congress Is Optimistic

Congressional attacks on the President's Budget as pinchpenny, niggardly, and endangering the country indicates their optimism—and their willingness to spend, which, of course, will help make their optimism come true. In fact, as you know, one of the greatest dangers in the country today is the naive, or worse, Congressional view that the American economy can support any level of spending, or taxation, that they see fit to impose.

Wall Street and Main Street Are Optimistic

Wall Street is optimistic. Whether the high level of equity prices is primarily the result of the fear of inflation or is largely anticipation of increased corporate earnings, the fact remains that, in either event, business is expected to be better—much better!

Main Street which, of course, is far more important than Wall Street, is also optimistic. In fact, of the many reasons for believing that business will be good in 1959 the most important one, undoubtedly, is that the man in the street—your **"customer"**—is convinced business will be good. This is more important here in America than in any other country, as our people are always in a position to buy with income, or savings, or credit, if they are in the mood to buy.

Putting it differently, psychological factors are more important in the American market than in the market place of any other country. The reason, as you know, is that our standard of living is so high and so many of our purchases are optional, or postponable, that the decision of consumers in those areas alone can spell the difference between poor business and good business.

The quick recovery from the lower levels of business activity and the pessimism of last spring has had a profound effect on the psychology of our people. The fact that this sharp recovery was from the third, and the most serious, of our postwar recessions has caused most people to feel not only that depressions are things of the past, but that **recessions** also have been mastered.

So, whether you look in Washington, Wall Street, Main Street, or your own board room, pessimists are harder to find than modest Texans. Does this mean that you should plan for a boom, with an inevitable reaction later on? In short, will business be **too** good in 1959?

Despite the growing optimism and increasingly favorable statistics on business activity, it is my belief that, although business will be good in 1959, you should not anticipate runaway activity. In the immediate future, business will not be as good as the statistics, as comparisons will be with the recession levels of last spring. And further along in the year, growing competition from Europe and the rest of the Free World will press on our over-all business activity.

The economic dislocations of war and the artificialities of government intervention of the past 20 years have caused some businessmen to forget that the two most basic factors of business life are still supply and demand.

A brief analysis of the supply and demand factors operating and developing in our economy—and the world economy, as the rest of the world is again competing with us—will give a better idea of the road ahead.

Supply Factors

Production capacity is great and increasing. Capacity is greater than effective demand in practically all lines, yet we are spending some $30 billion for new and additional facilities this year.

Productivity has increased and is continuing to increase. Some $8 billion a year is being spent on research — research in methods, systems, and operations, as well as in products and pure science. This is bound to have a favorable effect on productivity. Moreover, the enormous plant and equipment expenditures of recent years, with their heavy emphasis on substitution of automation for human hands, are having a growing favorable effect on productivity. And, of course, the profit squeeze of last year's recession caused management to redouble efforts to secure economies and reduce costs all along the line.

Competition is very keen, and it is getting rougher every day. Not only does the American businessman face stiff competition here at home from other Americans, but he must face growing competition from foreign producers who have, perhaps, even more modern machinery than he has, and who certainly have much lower labor costs, with the result that they can undersell him in his own front yard. And, of course, if he tries to compete with them in foreign markets, they have still further cost advantages over him.

Demand Factors

On the demand side, while it is, of course, possible for the American people to go on an inflationary spending binge, it is my opinion that they will not be so foolish. Fortunately, so far, inflation has manifested itself only in the stock market, in the price of farm land, and in the prices of certain art objects. As far as the overall economy is concerned, cash saving in commercial banks, savings banks, savings and loan associations, and in the increase in cash value of life insurance, continues at high and record-breaking levels.

There are many factors on the demand side which warrant the conclusion that there will be little inflation of the demand-pull type in the next few months. Among the more important factors are the following.

Unemployment continues large despite the recovery in business activity. Although unable to sell all the available labor at present wage rates, labor leaders continue to demand still higher wages. This policy, and the growth in the labor force will keep unemployment at high levels. Even though the economic security of our people is great, and unemployment benefits, in particular, are substantial, it is beyond question that **unemployed** workers and their families do not go on spending sprees!

Credit restraint by the Federal Reserve, with its lessened availability of funds and higher interest rates, is our chief method of reducing the demand for goods and services. Such credit restraint in mild form has been underway since last summer, and there is every reason to believe that the Federal Reserve authorities will become more aggressive in their restraint policies if, and to the extent, needed.

Remember, since the end of World War II alone, it has been repeatedly demonstrated both here and in many countries abroad that a determined and resolute policy of credit restraint will prevail over an inflationary boom, no matter how aggravated.

World price weakness in basic commodities has been a problem for more than two years. Declining prices have dealt severe blows to the economies of the raw materials producing countries. This has adversely affected their ability to buy, and thus further depresses world trade.

As these more important demand and supply factors indicate, business will be good in 1959. But don't bet on a runaway boom!

New European Developments

In addition to the conventional supply and demand factors, there are two new European developments of great importance to American business. Both have a direct bearing on competition, here and abroad, and both are highly significant in the battle against inflation.

The return to limited convertibility by several Western European countries at the end of 1958 indicates that their economic recovery has been completed, and that their balances of payments are considered adjusted. It means that their fear of a dollar shortage has passed and that the dollar is not as "hard" as it was for many years. Their return to limited convertibility also means that they do not believe the Berlin impasse will develop into a serious crisis, and that they consider the international political situation as more hopeful than we do, or else they would not have dared to return to even limited convertibility.

The establishment of a Common Market on Jan. 2 by six European countries is another step of great significance to American business. Under the Common Market Agreement, the various member countries with respect to one another reduced tariffs by 10% and also reduced quota barriers on imported goods. As these reductions are supposed to be merely a first step toward a virtual elimination of trade restrictions, they have started the creation of a new economic unit which will be something on the order of an economic United States of Europe.

The establishment of the Common Market and the return to limited convertibility will increase international competition. The Common Market countries undoubtedly will reorganize their industries and engage in mass production on a larger scale than ever before. Foreign nations selling to Great Britain and other countries with limited convertibility will now be able to buy wherever goods are cheaper or quality is higher, or delivery is quicker. As costs of production in Europe are lower than in the United States, and those countries are nearer to one another than to the United States, it will be even more difficult for American exporters to compete abroad.

And, finally, the fact should be borne in mind that the return to limited convertibility will impose on those nations the need to practice fiscal and monetary discipline in order to maintain the convertibility of their currencies. Obviously, if inflationary pressures in one country develop and are not counteracted by fiscal and monetary discipline, the balance of payments of that country will turn adverse, and it will lose gold and hard currency and thus be unable to maintain the convertibility of its currency. This, of course, has far-reaching implications for the United States.

Conclusion

As this analysis of supply and demand factors and international economic developments indicates, business will be good in the months ahead. But competition will be rough and will require the best efforts of both management and labor, if we are to hold our own competitively.

*An address by Prof. Rodgers before the Glassine & Greaseproof Manufacturers Association, New York City.

Joins L. A. Caunter

(Special to THE FINANCIAL CHRONICLE)

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

New Law Requires Salesmen of N. Y. State Firms to Register

Supplementing existing law requiring brokers and dealers to file statements, this law is expected to close the gap in wiping out any criminal elements and "boiler-room" operations.

New York State's Attorney General, Louis J. Lefkowitz, on March 27 hailed the passage of a bill by the 1959 Legislature which he said will help his office "launch a full scale attack on boiler room security salesmen operating with batteries of telephones in the financial district."

The unprecedented legislation will require approximately 30,000 security salesmen in New York State to register for the first time with Attorney General Lefkowitz' office.

"The law prior to the passage of this measure required brokers and dealers in securities to file a dealer's statement but did not provide for the registration of the salesmen whose slick pitches are the instruments used to victimize the unwary investor," the Attorney General said.

Registration Every Four Years

Strongly supported by the New York Stock Exchange, the American Stock Exchange and the National Association of Securities Dealers, the bill will require salesmen to register every four years with the Department of Law and execute a statement setting forth their full background and experience and all details relating to any prior criminal record.

The bill will be another weapon to help in ridding the securities industry of the fringe of unscrupulous salesmen who give a black eye to the legitimate dealer and salesmen. Last year, on the recommendation of Attorney General Lefkowitz, a law was enacted permitting an application to be made to the Supreme Court to bar a person with a felony conviction or a conviction for a lesser crime involving securities from engaging in the securities business in New York State.

The bill also clarifies the law which permits the Attorney General to serve process on individuals who reside outside New York State but engage in the sale of securities here by permitting service upon tne Secretary of State.

Salesmen of member firms of New York Stock Exchange, American Stock Exchange and the National Association of Securities Dealers have previously been required to register with the exchanges and the N.A.S.D.

Read of Northern Trust On Far East Trip

CHICAGO, Ill.—George S. Read, Vice-President and Manager of the Foreign Department of The Northern Trust Company, Chicago, is presently on an extended trip through the Far East as part of the bank's regular calling program.

Mr. Read will visit Northern Trust correspondents in Japan, Hong Kong, Thailand, Singapore, and the Philippines. He will also handle assignments for various Chicago-area corporations which do business in the Far East.

Mr. Read had more than 10 years' experience in the Far East before joining the staff of The Northern Trust in 1953.

Two With Columbine

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Alvin Jackson and Richard D. Strachan have become affiliated with Columbine Securities Corp., 621 Seventeenth Street.

Why We Stand at the Beginning Of the Small Car Market

By J. BRUCE McWILLIAMS*
Vice-President, SAAB Motors, Inc., New York City

Foreign car importer traces sales of imports from 15,422 registered cars to 373,000 in past 11 years and predicts a 2½ million small car market here within the next decade. This deduction is based on the premise that the purchase of small cars will continue by buyers desiring to avoid the costs and waste of extra and unused space and that this does not mean large cars are outmoded. Mr. McWilliams also addresses himself to the question as to the importer company's prospects of survival when Detroit reacts—which he believes is inevitable

Recently, an editorial appeared in a leading national magazine that carried this headline—**"Is this the Penultimate Year?"** That is the question being raised more and more frequently in the trade press and elsewhere regarding the future of imported automobile companies in the United States. With the advent of small cars from **all** of the Detroit companies unmistakably on the horizon, will this be the next to the last year in America for many of the importing companies? Will the 76 European companies which the Department of Commerce lists as selling their automobiles in the United States be able to weather the competition and pressures that will be unleashed when the companies of Detroit begin to send forth a great metal stream of small cars?

J. Bruce McWilliams

Actually, a single generalization will not answer the question. For that matter, imported automobile companies have been failing in America for years, without being able to blame their failure on Detroit. I can think of several companies that came to sell their cars — good cars at that — but wound up folding their tents and silently stealing away. Others, still here, will obviously have a similar fate.

Size of U. S. Car Market

For a moment let us consider what the American automobile market comprises. I think it is important to appreciate its dimensions. It is, in fact, so big that people in other countries really can't comprehend it. For example, in this country we annually scrap nearly four and one-half million cars. Or, if we take in cars, trucks and other commercial vehicles, some five million machines annually end up in the nation's junk yards. To give you an idea, we scrap each year more cars than are on the roads of Great Britain, and many more than are on the roads of such countries as France, or Germany, or Canada. We scrap more than five times as many cars as are on the roads of Sweden, to give still another example.

Just as the scrappage rate in this country is towering so also is the number of cars registered. There are today on the highways of the world some 82 and a half million cars and of this number 56 million are running right here in the U.S.A. That leaves 26 million for the rest of the world, or just half of the U. S. total.

I am citing these figures to give a rough idea of how big the automobile market in America is—and, as you would appreciate, what immense possibilities it holds forth. This fact has an undisputed bearing on the market for small and imported cars. In a few short years, the United States has risen up to outstrip all of the traditional markets that European automobile manufacturers were accustomed to selling in. Australia, New Zealand, Canada, these and many others have been eclipsed by the immense buying power of the American automobile market. The U.S.A. has bought cars at such a rate from the European makers that many have neither been able to keep up with the demand nor sensibly anticipate its future dimensions.

*An address by Mr. McWilliams before the Automotive Press Club, New York City.

Cites Car Import Data

For a moment, let us look at the record of imported car sales in America. Sales in any volume at all commenced in 1948 when some 15,422 cars were registered. For the next seven years, 1948 through 1954, sales ranged between this and a high of 29,299 for an annual average in this seven-year period of 13,400 units. Then in 1955 small cars began to find their place in this market and sales doubled over the previous year, rising to nearly 52,000 units. Then in 1956, they almost doubled again to 97,000 units and in 1957 they more than doubled to 204,000. At that point, in 1957, many began to wonder what the limit might be, could the pace be kept up? In February, registration figures for 1958 were released and once again, the sale of imported automobiles has nearly doubled, some 373,000 having been registered. Whereas the average of annual sales in the first seven years of the imported car market amounted to only 13,400 units, the annual average for the last four years has been 181,400. The market for imported cars, mainly economy cars, has reached proportions which Detroit can no longer overlook.

We Stand at the Beginning

This thought brings us back to the question I raised at the beginning. Is this the penultimate year? What about penultimate plus one, and beyond? Where is this market for small cars going, or likely to go? I must answer the last question, which is the big one, by saying that it is my belief that we stand at only the beginning of the small car market. You cannot hide under a bushel, you cannot deny something that is so basically needed and sensible as the small car. The small car, the economy car today in America meets the needs of at least 50% of our transportation requirements. It is in fact a little silly to keep on arguing about big cars versus small cars—that you are in one camp or the other—that they are two quite different faiths. The question is not whether it is large or small but is it right. It would be quite foolish of us in SAAB, for example, to charter large ships capable of carrying 1,000 cars to America when we can only make 500 available for shipment. The extra and unused space would be both wasteful and costly. And so, just as in commercial life, the average person will begin to engineer his transportation requirements more thoughtfully. It is in this that the small car is coming into ever greater prominence, and will continue to do so at an accelerating rate. The short haul, the one or two occupant to a car trip is the order of the day, just as are rising costs for gasoline and maintenance. This is not to say that large cars are outmoded—to say so again assumes that it must be one thing or the other, which simply disregards our varied transportation needs — disregards them in the way that Detroit has done in building only large cars.

Predicts 2½ Million Small Car Market

Several years ago, I believed that the market for small cars could reach 500,000 units annually. It is certainly time for a new prediction and I would like to **quintuple** the earlier one. Surely, within the next 10 years, if not a good deal sooner, we will see a market in this country for 2½ million small cars a year. In today's market, that would be half of the total number. Even today, we are approaching the moment when the millionth European car will be operating on U. S. roads, and a good portion of those million cars are of the economy type.

So, finally, we ask which of the European companies will be able to compete with the titans of Detroit and keep from being pushed back into the Atlantic. Of course, in asking this question you must appreciate that European companies need not compete with Detroit on a unit for unit basis. The appetites of the European makers are far more modest. Depending on the company, the U. S. can be a whale of a good market on a sale of anywhere from 3,000 to 100,000 cars annually. And make no mistake, European cars have been here long enough to earn a large number of good and loyal friends — and the buying tastes of Americans, certainly where cars are concerned, have become more discriminating, more searching, more varied. It would be an impossibility, for example, for a Detroit company to create such a car as a SAAB simply because there is an undeniable part of Sweden in this car. These things cannot be duplicated and yet many, many Americans are looking for such qualities and will now settle for nothing less.

Fate of Importing Companies

The truth of the matter then is simply this. The importing companies with topflight management and marketing skills and with products of undisputed merit need not fear for the future of their market in America. To be sure they will be presented with many challenging problems and situations, but if the skill is there, they will cope with these and continue to prosper. A number of times lately, there have been stories in the press saying that only six or seven importing companies will be able to weather the next two years, when the Detroit companies swing into action. It is always then suggested that those chosen six or seven will be only the largest ones. This is naive nonsense. Mere size will not be the arbiter. Indeed, one or two good sized outfits could well come down with an absolutely thunderous roar in the next couple of years. To be sure, many will go and few will remain but sheer ineptitude will account for the failures as much as competition from Detroit.

For Detroit and importer alike, we are entering into the most exciting and fascinating period in the entire history of the American automobile business. For those in the industry, the stimulation and challenges will far exceed those we have ever known and for the consumer it can be a golden age in which the artistry, imagination and genius of many men in many countries will be his to choose from.

Kerwin, Fotheringham Joins G. H. Walker

ST. LOUIS, Mo.—Kerwin, Fotheringham & Co., securities dealers in St. Louis since 1932, have announced plans to join the G. H. Walker & Co. St. Louis office, 503 Locust Street, effective April 1, 1959. This brings to the Walker organization J. H. Fotheringham, Miss Alma Jolley, Charles S. Lottmann, Robert P. Disse and William R. Bergin, officers of the Fotheringham firm. The first four mentioned have been associated with that firm since its founding, and prior to 1932 they had all been associated together in the St. Louis office of John Nickerson and Company. William R. Bergin joined Kerwin, Fotheringham in 1937, after being with the Mercantile Trust Co. for many years.

G. H. Walker & Co., a member firm of the New York Stock Exchange, was founded in St. Louis in 1900 and has offices in New York, Providence, Bridgeport, Hartford, White Plains and Clayton, Missouri.

Anderson Establishes Financial Service

CHICAGO, Ill.—Introduction of a new type of financial analysis service has been announced by Frank R. Anderson, veteran Chicago financial analyst. Mr. Anderson opened Financial Research Associates, 120 South LaSalle St., on April 1. His firm will undertake special financial analyses for investment bankers.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Insurance Stocks

GOVERNMENT EMPLOYEES INS. CORP.

Government Employees Insurance Company of Washington is a unique organization in that it was set up to cater essentially to Federal, state and municipal employees. At its organization it absorbed all of the assets and liabilities of a similarly titled company. There were then 1,000 shares of $100 par value per share. Capital at the end of 1958 consisted of 1,334,570 shares, the par now $4.00; and to this was added in February, 1959, a stock dividend of 2%. The company is licensed in all states, and in Hawaii.

Affiliated with the company are Government Employees Corporation, Government Employees Life Insurance Company, and a brand new one, Government Employees Variable Annuity Life Insurance Company. The last, organized for the purpose of entering the new field of writing variable annuity policies, may elect to proceed with its financing now that the Supreme Court has eliminated any doubt that this business is subject to regulation by the Securities and Exchange Commission, rather than exclusively under the jurisdiction of the various state insurance supervisory bodies. Government Employees Corporation, already referred to, is in the auto finance business.

The principal writings are auto bodily injury, auto property damage, and auto physical. Of late fire has been added in a number of states.

As the insurance company's policyholders are regarded as preferred risks—teachers, active and reserve commissioned officers, etc.—premium rates in general are 20% to 30% below usual rates in almost all states in which the company is licensed. The company at present is seeking to expand its categories to include other preferred risks.

The exceptionally low expense ratio is due in large measure to the fact that there is no agency plant business being written by direct mail with the company itself in Washington.

Statement of Condition—Dec. 31, 1958

ASSETS		LIABILITIES		
Cash in Banks & on Hand	$6,862,107	Reserves:		
U. S. Gov't Bonds	16,419,399	Losses & Loss Exp.		$18,599,716
State & Munic. Bonds	18,448,191	Unearned Premiums		25,371,589
Corporate Bonds	205,810	Policyholders Dividends		312,222
Stocks	12,980,300	Taxes		3,243,834
Premiums Due	8,686,302	Expenses		523,390
Real Estate	5,194,024	Accounts Payable		1,378,451
Interest Accrued	251,349	Capital Stock	$5,338,280	
Due from Affiliate	14,687	Surplus	14,295,188	$19,633,467
	$69,062,669			$69,062,669

Government Employees has shown an impressive rate of growth in its premium volume, from $5,900,000 in 1948 to $46,600,000 in 1958. Writing its coverage by mail, of course, gives the company a very low expense ratio, relative to the industry; in 1958 its loss ratio was 66.3%, versus 76.5% in 1957, while its expense ratio was 14.0%, against 15.5% the preceding year. In 1958 the underwriting profit margin was 19.7%, an exceptionally high figure, particularly for a casualty unit.

Net premium break-down follows:

Miscellaneous Bodily Injury	$170,000
Auto Bodily Injury	16,341,000
Auto Property Damage	6,685,000
Auto Physical	12,469,000
All Others	581,000

Distribution of Assets, Dec. 31, 1957:

Cash	10.8%
U. S. Government Bonds	24.8
Other Bonds	30.3
Preferred Stocks	4.4
Common Stocks	13.8
Other Investments	6.0
All Other Assets	12.5
Market Adjustment	—2.6

Government Employees adheres to a conservative investment policy, with about 55% of its assets committed to bonds. Even in its large common stock holdings there is heavy representation in some of the better grade utility stocks. Net investment income, before taxes, was some 20% higher in 1958 than in 1957. The total increase in the market value of the company's portfolio in 1958 was $8,142,000, or about 22%, an excellent showing in view of the facts that there was such a heavy concentration in bonds, and the bond market was so poor.

Ten-Year Statistical Record—Per Share

	Liq. Value	Adjust. Und.	Invest. Income	Federal Taxes	Net	Div.	Price Range High	Low
1949	$3.10	$1.39	$0.12	$0.48	$1.03	$0.11	24¾	9¼
1950	3.80	1.17	0.17	0.47	0.87	0.16	19⅝	15¼
1951	4.37	1.12	0.23	0.51	0.84	0.18	15½	12½
1952	5.61	1.39	0.31	0.70	1.50	0.23	24⅛	15¼
1953	7.29	3.00	0.40	0.45	2.95	0.27	32½	20
1954	10.39	4.74	0.58	2.55	2.77	0.38	29½	16½
1955	12.44	4.49	0.67	2.33	2.83	0.49	32	26
1956	12.46	2.53	0.75	1.35	1.93	0.62	33¼	27½
1957	15.19	2.22	0.99	0.76	2.45	0.75	47½	26¾
1958	21.34	5.26	1.19	2.80	3.65	0.95	112	41½

These data have been adjusted for the numerous stock dividends paid: 16⅔% in 1950; 14 2/7% and 25% in 1951; 10% in 1953; 100% in 1954; 8% in 1955; 7½% in 1956; 4½% in 1957; 100% in 1958.

The gains in these data have been impressive. Not the least accomplishment was the underwriting showing for 1958, for that year continued quite unsatisfactory in underwriting results for the industry, while Government Employees showed a highly satisfactory result.

Is the long-term performance of this company not something for all companies to shoot at? Carefully selected risks constitute an important contribution to this growth; and we have seen few cases in which volume for volume's sake paid off as choice risks do!

Woodfin Partner in Carl M. Loeb, Rhoades

Gene M. Woodfin has been admitted to general partnership in the investment banking firm of Carl M. Loeb, Rhoades & Co., 42 Wall St., New York City. Members of the New York Stock Exchange.

Mr. Woodfin graduated from the University of Texas Law School in 1940 and joined the Houston law firm of Vinson, Elkins, Weems & Searls in that year. He became a partner in the firm in 1950. A specialist in the corporate, oil, gas and natural gas fields, Mr. Woodfin was counsel for Trunkline Gas Co., Gulf Interstate Co., Transwestern Pipeline Co. and other oil and gas interests.

Mr. Woodfin is a member of the Bar Association of Texas, American Bar Association, and is admitted to practice in the States of Texas, Louisiana and Illinois.

The Resurrection of Peace

Is civilization a myth and love of the Nazarene only a figure of speech?

Will two thousand years of religion, education, and achievement go for naught?

And all of man's noblest ideals be destroyed in the twinkling of an eye by manmade missiles, atomic and hydrogen bombs?

Aren't the souls of over two billion people on this orb of greater concern to humanity than the whims of a Khrushchev, a Stalin, a Hitler, a Mussolini, a Kaiser Wilhelm, or a Genghis Khan and others?

How much longer must mankind defer to the vanities, greed and hatreds of such enemies of the human race who set out to conquer the world for their own ambitious aggrandizement and glorification and finally die ignominious deaths?

To all men of Communist adherence and to other enemies of our freedom loving world, we would remind them that:

"The boast of heraldry, the pomp of power,
And that beauty, all that wealth ever gave,
Await the inevitable hour,
The paths of glory lead but to the grave."

The age of miracles is not past for in spite of violence, greed and hate we shall, with God's help, see the end of the "cold war," and the curse of all wars shall become a memory in the saddest pages of history.

By ALEXANDER WILSON of the "Chronicle's" Editorial Dept.

NSTA Notes

SECURITY TRADERS ASSOCIATION OF LOS ANGELES

The Security Traders Association of Los Angeles will hold their annual summer party May 15, 16 and 17, at the Biltmore, Palm Springs.

SAN FRANCISCO SECURITY TRADERS ASSOCIATION

The San Francisco Security Traders Association will hold their annual party at the Santa Rosa Flamingo Motel, Santa Rosa, Calif., June 5, 6 and 7.

Albert Hewitt, First California Company, San Francisco, is in charge of reservations.

BOSTON SECURITIES TRADERS ASSOCIATION

The Boston Securities Traders Association will hold their annual summer outing at the Salem Country Club on June 11.

With Wilson, Johnson

(Special to THE FINANCIAL CHRONICLE)

CHICO, Cal.—William H. Hutchinson is now with Wilson, Johnson & Higgins, 242 West Third Street.

Mitchum, Jones Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Henry F. Keil has been added to the staff of Mitchum, Jones & Templeton, 650 South Spring Street, members of the New York and Pacific Coast Stock Exchanges.

RESERVE DISTRICT NO. 2
REPORT OF CONDITION OF

Colonial Trust Company

of 1230 Avenue of the Americas, New York 20, N. Y., a member of the Federal Reserve System, at the close of business on March 12, 1959, published in accordance with a call made by the Federal Reserve bank of this district pursuant to the provisions of the Federal Reserve Act.

ASSETS

Cash, balances with other banks, including reserve balance, and cash items in process of collection	$16,430,272.47
United States Government obligations, direct	13,458,271.61
Obligations of States and political subdivisions	5,133,712.27
Other bonds, notes, and debentures	1,090,000.16
Stock of Federal Reserve Bank	126,000.00
Loans and discounts	39,383,703.89
Bank premises owned $262,325.58, furniture and fixtures $264,388.65	526,714.23
Customers' liability to this bank on acceptances outstanding	1,175,240.57
Other assets	567,133.11
TOTAL ASSETS	$77,891,048.31

LIABILITIES

Demand deposits of individuals, partnerships, and corporations	$48,331,957.94
Time deposits of individuals, partnerships, and corporations	6,244,133.54
Deposits of United States Government	460,705.19
Deposits of States and political subdivisions	900,000.00
Deposits of banks	11,986,601.18
Other deposits (certified and officers' checks, etc.)	1,359,353.78
TOTAL DEPOSITS $69,282,751.63	
Acceptances executed by or for account of this bank and outstanding	1,312,075.01
Other liabilities	1,043,968.88
TOTAL LIABILITIES	$71,638,795.52

CAPITAL ACCOUNTS

Capital*	$2,200,000.00
Surplus	2,700,000.00
Undivided profits	1,196,744.79
Reserves (and retirement account for preferred capital)	155,508.00
TOTAL CAPITAL ACCOUNTS	$6,252,252.79
TOTAL LIABILITIES AND CAPITAL ACCOUNTS	$77,891,048.31

*This bank's capital consists of: capital debentures $700,000 and common stock with total par value of $1,500,000.

MEMORANDA

Assets pledged or assigned to secure liabilities and for other purposes	$3,704,604.81

I, Charles F. Bailey, Vice-President & Treasurer of the above-named bank, hereby certify that the above statement is true to the best of my knowledge and belief.

CHARLES F. BAILEY

Correct—Attest:

Hugo A. Brillembourg
Charles D. Deyo
William C. MacMillen, Jr.
Directors

REPORT OF AN AFFILIATE, A HOLDING COMPANY AFFILIATE, OF A BANK WHICH IS A MEMBER OF THE FEDERAL RESERVE SYSTEM, PUBLISHED IN ACCORDANCE WITH THE PROVISIONS OF THE FEDERAL RESERVE ACT

Report as of March 12, 1959, of Valores Comerciales e Industriales, C. A., Caracas, Venezuela, which is affiliated with Colonial Trust Company, New York, N. Y.

Kind of business of this affiliate: Lending money to commercial and industrial enterprises and investing in shares and securities of such enterprises.

Manner in which above-named organization is affiliated with member bank, and degree of control: Ownership of 94.67% of stock of member bank.

Financial relations with bank: Stock of affiliated bank owned by the affiliate (par value) $1,419,975.

I, Hugo A. Brillembourg, Executive President of Valores Comerciales e Industriales, C. A., do solemnly swear that the above statement is true, to the best of my knowledge and belief.

HUGO A. BRILLEMBOURG.

Chemical Industry's Outlook For the Second Half of 1959

By EDGAR M. QUEENY*

Chairman of the Board, Monsanto Chemical Co., St. Louis, Mo.

The bottom half of 1959 looks promising to chemical industry according to Mr. Queeny acting as spokesman for the industry. Predicated on the prospect of a $475 GNP, the industrialist envisages a "good year" in terms of: overall increase in sales revenue averaging 5% above comparable 1958 data and increased profit margins, with some firms achieving record highs despite cost-price squeeze, due to productivity gains. Employment and capital spending, will slacken-off, however, but Monsanto's head finds no validity in the charge that the industry is over-expanded. Taking his firm's 1929 sales, product by product, he finds today's prices are but .3% higher—in the face of drastic advances in wages and principal raw materials.

For 1959, based on what we know now about the first quarter, certain bellwether chemicals are following an upward trend: fertilizers, up 2%; industrial chemicals, plastics, miscellaneous organic chemicals, synthetic rubber, all up 10 to 11%; synthetic fibers, up 17%.

E. M. Queeny

These figures represent units, not dollars. However, since prices will remain static, 1959 dollar-wise should witness increases industry-wide of somewhere between 6 and 10% after the weak spots have applied their downward pressure against the strong, upward trend.

Now, for a few highlights of the second half, thence to specifics.

Prices will be reasonably stable. The cost-price squeeze will continue, but due to better volume and new technologies industry earnings should increase.

Capital expenditures will be off somewhat—as compared to 1958. An estimate furnished me by an industry source notes this reduction as 8%. Even so, expenditures for new plant and equipment during the year will exceed a billion dollars for the ninth consecutive year.

Employment in the chemical industry was off marginally last year and we in the industry do not foresee any large expansion of the wage rolls for 1959. Last year the average hourly earnings of Monsanto employees were better than 25% above the average of those in all industry. Monsanto's average hourly labor cost, which includes such fringe benefits as pensions, group insurance, and vacations, was in excess of $3 per hour. I believe Monsanto to be representative of the industry.

During 1958 the industry's profits after taxes averaged 6.9% of sales, compared to 7.6% for 1957. Many companies, including Monsanto, had all-time record fourth quarters. If forecasts are realized, I see continued improvement. In some cases there will be record highs.

We had some uneasy months in late '57 and early '58; the period is still too recent to forget. Our corrective actions and new technologies have formed strong patterns, which will continue. But the industry's primary growth stimulus will continue to be new products and new applications for older ones. There are about 35,000 research workers in the chemical industry.

Sales

Now to specifics.

Everyone with whom I have talked in the industry agrees that if economists' forecasts of a gross national product in the range of $475 billion is realized, we have a good year in prospect.

Based on the first three months, 1959 sales for the industry seem bound to reach $24.4 billion, or an increase of 5% over the comparable 1958 figures of $23.2 billion. One informed estimate predicts an overall 6½% increase. Individual companies should ring up greater increases.

Quick as the recovery was, and good as the prospects are, we face some sobering prospects—among them inflation, new materials cost increases, higher wages and fiercer domestic and foreign competition.

But the following favorable factors are at work:

(1) A general improvement in the economy and expectation of an increase of 5% in the gross national product.

(2) Increased government spending in specialized fields, such as exotic fuels for missiles. Chemical sales will benefit.

(3) Continued introduction of new chemical products.

(4) Increased automotive production, housing, public construction.

(5) Increased highway construction.

We in the industry are quite aware that a few products are in over-capacity for the time being. It will take a strenuous sales effort, ingenuity and a spartan attitude toward costs to make these particular products break even.

However, the following appear to have a bright future for the second half, sulfur, oxygen, due to increased steel production, unless there is a steel strike; chlorine, plastics, and pesticides; chemical fuels and oxidizers, thanks to the emphasis on missilery in defense planning; styrene and ethyl alcohol, due to increased synthetic rubber consumption; pharmaceuticals and specialty chemicals; plastics materials, notably the polyolefins; ammonium nitrate, because of increased use on crops and as a construction explosive.

Chemicals used to process synthetic fibers and paper should do well because of bright sales outlooks in both industries. Synthetic fiber sales may end the year 15% or more above the comparable 1958 figure.

Profits

The year 1958 will never be noted for its good profits. In the first quarter, chemical firms were reporting net incomes running consistently some 25% below the same period of 1957. Second quarter earnings were about 16% below; third quarter 1958 earnings were only 4% less. But these companies emerged from the fourth quarter with earnings approximately 5% above the same quarter of 1957. Some of the leaders reported their best final quarters, in terms of sales and earnings, in their histories.

Chemical profit margins have been under pressure from rising operating costs and steady or declining prices. Since the end of 1955, margins have dropped from 16% of sales, before taxes, to 12% early in 1958. But during the same period, heavy outlays for new plant and equipment had been raising efficiency. This new muscle, coupled with the many short-term cost-saving programs which were set in force last year, had a salutary effect. The industry generally can now boost output somewhat without much new plant or additional employment.

Capital Spending

You would hardly suspect that last year was a recession year if you used as a comparison the 1958 capital spending figure of $1.8 billion and the $1.3 billion spent for new plant and equipment in the so-called "good" year of 1957.

However, there are indications that capital investment may have passed a high-water mark and will show, if not a decline, a plateau situation, perhaps into 1960. Since the chemical industry's growth is in cycles, rather than in a straight line, I choose to interpret the omens as the end of one era of activity and the start of another, better one.

If one is looking for significant portents, I would point to the projected $157.2 million which has been set aside for new research laboratories as a sign of faith in the future. I might add that if increased spending for research and research facilities is the mark of the optimist, then our company is so marked.

Parenthetically, while we're referring to plant expenditures, I cannot agree that the industry as a whole is overbuilt. Although the industry had been as low as 60% of capacity in mid-1958, I believe it is now operating at something like 85% of capacity. This does not signify an overbuilt industry.

Employment

I believe Monsanto's employment experience over a five-year haul may be an accurate reflection of trends in the industry. During the past half-decade, while our company's total employment increased 25%, technical personnel increased 35% and technical personnel assigned to research increased 44%.

It may be of further interest to note that, in line with a national trend, the proportion of Monsanto personnel engaged in administrative, staff, clerical, marketing and research has been increasing more rapidly than operating force. Our salaried staff now constitutes 42% of the total employees. In the last 10 years the number of salaried employees has increased nearly 70% while the expansion in Monsanto's wage employment has been about 30%.

The fact is — in plant productivity the chemical industry has been outgaining other industries and, from what I hear of highly instrumented, semi - automated plants, we're going to keep right on increasing productivity. Monsanto announced it will put the first fully computer - operated chemical plant on stream in the fall; our competitors aren't far behind.

Prices

I spoke earlier of the traditional burden the chemical industry bears in holding the price line. I'd like to cite some examples from our own records.

Monsanto's 1929 sales, product by product, if priced according to our 1959 price schedules, would cost only .3% more than the prices charged 30 years ago. This is an unloaded comparison; no conversions have been made from 1929 to 1959 dollars. During this period our hourly wage rates increased 460% — and prices of all our principal raw materials increased; for example, benzol, 36%; naphthalene, 134%; sulfur, 19%; coal increased 189%.

I have no similar, industry-wide comparison; Department of Commerce figures are for chemical and allied products, the latter category including paint, naval stores and a host of products unrelated to chemicals. However, with the pre-Korea period 1947-49 equaling 100, the Department's December, 1958, price index for chemicals and allied products stood at 110.0. Monsanto's own price index for the period was 102 in December, 1958; today, it may have fallen below 100.

*An address by Mr. Queeny before the National Industrial Conference Board, Los Angeles, Calif., April 2, 1959.

Titolo Adv. Mgr. For Harris, Upham

Harris, Upham & Co., 120 Broadway, New York City, members of the New York Stock Exchange, have announced that Theodore S. Titolo has been appointed Manager of the company's advertising department.

Theodore S. Titolo

Mr. Titolo, a registered securities representative, has been associated with Harris, Upham since 1951. Prior to his affiliation with the firm's advertising department in 1955, he was research department analyst for the entertainment industry, and senior editor of the firm's publications department. Mr. Titolo is a member of the New York Society of Security Analysts.

Jack R. Payne Opens

GETTYSBURG, Pa. — Jack R. Payne is engaging in a securities business from offices at 238 Baltimore under the firm name of Jack R. Payne & Co.

The Brighter Pattern for Banks and Bank Stocks

By WILLIAM W. AMOS*
Assistant Vice-President, The First Boston Corporation
New York City

Resurgency of banking, having gained a new lease on life after March, 1951, and why they should continue to give a good account of themselves in the securities markets, receive Mr. Amos' knowledgeable attention. In addition, the banker suggests adding to the usual criteria used to judge bank stocks two important intangibles; i.e., management and the nature of the territory served. In reporting the expectation of rising level of business in the coming years and increased acceptance of merger-branching pattern in banking, Mr. Amos foresees reflection of this in brighter bank growth prospect and stimulated interest in bank stocks.

We live, as always, in changing times. It does appear, however, that in recent years the changes in investor attitudes toward various security groups have been particularly comprehensive and rapid in developing. For example, it was only a few years ago that bonds were considered the only safe investments, while most stocks were classed as rather risky speculations. Today investor attitudes have turned full circle, and after the losses suffered by many dabblers in Government Bonds last summer, it is possible to find a number of individuals who regard stocks as safer investments than bonds. Another change is found in investor attitudes toward the various stock groups. Historically bank stocks have tended to be regarded as primarily defensive income securities, comparable to preferred stocks, with little appreciation appeal. However, the record of the past decade and current developments suggest that a revision of this attitude is taking place.


William W. Amos

Not long ago a bank President, in commenting upon the increased popularity of bank stocks, said that every so often money becomes fashionable. For most of us, money is always in style. However, it is true that under today's conditions of high prices, high wages, high taxes, and large budget deficits, more money and credit is needed than ever before to accommodate the expanded needs of industry and commerce. It is estimated that close to 90% of the country's money used in settling business transactions is bank check money. The 14,000 commercial banks in the United States play an increasingly important role in our economy. As suppliers of short-term credit and as performers of a multitude of banking and trust services, they are wellnigh indispensable to the effective functioning of America's economy. Those who can remember back to 1933, will recall how the nation's business practically ground to a halt during the bank holiday in the early part of that year. Today, just 26 years later, we find our banks in an immeasurably stronger position, attaining new peaks in deposits and earning assets and providing an ever increasing number of services under conditions of rising interest rates.

*Based on a talk by Mr. Amos before the Institute of Investment Banking at the Wharton School of Finance and Commerce, University of Pennsylvania, Philadelphia, Pa.

Reviews Trying Decades

In order to gain a better perspective with respect to today's position of banks and bank stocks, it may be well to review briefly their position during each of the past several decades.

The decade of the 1920s was one of rapid post World War I expansion for the banks. While the nation's banks were engaged in many constructive activities during this decade, they unfortunately became involved, in many instances, in the credit excesses attendant to the inflation in the stock market, and in real estate developments. The banks became identified with the security market via loans to brokers and as underwriters through security affiliates. As the boom of the 1920s developed, the bank's profits grew rapidly and the prices of their stocks rose to astronomical levels. It was unfortunate that bank stocks became as highly inflated as they did during this period, because when the bubble burst the ensuing deflation was especially severe. The market break left unpleasant impressions in the minds of bank stock investors which it has taken years to overcome.

The decade of the 1930s was largely one of deflated business conditions, during which the volume of loans and the level of interest rates declined to and remained at very low levels. In order to maintain earnings, the banks bought U. S. Government securities (mostly short maturities) in large amounts. The deficit financing policies of the Government created substantial supplies of debt securities, and their purchase by the banks increased deposits. Even though the rates of interest were very low, the huge volume of earning assets thus created, did sustain bank earning power just above starvation diet levels.

The 1940's brought World War II with a great step-up in the rate of business activity, but with government deficit financing becoming an even greater factor in the banking business than it had been during the depression years. It was not uncommon in the 1940's to find banks with 75% to 80% of their assets in cash and U. S. Government securities. Interest rates were pegged at very low levels throughout the war and postwar years until just about the end of the decade. When it is realized that for 13 years, from 1934 to 1947, the bank's prime lending rate remained unchanged at 1½%, it is remarkable that the commercial banks of the country were able to do as well as they did in maintaining earnings during that period. It is no wonder that during most of those years bank stocks sold at discounts from book values and came to be regarded as chiefly income securities with negligible growth or appreciation prospects, to be brought solely on a yield basis.

Banking's New Lease on Life

It was not until the decade of the 1950's that banks and bank stocks began to emerge from their hibernation. The Federal Reserve-Treasury Accord of March 1951 made it possible for money rates to rise or fall with demand and supply factors. At the same time loan volume began to increase. From the end of 1950 to the end of 1958, business loans of New York City banks and of the 94 reserve cities rose over 70% and the prime lending rate increased from 1½% to 4%. With higher interest rates and more loans, earnings and dividends began a steady climb. For 12 major New York City banks, aggregate net operating earning rose 97.2% from 1950 to 1958, and dividend declarations increased 79.4% in this same period. It is not remarkable that under these conditions the average rate of return earned on capital funds rose from less than 6% to around 9% and that market prices of these stocks doubled, so that they began to sell at premiums over rather than discounts from book values.

More Attention Paid to Bank Stocks

With the tremendous increase in institutional interest in common stocks which has developed during the 1950's, bank stocks have come in for substantially more attention. Pension funds, trust funds, savings banks, investment trusts as well as insurance companies, universities, and specialized funds of many types have come into the market for bank stocks. In 1950 the Massachusetts legislature enacted an amendment to that state's banking laws which permitted Massachusetts savings banks for the first time to invest in certain out-of-state bank stocks which met specified tests. The three basic qualifications are that capital funds shall equal at least $40 million and at least 6% of deposits and that dividends shall have been paid for at least 10 consecutive years. In 1950 only 17 stocks, of which 12 were New York City banks, qualified. Today the list of qualified stocks has expanded to 44 (of which 11 are New York City banks) and is growing rapidly. At last reports, most of the Massachusetts savings banks which had bought substantial amounts of bank stocks since they became eligible were highly satisfied investors.

With the rapid population growth and economic expansion of the nation during the '50's, banks in all parts of the country have found themselves faced with many new problems.

Merger-Branching Movement

In order to accommodate the credit and banking needs of new suburban population centers, as well as for other reasons, the banks also have entered upon a phase of branch banking and growth through mergers, which promises to continue for many years. New legislation, such as the Bank Holding Company Act of 1956, and proposed new banking laws in various states, appear to be enlarging the growth potential of banks by permitting them to expand and follow their customers over and beyond borders which have heretofore restricted them. Among the New York City banks there have been serveral important mergers within the last five years, as a result of which the number of institutions in that city has declined by one-fourth. Now the proposed combination of J. P. Morgan and Guaranty Trust is expected to reduce the number of institutions by one more.

The recent session of the New York State legislature failed to approve revisions in that state's banking laws which would have made possible under branching power for the New York City banks, while this bill now appears to be dead until the next legislation session in 1960, many observers believe it will eventually be approved in some form. If such banking legislation is eventually enacted in New York there will undoubtedly be many more combinations of banking institutions. Some may band together under the holding company arrangement and some may merge. If the New York City banks receive permission to have branches in Nassau, Suffolk, Westchester, and Rockland Counties, they will have greatly expanded potentialities for future growth.

These comments lead us up to a consideration of the outlook for banks and bank stocks in the decade of the 1960's which now lies immediately ahead of us. Since banks tend to mirror the conditions of the economy in which they are functioning, their prospects will hinge directly on the outlook for business and economic conditions generally over the next several years. A high level of business activity will make for a large volume of loans and relatively high interest rates. If the predictions of many economists are realized insofar as they envision a 200 million population and a $600 billion gross national product within the next five or six years, there will be substantial increases in the money supply, including bank deposits and earning assets, and earnings of banks will show good gains. Needless to say, this would involve the raising of a considerable amount of new capital through the sale of additional securities of banks. However, under these conditions there would be adequate earning power to support the additional shares placed on the market.

A dynamic economy also may be expected to prove conducive to a broadening of the merger and branching movement of recent years. This would come about as the banks seek to serve adequately the enlarged banking needs of both their city and suburban customers. Enlarged demands for banking services will place greater strains on bank management and personnel as well as on bank capital. Greater use of automation to do the job most economically will be required. The trend toward comprehensive department-store type banking of both the "wholesale" and "retail" variety will continue, giving increased impetus to the merger and branching movement among banks.

New York State as a Leader

If the proposed changes in the banking laws of New York State are eventually enacted, it is reasonable to suppose that other states will follow with liberalizing legislation along the same lines. This would come about because New York State is often looked to by other states as a leader or setter of regulatory patterns. Furthermore, the element of competition might well spur other states to remove some of their restraints against bank growth or be responsible for loss of position and prestige by their local banking institutions. The effect of eliminating some of the restrictions on bank expansion now existing in several states would be to make possible a whole new wave of mergers or other types of combinations which would brighten bank growth prospects and might stimulate interest in bank stocks for some time to come.

In the field of bank holding companies there are already a number of major groups which have won investor recognition by their excellent performances during the past 10 years or more. Among these are Marine Midland Corporation, Northwest Bank Corporation, First Bank Stock Corporation, and Wisconsin Bankshares. A new giant entry is being attempted in the form of Firstamerica Corporation with its string of 23 banks in 11 western states. The addition of the billion dollar California Bank of Los Angeles to this group will increase the total deposits of the system to $4 billion and expand the number

New York City Banks

	Net Operating Earnings	Dividends Declared	Dividends as % of Net Oper. Earnings	Annual Rate of Increase: Net Oper. Earnings	Annual Rate of Increase: Dividends
1958	$266,687	$156,689	58.8%	0.02%	5.6%
1957	266,645	148,406	55.7	13.2	14.0
1956	235,634	130,224	55.3	16.6	8.7
1955	202,068	119,830	59.3	10.4	8.1
1954	182,960	110,820	60.6	4.6	9.2
1953	174,979	101,528	58.0	8.3	9.0
1952	161,628	93,155	57.6	14.2	1.5
1951	141,501	91,766	64.9	4.7	5.1
1950	135,207	87,349	64.6	--	--
Increase, 1950-58	97.2%	79.4%	--	--	--
Average	-----	-----	59.4%	9.0%	7.7%

Business Loans of Weekly-Reporting Member Banks
(in millions)

	For 94 Cities	For New York City Banks
February 25, 1959	$29,678	$10,505
December 31, 1958	30,797	10,991
December 31, 1957	31,801	11,699
December 26, 1956	30,848	11,471
December 28, 1955	26,673	9,173
December 29, 1954	22,486	7,568
December 30, 1953	23,380	8,530
December 31, 1952	23,390	8,735
December 26, 1951	21,592	7,933
December 27, 1950	17,839	6,305
December 28, 1949	13,904	4,851
Increase, Dec. 28, 1949 to Feb. 25, 1959	113.4%	116.6%

SOURCE: Federal Reserve Board.

of branches from 336 to 402. [The merger is currently being contested by the Anti-Trust Division of the Department of Justice. Ed.]

Judging Bank Stocks

Before concluding I would like to say a few words about what to look for in the analysis of bank stocks. Statistically, we derive certain basic data from the financial statements of banks, and then relate these figures to market prices to measure relative investment attractiveness. Thus, we take net operating earnings per share, dividends per share, book value and market price to find the price to earnings ratio, the yield, the percentage of dividend to earnings and the ratio of book value to market value. For a quick test of capital adequacy we compute the risk asset ratio by relating capital funds to risk assets (all assets less cash and U. S. Governments).

Of all the foregoing ratios, the price earnings ratio is generally considered most significant in evaluating a bank stock. However, two important intangibles should carry as much, and in most cases more, weight than all the statistical ratios available. The two all-important intangibles are management and the nature of the territory served. There can be no substitute for able management. Where such management has a good growth area in which to operate, the results for the bank shareholder are generally rewarding. Superior management usually leaves its mark in the form of materially better than average earnings and appreciation records for the well managed institutions. It is also indicated by the tendency for the bank with superior management to lead rather than to follow in the adoption of well-thought-out innovations in operating techniques. In other words this type of bank is always one step ahead of its competitors.

The sections of the country which are enjoying the best growth rates tend to produce the superior rates of expansion in deposit totals. Since deposit money is the principal source of earning assets, it can be seen that a healthy rise in deposits is the best guaranty of good earnings gains. It may be noted that in the West Coast areas there are greater opportunities for bank growth by reason of the state wide branching laws in California, Oregon, and Washington. Bank holding companies have obtained many of the advantages of branch banking in other rapidly growing sections of the country.

We intend to look for bank stocks which are statistically bargains by reason of selling at relatively good yields, low-price earnings ratios and low premiums over book value. However, the bank which has superior management and growth potential will tend to command a somewhat higher price-earnings ratio and premium over book value for its stock than the slower-growing institution. The ideal bank stock investment would be one which has good management and operates in a growing area while still not selling at so high a premium as to over-discount its attractive features.

Banks have been through many trying periods during the last three decades. They have emerged, however, stronger and better situated than ever to meet the new challenges of the future. In the years ahead it is believed that bank stocks will continue to give a good account of themselves in the securities markets.

Charles Brophy Named By Business Week

Charles G. Brophy has been appointed Assistant Finance Editor of *Business Week* magazine, 330 West 42nd Street, New York City, according to an announcement by Kenneth Kramer, Managing Editor.

For the past five years Mr. Brophy has been a financial writer with the *New York Herald Tribune* and *New York Herald Tribune Syndicate*. During that time he was Bond Editor, Investment Companies Editor and financial columnist.

Mr. Brophy has also been Mutual Fund Editor and Assistant to the Publisher of *The Commercial & Financial Chronicle*. He has written many articles on economics, the money market and the capital market for various other publications.

Now With E. F. Hutton

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Cal.—Luis M. del Camino-Royales is now with E. F. Hutton & Company, 623 South Spring Street. He was formerly with Bache & Co.

When are Warrants Warranted?

By ROGER W. BABSON

After defining warrants and their merits, Mr. Babson suggests a method to guide the purchase of warrants. This formula is designed for charitable institutions and involves the creation of a non-revokable fund to be used to purchase Tri-Continental warrants, as they decline in price, and to sell Tri-Continental stock, as they advance in price, in the manner prescribed. The author hopes that, unlike United Corporation Warrants, "perpetual" warrants are not cancelled by the SEC.

I have lately received by mail circulars from brokers advising the purchase of Warrants at this time. I am not now enthusiastic about the purchase of any common stocks for immediate profit. Stocks which are being purchased today are being bought largely by pension funds, mutual funds, and insurance companies solely for income. At present prices, in my opinion, they are not for readers of this column.

Roger W. Babson

What Are Warrants?

A "Warrant" looks like a regular stock certificate; but it is much more important for you to read just what this piece of paper says before you buy it. Warrants are an option to buy a certain number of shares of a stock at a fixed price within a certain time. If this price is less than the present quoted value of the stock, it is easy to figure the value of the Option Warrant. If however, the price of the stock is less than that of the Option Warrant, the option has no value except as a gamble that some day before the Option Warrant expires the price of the stock will rise to a figure above the option price.

From the above you can see that Warrants carry no interest or dividends. Thus Warrants should never be bought for income; they provide no income. Furthermore, Warrants usually have an expiration date, when they become absolutely valueless for all purposes. Many stocks during a depression sell at very low figures. General Electric has sold at 2⅞ (adjusted); General Motors at 1¼; and some good stocks now selling at high prices once sold for one dollar or less per share—but they had no expiration dates.

Warrants Versus Cheap Stocks

Only bankruptcy and reorganization could wipe these stocks out completely. Furthermore, in most cases, stockholders had an opportunity to put up a little more money and those stockholders who did were given new shares, some of which have since become very valuable. Northern Pacific Railway common stock is one of these. It has sold as high as $1,000 per share and as low as 1⅞ (adjusted basis). It now sells at about 51 and, in my humble opinion, is one of the best inflation hedges on the New York Stock Exchange.

It is my belief that a great majority of the Warrants which have been issued in recent years are of little real value today. On the other hand, some of those issued years ago have become very valuable. Brokers who are now recommending Warrants use the following few lucky ones as examples: (1) $1,000 invested in Richfield Oil Warrants in 1942 grew to $44,000 in less than four years. This was due to an unexpected discovery of oil. (2) $1,000 invested in United Corporation Warrants in 1944 grew to $83,000 in 1946. (3) $1,000 invested in RKO Warrants in 1942 grew to $208,000 by 1946. (4) $1,000 invested in Tri-Continental Warrants in 1942 soared to $170,000 by 1946. These last Tri-Continental Warrants are perpetual—that is, they don't expire. These I shall recommend to readers to buy when the stock market takes its big dip. The other three above-noted Warrants have expired so that those "sleeping estates" with no investment advisor to watch over their securities lost all the possible profits mentioned above. I also want readers to know that the United Corporation Warrants were canceled arbitrarily by the SEC before they matured—although they were supposed to be "perpetual." This scares me somewhat about the perpetual Tri-Continental Warrants, which will otherwise have tremendous profit potential when the stock market is at its low.

Should Charitable Institutions Buy Warrants?

I surely would not want any church, or hospital, or individual to put all its funds in Warrants or in any one stock; but even a church would be justified in placing 5% of its funds in Tri-Continental Warrants, **buying them at the right time.** (1) The assets of the Tri-Continental Corporation consist of high-grade well-diversified listed stocks of large successful corporations. (2) Its portfolio is excellently managed, with a very able board of directors. (3) Because of its type of operations, it is exceptionally free from direct labor troubles. (4) The leverage of these Warrants is tremendous, enabling an investment committee with courage to make large sums with very little risk.

To accomplish same, an investment committee should trustee a certain sum of $10,000 or more—non-revokably to be used to buy Tri-Continental Warrants, starting to invest 20% of the Fund at $10 per Warrant and then investing 20% more on every point of decline. This will be when business is very poor and almost everyone is bearish. No sane investment committee would then normally feel like buying Warrants at any price. Hence, to make this plan work, the money must now be placed in a non-revokable trust, to be invested at that time. This is absolutely essential. The Charitable Corporation should, in the original non-revokable Trust Agreement, also now order the Trustee to begin to sell 20% when Tri-Continental stock is selling at $30 and then sell 20% more at every one point of further advance. **I believe this is a sure way for a charitable institution or individual to safely make a handsome profit. Either Tri-Continental Warrants or the stock could be bought for such a purpose in such a way.**

Wm. J. Gratza Joins Westheimer & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—William J. Gratza has become associated with

William J. Gratza

Westheimer and Company, 134 South La Salle Street. Mr. Gratza was formerly in the trading department of Hornblower & Weeks.

Robert H. Moore With Barcus, Kindred Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Robert H. Moore has become associated with Barcus, Kindred & Co., 231 South La Salle Street. Mr. Moore was formerly a Vice-President of Allan Blair & Company.

THE MARKET . . . AND YOU

By WALLACE STREETE

Price irregularity continued to plague the stock market this week except for a few issues where good news was potent. Trading simmered down, however, and the various averages were able to hold in relatively high territory without showing any intention of retreating precipitously.

* * *

About the only new note was that the number of issues reaching new lows ran ahead of the new highs for the first time this year, helped along by easiness in some special situations like H. L. Green where weekend revelation of a $3 million discrepancy in its books upset the issue and it promptly posted a couple of new lows. Otherwise some random preferreds also sagged to new lows to bolster the total in this category.

Rallies Fail

While the market was reluctant to retreat, rally attempts were equally futile and when good action was somewhat general early or in the middle of the sessions, selling all too often snuffed out much of the gains by the close to a rather noticeable degree which hinted that the traders were hewing to a cautious line until more decisive action is demonstrated.

* * *

The proposal to hike the dividend and split International Business Machines on a 3-for-2 basis, however, was enough to project this issue, lately pursuing a mundane life, into the wide-moving class again with a one-day hop of two dozen points and land it solidly on the list of new highs.

Metals Scrambled

The well scrambled group was the metals with steels wavering uncertainly as the market analysts tried vainly to figure out how much of their record-breaking outpouring of steel was due to precautionary inventory buildups in case there is a strike, and how much to general business recovery. The only thing clear was that the automakers weren't an important factor since their buying has been cautious as the debate still waged over whether they will meet 1959 production goals or not.

* * *

The auto supply group was also hesitant, the decision to fabricate some of its glass products by Chrysler weighing a bit heavily on Pittsburgh Plate Glass. Similarly an earlier decision by Ford to take over the manufacture of some of its automatic transmissions from Borg-Warner when a long-term contract ran out last year has kept this issue restrained and its yield around 5% at recent levels.

* * *

The idea of linking Borg-Warner so closely with the auto business is one that is a bit outmoded since the company has diversified well and put much emphasis on research to broaden its product line. Even in 1957 which was a good year for the auto firms, this section of Borg-Warner's business produced only a bit more than a third of sales. The market would seem to be overlooking its work in nuclear and missile parts and in air conditioning and refrigeration.

* * *

American Machine & Foundry was enjoying a good following until the recession cut its other business and overshadowed the huge strides being made with its bowling alley pinspotter. As against other pinspotters that are sold, AMF's are rented and such rental was up a third last year to hold the overall decline in revenues to a much more modest 12%.

* * *

While American Machine is not particularly in a high-yield bracket any more—the return falling below the 3% line at recent prices—it is still a candidate for a good gain in earnings this year as rental income continues to work higher and the other lines recover.

* * *

In the depressed oils Socony statistically has a bit more to offer than some of the others that have enjoyed some sporadic popularity. Its yield is around 4½%, for instance, while that of Continental Oil is below 2½%. The shares are of quality status with the growth potential enhanced by a new venture into the petrochemical field with a multi-million dollar Texas plant that will start to operate early in 1961, plus a similar joint venture in Australia.

Stock Split Manufacturer

While the big play so far this year was in issues that are about to be or might be split, there were some market students who saw a more concrete lift in the business of such as American Bank Note which is the principal maker of stock certificates. Last year when stock splits subsided rather sharply as the market sold off, American Bank Note earnings fell 73 cents to $1.69. The stock has recovered well from last year's low but is one of those issues still not up to its 1946 peak when speculation was more active. Its yield approached 3½% at recent prices despite the sharp recovery and with scores of new stock-split plans already in the works a rebound in earnings seems all but guaranteed. The A.T.&T. split alone is estimated as requiring a million or more new stock certificates with its extraordinary family of holders totaling some 1.6 million and more than double the second largest corporate shareholder body.

* * *

Aircrafts were laggard and, pricewise, desultory. Grumman was one of the better-acting at times on receipt of two new and large defense orders but the issue still lolled more than a dozen points under its peak price several years back. Last year the company showed per share results that were hardly encouraging but buried in the figures were high development costs that about cut earnings in half according to some estimates. Such costs are expected to be substantially smaller this year and reported earnings are virtually assured of being double or more. The drawback to Grumman and some of the other aircrafts so largely dependent on defense orders is that such orders are subject to sudden shifts.

Mystery Issue

One issue that is still a largely unknown factor is National Theatres which has yet to show any ability to develop non-theatre earning power but has been moving in that direction with an exchange offer for National Telefilm Associates shares and warrants. This offer so far has brought in some three-fourths of the common shares on tender although the warrant holders have been more reluctant. The offer expires the beginning of next week by which time the extent of National's eventual ownership of NTA will be more clear.

* * *

Except for an occasional flareup in a single issue because of rumors or what, the paper shares have been somewhat neglected generally although the industry has been able to show steady but undramatic growth. Through the recession, for instance, Container Corp. was able to post record sales and hold earnings within a penny of the 1957 showing, a tribute to cost control to a great degree. Yet so far this year the stock has held in a range that ran only a small fraction more than three points.

[The views expressed in this article do not necessarily at any time coincide with those of the "Chronicle." They are presented as those of the author only.]

Continued from first page

As We See It

Byrd is of the opinion that when the accounts are finally rendered, a deficit of several billions of dollars will emerge even if the President has his way in all particulars.

Not the Whole Story

But this, unfortunately, is not the whole story. Not only are there powerful influences at work in Washington to add very materially to the expenditures proposed by the President, and not only is there serious question as to whether the President will be granted all the tax increases he would like to have, but unless the past is no guide, legislation will be enacted which will lay heavy burdens on future budgets and render any progress toward a budgetary balance this year much less likely to endure in the years that are to follow—and that almost regardless of the situation by which the government is faced in 1961 and several years thereafter. Actions already taken in past years have more or less fixed very large expenditures in these later years, again almost regardless of what conditions are then found to be, and, for all practical purposes, regardless of what is done in Washington this year.

It was the President's own Budget Director who the other day remarked that "the public seems to think that the President could send up a budget for each year for any amount from zero up. The truth is that a very large proportion of the budget each year is determined by factors built in during previous years." Some of the items now cited as imposing large burdens upon the budget to be submitted next January are the space programs, modernization of aviation facilities, urban renewal and public housing, public works (flood control and other "pork barrel" legislation now on the books), special education programs under the defense education law, enacted last year, veterans pensions, so-called development loan fund for aid to underdeveloped countries, the farm program, interest on the national debt and a number of smaller items.

Most difficult of all perhaps is the task of preventing legislation which caters to some one or more elements in the population without adding proportionately to the expenditures in the budget then under study—but which will add very substantially to the outlays of future years.

But let us not get so engrossed in these details that we do not have a clear appreciation of the fact that a great deal more than the President is suggesting is needed to get our fiscal situation in order. The President has on more than one occasion talked hearteningly—in general terms—about the need of living within our means, and of steadfast refusal by government to undertake tasks that the people themselves can do much better. At times, particularly in recent months, he has spoken in words that the elder statesmen often used to remind us of our way of life and to guide us down the road of fiscal and financial sanity. He, unfortunately, has yet to translate these noble sentences into concrete proposals.

About-Face Needed

Of course, a really balanced budget, and a drastic reduction in those outlays and commitments which evade inclusion in the budget, would mean a complete about-face in the general social philosophy of the day. It would require that a very large part, in fact much the larger part of the New Deal and the Fair Deal be scrapped. There is a limit upon what could be done without such drastic medicine. Greater efficiency, and some trimming here and there would hardly scratch the surface of the reductions in outlays that are really needed and which must be effected if soundness is to be brought to our national finances. We simply cannot afford to pay out billions of dollars every year to keep millions on the farms where they produce goods that can not be sold. We can not afford what we are now doing in other areas either in the form of actual cash outlays or in the form of guarantees and "insurance." In point of fact, we may well prove to be unable to continue indefinitely to do all these things and remain solvent. That is the sad fact of the matter.

And let us make no mistake about it, a real balance in our national financial affairs must be attained not by more and more taxation, but by reductions in outlays which would permit reductions in taxes. If we insist upon unduly large expenditures then we must, of course, see to it that taxes sufficient to cover them are levied and collected, but tax reductions, not tax increases, are what we really need and must have. That can be achieved only by getting the government out of many areas which it should never have entered.

Prospects and Problems Until We Reach the "Golden '60s"

By IRA T. ELLIS*
Economist, E. I. du Pont de Nemours & Company
Wilmington, Delaware

Du Pont economist offers an economic preview of the near future broken down into principal categories and subcategories. Noting that the new output high expected in 1959 will average but 2% above January, the writer explains this is due to substantial recovery having already occurred from 1958's low level. For 1960, he anticipates further moderate rise and voices misgivings about our ability to restrain price inflation as we head into full capacity during this crucial year. Pleading for positive action, Mr. Ellis warns that if we overdo expansion we may suffer a business decline in 1961 or 1962 which will be complicated by downward family formation trend occurring at that time. He adds that once we recover from a probable decline in the early 1960's, "we shall be in the period of the 'golden 1960's'" providing we sustain rising labor force with employment during the interim years.

Although unemployment is more serious now than it has been since 1954, the current rising rate of business activity will rapidly absorb the normal labor force, although we shall continue to have perhaps 5% of the labor force reported as unemployed at a particular time—because of seasonal factors, new young workers seeking their first job, reduced employment in declining industries, reduced employment in agriculture, workers with less skill than the market demands, workers displaced by do-it-yourself activities, workers displaced from one activity but unwilling to take other available employment, and many other reasons. The problem of providing employment when and where it is desired, matching the skills required on a job with the available skills, paying desired wage rates and fringe benefits, is extremely difficult. Certainly, it cannot be solved permanently by so simple a measure as increasing Federal spending.

Ira T. Ellis

Business activity has been rising since last April, supported again by rising residential construction, the end of inventory liquidation and the resumption of inventory building, and this time by a rise in spending by the Federal Government. The Federal deficit in this fiscal year may reach $12-$13 billion, with much of it financed through the banking system, i.e., by creating credit and inflating the money supply. And note that the deficit will result more from a rise in *spending* than from a decline in *receipts*. Budgeted expenditures in the current fiscal year are $9 billion above the level of a year ago, and budgeted receipts are down $1 billion. Business spending for new plant and equipment has not risen much yet because of the excess capacity built in the previous three years—excess in relation to present demand but likely to be absorbed within a very few years. Automobile sales are running significantly above the level of a year ago, but they are not yet approaching the level of 1956 or 1957, not to mention the record levels of early 1955.

Interest rates are relatively high because of the high demand for borrowed funds from government, from individuals for residential mortgages and to finance the rising rate of automobile sales, and from businessmen. Note that present rates are high only in comparison with the "easy money" rates of the past 25 years—the rates which fostered the rising commodity prices and the rising cost of residential construction over the past 13 years. Current interest rates are about where they were in the 1920's.

But interest rates are rising for a reason other than the relatively high demand for loanable funds. There is fear that rising employment costs, rising taxes, and continuing Federal deficits will foster continuing increases in commodity prices. Long-term money loaned today may lose a significant part of its purchasing power before it is returned. Savers, therefore, are reluctant to lend funds rather than to purchase equities, and when they do lend they ask that the interest rate provide some protection against rising prices as well as providing payment for use of the money.

The trend of business activity will be up throughout 1959. The average for the year will represent a new high record, and the fourth quarter rate will be the best of the year. Industrial production—the output of our factories and mines in physical terms—may be up 9% in 1959 over 1958, but note that this average level would represent a rise of only 2% from January, 1959. A substantial part of the recovery from the low level of 1958 has already occurred. Furthermore, industrial production may be held down by a steel strike in the third quarter of this year.

The output of durable goods may rise 11% in 1959 over 1958, with the output of primary metals up 28%, and automobile production up 27%—from 4.24 million units last year to 5.4 million in 1959. (Retail sales of domestic automobiles may rise to 5.1 million units this year, compared with 4.3 million in 1958.) The output of machinery may be up 10%.

The output of nondurables may rise 6%, with the output of textiles and apparel up 8%, paper and printing up 5%, and chemicals and allied products up 7%. The principal increases in chemicals and allied products are expected in the industrial organics, up 12%. Output of synthetic fibers may rise 17%, synthetic rubber, +15%, and plastics materials, +12%. Paint products may rise 8%. More moderate growth rates are expected in the output of vegetable and animal oils, soap and allied products, and fertilizers. While the expected rise in the production rate of chemicals and allied products in 1959 over 1958 is substantial, remember that much of the increase has already occurred. We estimate that the *average* production rate for the year will be about 2% above the January level.

Turning to some of the more general factors which will importantly affect the level of business activity, the number of housing starts this year will be about the same as last year—1.2 million or a little more—but it will be somewhat below the seasonally adjusted level of the past six months. Business spending for new plant and equipment may rise to $32.5 billion, up 7% from the total for 1958—the same rate of recovery as we enjoyed in 1955 from 1954. Nonfarm business inventories may *rise* $3 billion, or 3.5%, this year, compared with their *decline* of almost $6 billion in 1958. We are already seeing the beginning of this rise in the current increase in steel orders, and the moderate but widespread rise in business activity we see will require gradually rising inventories.

Government spending seems likely to rise at all levels in 1959. It will rise at the Federal level because of the high rate of spending authorization already on the books for the first half of 1959. Even if total expenditures for *fiscal* year 1960 should be held to $77 billion, spending for *calendar* year 1959 would exceed that of 1958 by about $4.5 billion. We can and should balance the Federal budget in years of prosperity by restricting expenditures to an amount we are willing to pay for. Spending by state and local governments will rise this year because of rising expenditures for roads, schools, and public welfare. Here, also, we should restrict spending or increase taxes to pay-as-we-go for the services we demand from government.

Looking ahead to 1960, we expect business activity to rise moderately further in that year above the 1959 level, based principally on expected increases in automobile production and on business spending for new plant and equipment. Wage rates, personal income, and corporate profits will all make new high records in 1960, even if wage rate increases are restricted to amounts the economy can afford without raising prices. The problem of cost control will be more difficult in 1960 than it is in 1959, together with the problem of restraining price increases as the economy again approaches practical capacity output. That will be the year when we must determine whether or not we can have economic growth *with* price stability, which should be our goal. Here, also, is an area where the accomplishments we desire will not come automatically or inevitably; we must do something positive to secure the desired result.

If we overdo the expansion of business capacity, inventory building, residential construction, and credit expansion in 1960, we may suffer a business decline in 1961 or 1962. We may have difficulty in sustaining a high growth rate in the economy over the next few years because the rate of family formation is still being restrained by the low birth rate of the late 1930's. But, when we recover from a probable business decline in the early 1960's, we shall be in the period of the "golden 1960's" when the labor force and family formation will be rising rapidly because of the high postwar birth rate. Here again, however, prosperity will not be automatic. We must provide employment in these years for a rapidly rising labor force in order to provide the necessary income to purchase the goods and services the economy will be capable of providing.

In conclusion, if we manage our affairs in the next few years to avoid a *major* business decline—and I think we can—and if we do not suffer a third world war—as I think we shall not in these years—the long-term business outlook in this country is excellent.

*From a talk by Mr. Ellis before the Synthetic Organic Chemical Manufacturers Association, New York City, March 11, 1959.

Bernenko V. P. of Madison Fund Inc.

Herbert A. Bernenko has been elected vice-president of the Madison Fund, Inc., New York City. Mr. Bernenko was formerly associated with Laurence M. Marks & Co. as security analyst and portfolio manager.

Herbert A. Bernenko

CORRECTION

The table showing Life Insurance Holdings in the Chemical Industry, found in Mr. Richard G. Woodbridge III's article, "A Long-Term Investor Looks at the Chemical Industry," page 24 of the March 5th issue of the *Chronicle*, inadvertently left out a vital figure. The table should have included John Hancock Life Insurance Company's holding of 20,000 shares of Hercules Powder Company common stock.

Form Investing Co.

HARTSDALE, N. Y.—Nationwide Small Business Capital Investing Corporation has been formed with offices at 11 Rockledge Road to engage in a securities business.

Growth Stocks as Exemplified In the Chemical Industry

By DR. ROBERT E. KENNEDY, JR.
Partner, Palmer-Kennedy Organization, Dallas, Texas
Member of the Faculty of the Business School
at University of Arkansas

Can growth stocks be identified and evaluated? In answering this question affirmatively, Dr. Kennedy uses the chemical industry to illustrate evidence submitted to buttress his conclusion. The writer goes into detail regarding the proximate and ultimate causal determinants of growth stocks. The former, financial characteristics, are held to be capable of quantification and the latter, fundamental characteristics, are deemed not amenable to exact quantification but sufficiently general in scope and regular in occurrence to comprise a nucleus of causal factors. A third grouping of characteristics, concerning investment results, are offered as the pragmatic test differentiating growth stocks from other equity types of investment media. All in all, growth industry characteristics are found to apply to scientific and automated industries, and not to nature oriented and public utility industries, and contain much of the economics found in oligopoly. They are singled out as the better hedge against long run inflation.

For more than a decade now, the investment merits and risks of owning growth stocks has been a subject of consuming interest and fascination to investors and security analysts alike. Growth stocks have come to be accepted as a separate, if not unique, class of common stocks, being differentiated from other types of equities (viz., cyclical and income stocks) by the presence of identifiable features and characteristics. The evergrowing body of literature pertaining to growth stocks states that such identifying characteristics are virtually common knowledge in the field of investments,[1] and, by implication, do not justify further descriptive treatment. However, a thorough screening of the available literature will definitely establish that surprisingly few published studies have attempted to formalize and organize the distinguishing traits of growth stocks into an operational framework of identifying characteristics. In the absence of an operationally *a priori* framework, sentiment or intuition would probably have to serve as the means for identifying and selecting growth stocks as investment media. Accordingly, the aim of this paper is to postulate a descriptive framework of significant growth characteristics and thus to provide a practical basis of judgment in the identification and evaluation of growth stocks for prospective investment.[2]


R. E. Kennedy, Jr.

The controlling characteristic of growth stocks is their high and rising earning power. Per-share earnings and, therefore, dividends tend to grow in accordance with the operation of compound interest. In this paper, a "growth" stock is defined as the common equity of a company whose per-share earnings and dividends appreciate at a long-term rate of growth substantially faster than the historical rate of growth of the national economy.[3] As concerns its past record, such a stock should have grown considerably faster than 3% compounded annually (i.e., faster than the historical growth of GNP) in order to qualify as a growth situation. Consistent with the excellence of its past performance, this stock must likewise indicate exceedingly good prospects of continuing its rapid growth in the future.

Concerning the future, wisdom dictates that such a stock should be purchased on a reasonable premium and/or yield basis, so that the favorable growth prospects are not at the outset fully discounted by the current market price. If purchased at an unreasonably high premium, an otherwise sound investment-type growth stock becomes a long-range speculation, and in this case, the investor can normally hope to do no better than break even. This matter of acquiring growth stocks at reasonable prices is of decisive importance, and yet it is likely to be the investor's most perplexing problem. The problem of pricing growth stocks is a very complex subject in itself; in any case, it cannot be explored in this paper.[4]

Three major groups of growth characteristics are discernible as being causally linked with the pivotal characteristic of high and rising earning power. For the sake of convenience, these groups are denoted as (1) financial, (2) fundamental, and (3) investment characteristics of growth stocks. These three groups form a hierarchy of growth characteristics. The financial and fundamental factors constitute, respectively, the proximate and ultimate determinants of high and rising earning power which, in turn, makes possible the superior investment results expected from long-term ownership of growth stocks.

Financial Characteristics

The financial characteristics, postulated as the immediate determinants of high and rising earning power, are amenable to quantification, and consist of such financial aggregates as a steady uptrend in sales volume, the growth of financial resources and equity (book) values, a continuation of wide profit margins, and high earning rates on invested capital. These financial developments, when combined with a heavy plow-back policy of internally generated funds invested in wide profit-margin product lines, provide the basis for the rapid and sustained growth of corporate earning power which tends to expand in accordance with the principle of compound interest. To illustrate the financial characteristics of growth stocks, selected financial ratios of eight leading companies in the historically dynamic chemical-products industry are summarized in Table 1 for the 1946-55 decade; they give concrete evidence of relatively high retained earnings (heavy plow-back policy), high earning rates on equity capital, and rapid growth in sales volume.

The equity shares of E. I. du Pont de Nemours and Company constitute an interesting example of a growth situation whose earnings and dividends have increased at a compounded rate of 7% per annum for the past thirty years. Throughout the history of its growth and adaptation to changing economic climates, du Pont has managed to maintain high earnings rates on invested capital and to generate internally sufficient funds in meeting its growth requirements and in paying substantial dividends relative to earnings.

As a general proposition, it can be said that growth companies finance their growth requirements largely by plowing back internally generated funds into new plant capacity which, itself, is characterized by a high marginal efficiency of capital. This process is cumulative, for the new capacity, once in commercial operation, tends to enhance earning power, out of which a large proportion is again reinvested in additional capacity. Accordingly, the growth process makes possible, and justifies, a heavy plow-back policy. So long as a strong product-demand and high earning rates prevail, the growth process is self-generating and self-financing.[5]

It is a sensible stratagem for growth companies to retain and

Continued on page 31

1 As representative of this view, John C. Clendenin and Maurice Van Cleave comment that "an almost unlimited volume of literature has discussed the features of growth industries and growth stocks . . ."—"Growth and Common Stock Values," *Journal of Finance*, December, 1954, p. 365.

2 The descriptive framework elaborated in this paper has been derived largely from an empirical examination of the chemical-products industry and its 12 leading chemical stocks. This study became the basis of a Ph.D. dissertation by the author, entitled "The Concept of Growth in the Evaluation of Common Stocks as Illustrated by the Chemical Products Industry (University of Texas, May, 1957).

3 The treatment of growth stocks in this paper is intended to apply only to blue-chip securities which have a considerable history of satisfactory performance and which have been assigned top investment ratings by the important advisory services. By logical exclusion, this will eliminate from consideration many of the equities being sporsored and advertized as growth stocks by investment brokerage firms.

4 As one such technique, see Robert E. Kennedy, Jr., "An Approach to Pricing Growth Stocks," *Analysts Journal*, August, 1957, pp. 31-33.

5 There are cases of such exceptional growth that internal means are insufficient in financing long-term growth requirements. IBM, for example, retains nearly all of its reported earnings for plow back; yet, it has been forced to the bond market in raising roughly 40% of its capital funds in meeting growth requirements.

The Short-Sightedness Involved In Granting Credits to U.S.S.R.

By PAUL EINZIG

If international credit is to be extended by Britain, then it should be directed to underdeveloped countries rather than to the U.S.S.R. Dr. Einzig fears credit may be offered to U.S.S.R. to alleviate Britain's unemployment problem or lessen Russia's demands on Berlin. He admonishingly avers that even if Russia were the only country capable of buying more goods it would be less foolish to engage in "make-work" projects than to assist Russia's growth or allow her to finance greater imports with no increased demands on her gold supply.

LONDON, Eng.—The campaign in favor of granting credits to Soviet Russia is making appreciable progress. Following up the remarks made by Mr. Mikoyan when in the United States, and those made by Mr. Khrushchev on the occasion of Mr. Macmillan's visit in Moscow, Mr. S. A. Skachkov, Chairman of the Soviet State Committee for Economic Relations with Foreign Countries, has now come out in the open with a plea for British credits. He paid a visit to Britain, in the course of which he missed no opportunity for pressing his claim. Speaking at a lunch given by the so-called "British Council for the Promotion of International Trade" —an organization, not to be confused with the official British Council, created for the purpose of increasing trade with the Communist bloc — he said that the USSR could double its trade with Britain in the next five years if Britain wanted it.


Dr. Paul Einzig

"The Seven Year Plan is based on our own resources," he said. "But if the United Kingdom wants additional orders beyond those paid for by Soviet exports, we are willing to place orders on credit. If you give us credits we shall let you have the orders." He also pressed for an increase of British imports from the Soviet Union. "If sales to the United Kingdom could be stepped up, Russian purchases would increase, leading to lower unemployment."

The fact of the matter is that Soviet Russia has a perennial adverse trade balance with Britain and the sterling area. The Soviet Union is unable to produce goods which are marketable in Britain, beyond goods such as tin, aluminum, etc., the import of which is not encouraged. So year-after-year Russia exports gold to pay for her trade deficit. But Soviet gold production is supposed to have increased very considerably, so that the Soviet Government could well afford to import more British goods without necessarily obtaining credits.

Evidently the object of the plea for credit is to be able to import more without having to part with more gold. Now gold is the main weapon in the economic cold war. Yet Moscow seriously expects the British Government to go out of its way to enable Russia to accumulate more gold and thus to increase its financial power.

Even If USSR Was the Only Country

This campaign is well timed. It benefits by exaggerated fears of unemployment in Britain on the eve of the general election. But it must be remembered that Russia is by no means the only country which would be able to import more British goods if Britain is prepared to grant credits to finance the additional imports. There are many underdeveloped countries which are very keen on buying more British capital equipment and also consumer goods, but cannot afford to do so. Why then should Britain's limited credit resources be given to the potential enemy instead of being given to friendly freedom-loving countries? And even if Russia were the only country capable of buying more British goods, it would be less foolish to reduce unemployment by digging holes in the ground and filling them again than by increasing the output for the sake of assisting the Soviet Seven Year Plan.

Quarters which would be opposed to the granting of a long-term loan to Russia are in favor of financing British exports to Russia with the aid of official export credit guarantees. They are under the illusion that, since the credits have to be paid, Russia will have to part with gold eventually. What they overlook is that, even if the original credits are repaid, new credits would be granted under the maximum of official guarantees, so that an amount of credit corresponding to that maximum would be outstanding all the time, even if the actual transactions it finances change over and over again. The amount of facilities granted would enable the Soviet Union either to maintain its imports with the aid of smaller gold exports, or to increase imports without having to increase gold exports. In either case, Russia would obtain a net gain.

More Than Coincidence

This campaign for credits coincides with the Soviet demand for the withdrawal of Western forces from Berlin. It is, to say the least, unusual for a government to approach another country for financial assistance precisely at a moment when it threatens that country with aggressive action in the near future. But possibly this is not sheer coincidence. Perhaps Mr. Khrushchev hopes to be able to achieve a bargain under which the Western Powers would grant Russia large credits in return for adopting a less uncompromising attitude over Berlin.

It is even conceivable that one of the main reasons why he put forward his demands for the change in the status of West Berlin is to strengthen his bargaining position, in order to be able to obtain large credits. This may sound fantastic. But we must bear in mind that Mr Khrushchev's position in Russia depends on his ability of increasing the volume of consumer goods without neglecting either capital investment or the maintenance of superior armed forces. To be able to do so he needs large external credits. It might be well worth his while to make substantial concessions in the political field for the sake of getting financial aid.

It would be very short-sighted on the part of the British Government if it were to yield the temptation of securing political concessions at the cost of financial assistance. Any such assistance would further increase the power of the Soviet Government, and the cost of further concessions would increase.

Application of Anti-Trust Laws of U.S.A. on Canada and Abroad

By HON. E. D. FULTON*
Canadian Minister of Justice
Ottawa, Canada

After comparing the similarities of anti-trust laws and practices in his country with ours, Canadian Minister of Justice—without criticizing our internal affairs—charges that the extra-territorial application of our anti-trust law causes serious misgivings in a number of friendly countries to the U. S. A., besides Canada. Mr. Fulton cites examples showing what he alleges are undue and unacceptable interference with his country's sovereignty. The real issue, he points out, is the arrangements entered into by Canadian firms in Canada which are matters of Canadian commerce governed by Canadian anti-combine and patent laws. Concludes by recommending "self-imposed restraint" and a *modus vivendi*—based on mutual understanding and respect—so that actions affecting other countries are taken up in diplomatic channels.

Anti-trust legislation, or, as we have called it for many years, anti-combines legislation, in so far as it asserts the principle of freedom of competition in limitation of the freedom of contract, appears to have been essentially North American in origin. Perhaps, because later on I may appear to be critical of the extra-territorial effects of your legislation, I may be permitted to indulge a pardonable pride in pointing out now that on this continent the historical initiative, federally at least, belongs to Canada rather than the United States, by something over a year.


E. D. Fulton

For your Sherman Act was enacted on July 2, 1890, whereas our original anti-combines provision was enacted on May 2, 1889.

Perhaps I should soften the effects of anything I may discuss later by emphasizing also that the anti-trust law of the United States and the anti-combines law of Canada appear to have much in common. Under both systems, for example, the issue in combination cases is the extent to which competition has been interfered with; and practices like price fixing have been declared by the courts to be *per se* offenses, at least when they affect a substantial part of the market. In such cases, the courts of both our countries have held that they will not entertain any defense to the effect that the prices that have been fixed or the other like restraints that have been imposed are moderate or reasonable.

Compares Cases

The similarity between the way in which the laws in our two countries have been applied domestically may be illustrated by the following two quotations, the first of which is from your *American Column and Lumber Co.* case, and the second from our *Container Materials Limited* case:

The American courts have said:

". . . it has been repeatedly held by this court that the purpose of the statute is to maintain free competition in interstate commerce and that any concerted action by any combinatioin of men or corporations to cause, or which in fact does cause, direct and undue restraint of competition in such commerce, falls within the condemnation of the act and is unlawful." *American Column and Lumber Co. et al vs. United States 257 U. S. 377.*

The Canadian courts have said:

"The enactment before us, I have no doubt, was passed for the protection of the specific public interest in free competition. . . . This protection is afforded by stamping with illegality agreements which, when carried into effect, prevent or lessen competition unduly and (by) making such agreements punishable offenses." *Container Materials Ltd. et al vs. The King 1942 S. C. R. 147.*

An interesting sidelight on our respective systems of anti-combines and anti-trust is the relationship they are from time to time thought to bear to the English common law. You may remember that in the *Standard Oil* case (Standard Oil Co. of New Jersey vs. United States 221 U. S. 1) of 1911, and the *American Tobacco* case of the same year, Chief Justice White took the view that the Sherman Act was a codification of English common law principles. In the latter case he said:

". . . it was held in the Standard Oil case that, as the words 'restraint of trade' at common law and in the law of this country at the time of the adoption of the anti-trust act only embraced acts . . . which operated to the prejudice of the public interests by unduly restricting competition, or unduly obstructing the due course of trade, or which . . . injuriously restrained trade, that the words as used in the statute were designed to have and did have but a like significance." *United States vs. American Tobacco Co. 221 U. S. 106.*

On the other hand, in a case occurring in Canada about 1912, Mr. Justice Duff, who later became Chief Justice of the Supreme Court of Canada, emphasized the difference between the principle of the Canadian legislation and the English common law decisions which, although they made certain reservations in favor of the public interest, nevertheless stressed the rights of individuals to contract freely and took a lenient attitude towards restraints upon trade. But he went on to say:

"It is quite clear that all of these eminent Judges had in view the possibility of a state of circumstances arising in which the public interest in restraining encroachments upon freedom of competition might have to be maintained at some sacrifice of the public interest in freedom of contract, even in such common commercial transactions as the sale of a business.

It was because, no doubt, in the opinion of the legislature the conditions had actually come into existence which Lord Bowen foresaw as a possibility merely, that this legislation was enacted." *Weidman vs. Shragge (1912) 46 S. C. R. 1.*

Recent Developments Abroad

And England itself, as you all know, no longer depends upon the common law for putting a brake on restrictive trade practices. Their 1948 Act set up machinery whereby the Monopolies and Restrictive Practices Commission, at the express reference of the Board of Trade (which corresponds of course with your Department of Commerce and our Department of Trade and Commerce) was empowered to investigate an industry characterized by restrictive, monopolistic or quasi-monopolistic conditions and report whether the things being done were operating or might be expected to operate against the public interest. That Act laid down no presumption for or against competition.

But, in 1956, this Act was in large measure superseded by a piece of legislation which lays down a definite presumption in favor of competition, and requires the parties to restrictive arrangements to bring such arrangements before a trade court and there justify them on one of seven specific grounds and to show that on balance they are not against the public interest. Failing such proof, the agreement will be declared invalid. This 1956 legislation is obviously a long step away from the common law and in the direction of the absolute competitive principle.

In recent years other countries too have shown a new interest or a revival of an old interest in the field of legislation to control restrictive and monopolistic practices. The Scandinavian countries, Western Germany and France, are among this number although, as you know, the regimes set up outside the United States, Canada and the United Kingdom are ordinarily more tolerant of restrictive practices and tend more in the direction of their supervision than of their repression.

To return to this Continent, it must be admitted that your legislation, embracing as it now does the Federal Trade Commission Act, the Clayton Act, the Robinson-Patman Act, and various related pieces of legislation as well as the Sherman Act, has been applied to a far greater number of cases than has our anti-combines legislation, even making due allowance for the fact that your population is about ten times our own.

Law's Effectiveness in Canada

It is my belief, however, that although the volume of the litigation is smaller in my country than in yours, its impact is proportionately as great. If you were to talk with businessmen in Canada and to note the prominence given to combines cases, both by way of news coverage and editorially in our press, you would, I think, be quite convinced that the Combines Branch, despite its small size and the comparatively

Continued on page 26

*An address by Mr. Fulton before the Anti-Trust Section of the New York State Bar Association, New York City.

CANADIAN PACIFIC RAILWAY COMPANY

Seventy-Eighth Annual Report of the Directors to the Shareholders (Abridged)

Your Directors present herein their report on the results and developments of the past year.

The decrease in the volume of industrial production in Canada in 1958 contributed to a lessening of demand for many of your railway services. Nevertheless, your Directors feel that the year was one of solid achievement. Real progress was made in the use of modern methods and the decline in revenue was matched by a proportionate reduction in expenses. The outcome of the dispute as to the need for firemen on diesel locomotives in freight and yard service, the activity now underway to integrate the handling of less-than-carload and express traffic, and the growing success of your piggyback service which became evident during the year, give promise of a steady increase in the efficiency and quality of railway service.

Railway revenue was 4% below that of the previous year notwithstanding that higher freight rates produced an increase of $7.9 million in revenue in 1958 and that revenue in 1957 had been adversely affected by a nine-day strike.

Freight traffic volume measured in ton miles showed a net decrease of only 1.5%. The lesser decline in volume than in revenue resulted from the fact that a major increase occurred in the movement of low-rated grain and grain products while higher-rated general freight traffic decreased. The grain and grain products movement, the largest part of which is at the fixed statutory Crowsnest Pass rates, accounted for 34% of all freight service performed in 1958 but produced only 14% of total freight revenue.

Rising labour costs were again of paramount concern to your Company. Agreements with organized employees for increases in wage rates recommended by a Board of Conciliation which were in part retroactive to January 1, 1958, were concluded only after the necessary revenue was ensured from an increase in freight rates. The increase in the general level of freight rates authorized by the Board of Transport Commissioners was 17% effective December 1. An appeal to the Governor-in-Council by objecting provinces was dismissed.

Faced during the year with falling revenue, rising labor costs, and the fixed nature of many railway expenses, your management acted promptly to control expenses. This measure and the economies resulting from the use of more efficient equipment and methods held the decline in net earnings to $1.8 million from the previous year. The rate of return on your net investment in railway property was 2.7%.

Other Income declined by $10.0 million as a result of decreases in income from almost all sources. Dividends declared by The Consolidated Mining and Smelting Company of Canada Limited were sharply lower, and losses were incurred in the operation of your steamships, air lines and hotels. Net income from petroleum rents, royalties, reservation fees and land rents was also lower mainly as a result of unfavorable market conditions for crude oil.

Net Income, after fixed charges, amounted to $32.9 million and represented earnings of 3% on Shareholders' Equity of $1,113 million. After providing for dividends of 4% on Preference Stock and $1.50 per share on Ordinary Stock, there was left a balance of $8.6 million available for modernization and other corporate purposes.

Capital expenditures in the amount of $94 million were undertaken during the year. Of this, $81 million was expended on railway plant and equipment, and the remainder on communications, hotels, steamships and other properties. Gross investment in Properties at year end was $2,279 million, an increase of $49 million, and working capital, at $82.2 million, was up $18.3 million from 1957.

The Income and Retained Income Accounts show the following for the year ended December 31, 1958:

Income Account

Railway Revenue		$467,410,853
Railway Expenses		430,919,006
Net Earnings		$ 36,491,847
Other Income		13,408,712
		$ 49,900,559
Fixed Charges		16,997,521
Net Income		$ 32,903,038
Dividends:		
Preference Stock	$ 3,068,538	
Ordinary Stock	21,217,963	
		24,286,501
Balance transferred to Retained Income Account		$ 8,616,537

Retained Income Account

Retained Income (Balance), December 31, 1957		$487,320,647
Balance of Income Account for the year ended December 31, 1958	$ 8,616,537	
Net Proceeds from Sales of Lands and Townsites	4,682,211	
Excess of considerations received for sales of properties over book values	2,550,416	
Miscellaneous (Net)	622,528	
		16,471,692
Retained Income (Balance) December 31, 1958, as per Balance Sheet		$503,792,339

Railway Operations

Net railway earnings amounted to $36.5 million, a decrease of $1.8 million, or 5%, from the previous year. The ratio of net earnings to gross revenue was 7.8% and while this ratio was the same as that of the previous year, it was substantially less than adequate.

Railway revenue, at $467 million, was $20 million, or 4%, lower than in 1957. Freight traffic, which provided four-fifths of total revenue, accounted for $15 million of this decrease. Expanded common carrier piggyback services added $4.5 million to freight revenue and freight rate increases approximately $7.9 million. Despite the yield from increased freight rates, the average revenue for the carriage of a ton of freight a distance of one mile decreased from 1.50¢ to 1.47¢. This was the result of a 6% increase in the movement of low-rated grain and grain products, and a decrease of 5% in the total of all other commodities.

There were marked decreases in ton miles of animals and animal products; mine products; logs and pulpwood; manufactured goods, including non-ferrous metals, iron and steel products, heavy machinery, agricultural implements, automobiles and newsprint; miscellaneous commodities, mainly petroleum products, cement and less-than-carload merchandise. Contrasting with this general decline, there were, in addition to the increase in volume of grain and grain products, increases in fruits and vegetables, iron ore, lumber, woodpulp, paperboard and canned goods. The volume of merchandise traffic handled in piggyback service for common carriers was approximately 780,000 tons. This exceeded the volume of less-than-carload traffic, which between 1947 and 1958 dropped from 1,681,000 tons to 557,000 tons.

Passenger traffic decreased from 1.3 billion to 1.1 billion revenue passenger miles. The number of passengers carried declined from 8.0 million to 7.7 million, and the average passenger journey, at 148 miles, was 18 miles shorter than in 1957. In addition to a decrease in ordinary passenger traffic, decreases occurred in military traffic, immigration and other traffic originating in Europe, and in interline traffic.

Mail revenue decreased, partly as a result of passenger train service reductions to eliminate unprofitable services.

Express revenue was up slightly from 1957 as a result of rate increases. Expenses increased less than revenue and, as a result, the net earnings of your Express Company carried to railway earnings as compensation for the carriage of express traffic were higher by 1%.

Railway expenses, at $431 million, were $18 million, or 4%, below the previous year. This decrease was in full proportion to the decrease in revenue and was achieved through reductions in maintenance work and savings produced from capital outlays, notably for diesel locomotives, despite the fact that higher wage costs added $9.7 million to expenses.

It has been deemed prudent to adopt in the accounts of your Company the straight-line basis of depreciation adopted by the Board of Transport Commissioners for rate-making purposes. This change was effective July 1, and depreciation accruals were $1.7 million higher than they would have been had the user basis of depreciation continued for the full year.

Road maintenance expenses were 3% below those of 1957. This decrease was the result mainly of reduced repair work on structures. Track maintenance expenditures were near the level of the previous year.

Equipment maintenance expenses decreased 2%. There was a marked decrease in locomotive repair expenses as fewer steam locomotives underwent heavy repairs, although this was partly offset by an increase in diesel locomotive repair expense as more units came due for extensive overhaul. Freight car repair expense was

H I G H L I G H T S

YEAR'S RESULTS	1958	1957	Increase or *Decrease*
Railway Revenue	$ 467,410,853	$ 487,565,479	*$20,154,626*
Railway Expenses	430,919,006	449,319,097	*18,400,091*
Net Earnings	36,491,847	38,246,382	*1,754,535*
Ratio Railway Expenses to Railway Revenue	92.2%	92.2%	—
Other income	$ 13,408,712	$ 23,441,276	*$10,032,564*
Interest and Rental Charges	16,997,521	14,901,935	2,095,586
Dividends—Preference Stock	3,068,538	3,029,053	39,485
—Ordinary Stock	21,217,963	21,090,379	127,584
Balance for Modernization and Other Corporate Purposes	8,616,537	22,666,291	*14,049,754*
YEAR-END POSITION			
Working Capital	$ 82,197,504	$ 63,940,973	$18,256,531
Investments	163,197,279	136,334,723	26,862,556
Properties	2,278,665,735	2,229,262,112	49,403,623
Funded Debt	192,471,000	144,133,500	48,337,500
TAX ACCRUALS			
Income Taxes	$ 23,640,000	$ 30,500,000	*$ 6,860,000*
Property and Other Taxes	10,909,292	11,290,160	*380,868*
TRAFFIC			
Tons of Revenue Freight Carried	54,367,279	58,493,389	*4,126,110*
Revenue Passengers Carried	7,745,860	8,037,390	*291,530*
Revenue per Ton Mile of Freight	1.47c	1.50c	*0.03c*
Revenue per Passenger Mile	3.08c	2.89c	0.19c
EMPLOYEES			
Employees, All Services	82,853	89,720	*6,867*
Total Payroll	$ 316,116,884	$ 322,226,843	*$ 6,109,959*
Average Annual Wage	$ 3,815	$ 3,591	$ 224

down 6%. There was a reduction in the number of cars repaired during the year, particularly those requiring major repairs.

Transportation expenses decreased 5%, and for the fourth successive year the ratio of transportation expenses to railway revenue was reduced. The increased use of diesel locomotives in road and yard service and of rail diesel cars in passenger service resulted in a savings in fuel, train crew wages and enginehouse expenses of some $10.6 million as compared with the previous year. The proportion of total transportation work performed by diesel power in the year averaged 89% in freight service, 91% in passenger service and 89% in yard service. Notable improvements continued to be effected in service and operating efficiency, and increases were again recorded in average freight train speed and train load. This resulted in a new high in gross ton miles per freight train hour, which in 1958 represented an increase of 57% over 1948.

Other Income

Other Income, after income taxes, amounted to $13.4 million, a decrease of $10.0 million from the previous year.

Steamship operations resulted in a deficit of $1.2 million as compared with a profit of $2.0 million in 1957. Freight revenue from your ocean steamships was adversely affected by depressed ocean rates, particularly on grain and flour, and reduced eastbound traffic. Passenger volume was lower largely owing to reduced immigration traffic, and fewer sailings as a result of the withdrawal from service of the "Empress of Scotland" which had operated for eleven months in 1957. Operation of your coastal steamships resulted in a deficit. The decrease in revenue, owing to the strike of steamship employees on the Pacific Coast, was greater than the decrease in expenses.

Operation of hotels resulted in a deficit of $2.1 million as compared with a profit of $97,000 in 1957. The decrease reflected increased wage costs; the limitation of facilities at the Royal York Hotel owing to construction work on the new extension; and the adverse effect on revenue of the Empress Hotel from the strike of British Columbia Coastal Steamship employees.

Net earnings from communication services amounted to $2.4 million as compared with $2.2 million in the previous year. An improvement in revenue exceeded the increase in expenses resulting from higher labour costs.

Dividend income, at $7.9 million, was down $4.7 million. Dividends from your holdings of Capital Stock of The Consolidated Mining and Smelting Company of Canada Limited at the rate of $0.80 per share amounted to $6,730,000 as compared with a rate of $1.35 per share amounting to $11,356,875 in the previous year. Earnings per share of that Company were $0.86 in 1958 and $1.13 in 1957.

Net income from petroleum rents, royalties, reservation fees and land rents, before provision for income taxes, amounted to $6.8 million, a decrease of $1.6 million. The decrease reflects generally unfavourable markets for crude oil and the transfer of certain revenue-producing mineral rights to your wholly-owned subsidiary, Canadian Pacific Oil and Gas Limited. Royalties were received by your Company on 11.2 million barrels of crude oil production as compared with 17.9 million barrels in 1957. At the end of the year there were 720 producing wells from which royalties were being received as compared with 895 at the end of 1957. Particulars as to the revenue-producing mineral rights transferred are given in the section of the Report covering the subsidiary company.

Net income from interest, separately operated properties and miscellaneous sources amounted to $3.8 million, a decrease of $1.4 million. This was the result of charges against income arising from losses of Canadian Pacific Air Lines, Limited, and Canadian Pacific Transport Company, Limited.

Fixed Charges

Fixed Charges, at $17.0 million, were $2.1 million higher than in 1957 as a result of the issue of $40 million of Twenty-five Year 5% Collateral Trust Bonds, dated February 1, 1958, and $20 million of 4½% Equipment Trust Certificates, Series O, dated June 2, 1958.

Net Income and Dividends

Net Income, after fixed charges, at $32.9 million, was down by $13.9 million. After provision for dividends on Preference Stock, earnings available for dividends on Ordinary Stock and for reinvestment amounted to $29.8 million. This was equal to $2.09 per share on 14,211,783 shares of Ordinary Stock outstanding at the end of the year, compared with $3.11 per share on 14,066,271 shares at the end of 1957.

Dividends were declared on Preference Stock at the same rates as in 1957, comprising 2% paid August 1, 1958, and 2% paid February 2, 1959. Dividends on Ordinary Stock amounted to $1.50 per share, the same as for the year 1957, comprising 75 cents paid August 1, 1958, and 75 cents paid February 27, 1959.

Land Transactions

Net proceeds from sales of lands and townsites amounted to $4.7 million, a decrease of $2.9 million. Sales included 9,587 acres of timber land, 4,485 acres of farm land, and mineral rights in 36,787 acres of land conveyed to your wholly-owned subsidiary Canadian Pacific Oil and Gas Limited. Contracts involving 6,375 acres of land sold in prior years were cancelled.

Balance Sheet

Total assets at the end of the year amounted to $2,655 million, an increase of $102 million.

Working capital, at $82.2 million, was up $18.3 million.

Investments made by your Company included purchases of Common and Preference Stock of Smithsons Holdings Limited for $7.7 million and $510,000, respectively; Preference Stock of Smith Transport Limited in the amount of $137,000; Capital Stock of Canadian Pacific Transport Company, Limited, and Canadian Pacific Steamships, Limited, in the amounts of $1.0 million and $385,000, respectively; and Capital Stock and First Mortgage Bonds of Northern Alberta Railways Company in the amounts of $1.1 million and $2.0 million, respectively.

The net additions to Properties, after retirements, were $49.4 million. The railways and undertakings of nine wholly-owned leased railway companies having a book cost of $22,510,584 were vested in your railway. The total book cost of railway properties is not affected by the resultant transfer of assets.

The Tax Equalization Reserve, recording the amount of income tax liability arising since 1954 from taking capital cost allowances for tax payment purposes in excess of depreciation accruals charged income, increased by $2.2 million. A decision was made by your Directors not to claim capital cost allowances in excess of depreciation accruals in respect of rail property. This step was taken as a result of a decision of the Governor-in-Council on an appeal from the decision of the Board of Transport Commissioners which in effect deprived your Company of the advantages provided by the Income Tax Regulations in respect of capital cost allowances.

Shareholders' Equity per $25.00 of capital stock amounted to $56.50 at year end, an increase of $11.00, or 24%, since 1949. The increase in Shareholders' Equity in this period amounted to $255 million, of which $235 million resulted from the reinvestment of retained earnings in your enterprise and $20 million from the increase in Ordinary Stock outstanding owing to conversions of Collateral Trust Bonds.

Finance

As noted in the last Annual Report, Twenty-five Year 5% Collateral Trust Bonds, dated February 1, 1958, were issued and sold in the principal amount of $40 million, secured by pledge of $48 million principal amount of Consolidated Debenture Stock.

On June 2, The Royal Trust Company, as Trustee, entered into an agreement whereby $20 million principal amount of Equipment Trust Certificates was issued, guaranteed as to principal and interest by your Company. This issue, designated as Series O, maturing in equal annual instalments from June 1, 1959, to June 1, 1968, inclusive, is payable in Canadian currency, and bears interest at 4½% per annum. Under the agreement, equipment constructed or to be constructed at an estimated cost of $25,016,546 in Canadian funds is leased to your Company at a rental equal to the instalments of principal and interest on the Equipment Trust Certificates.

Serial equipment obligations amounting to $8,018,000 were discharged; $3,618,500 Convertible Twenty Year 3⅛% Collateral Trust Bonds, $8,000 Convertible Fifteen Year 3½% Collateral Trust Bonds and $18,000 Convertible Seventeen Year 4% Collateral Trust Bonds were converted into 145,512 shares of Ordinary Capital Stock.

The foregoing transactions resulted in a net increase of $48,337,500 in funded debt, an increase of $43,626,600 in the amount of Consolidated Debenture Stock pledged as collateral, and an increase of $3,637,600 in the amount of Ordinary Capital Stock outstanding.

Pensions and Other Benefits

Pension expense amounted to $22.3 million, an increase of $1.0 million, or 4%. This outlay comprised the portion of pension allowances currently paid by your Company, a contribution of $6.4 million to the Pension Trust Fund, and levies in respect of employees covered by the United States Railroad Retirement Act.

Contributions by your Company in respect of employee health and welfare benefit plans and unemployment insurance amounted to $5.1 million. This compared with $4.7 million in 1957.

Wages and Working Conditions

Early in the year your Company affirmed its intention to implement the Report of the Royal Commission which had found that firemen were not required by your Company on diesel locomotives in freight and yard service. A strike called by the firemen's union was terminated on May 13, after three days' duration, by the signing of an agreement. It provided that firemen having seniority prior to April 1, 1956, would continue to work as such, but would not be replaced, and that while the employment of those having seniority from that date onward would be terminated, they would be given preference for re-employment with your Company in other capacities.

Following authorization of an increase in freight rates by the Board of Transport Commissioners, agreement was reached with the unions representing the non-operating employees for increases in wages and benefits on the basis of recommendations of the Conciliation Board to which the dispute had been referred. The agreement, effective until December 31, 1959, provided for wage increases of 4¢ per hour from January 1, 1958, 3% from September 1, 1958, and 3% from April 1, 1959; an increase to $4.87 from $4.25 in the monthly contribution paid by your Company per employee for health and welfare benefits; and an increase in vacation with pay to four weeks from three weeks for employees with 35 years or more of service.

Requests were made by unions representing operating employees for wage increases amounting to 25% for conductors, trainmen and yardmen, and 18% for locomotive engineers, firemen and hostlers, and for a number of changes in operating rules. An agreement effective to January 1961 was reached with locomotive engineers on Eastern Region providing for wage increases of 4¢ per hour from July 14, 1958, 3% from March 14, 1959, and 4½% from October 14, 1959; for certain rules changes and reductions in arbitraries; and for an additional paid statutory holiday in yard service. Negotiations with locomotive engineers on Prairie and Pacific Regions were continued. Negotiations with the firemen's union, which attempted to revive the issue of the use of firemen on diesels, were not successful, and the union requested that the matter be referred to a Board of Conciliation to hear all items in dispute. The Minister of Labour has advised that the terms of reference to the Board will not include the diesel issue.

Disputes over wage rates and other matters led to a strike by personnel of your British Columbia Coastal Steamships service from May 16 to July 26. Service was resumed under terms of an Act passed by the Parliament of Canada placing the operations under control of a Federal Administrator. Agreements extending to August 1961 were concluded early in 1959, providing for graduated wage increases to September 1960, and for other benefits.

Negotiations with employees of the Royal York Hotel resulted in an agreement, effective until August 15, 1960, providing for graduated wage increases.

Steamships

The keel of your third new passenger-cargo liner was laid on January 27, 1959. This vessel, which will accommodate over 1,050 passengers and will be the largest in your ocean fleet, is expected to enter regular North Atlantic service in the spring of 1961. Passenger carryings of your passenger-cargo liners were well maintained, having regard to prevailing conditions.

The "Empress of England" completed a successful first season in West Indies cruise service, having replaced the "Empress of Scotland" which was sold early in 1958. Because of the increased capacity of the new vessel, and the higher standard of its facilities, the number of cruise passengers reached a post-war high.

Cargo operations between United Kingdom and Great Lakes ports, which were inaugurated in 1957 with two small chartered vessels, were continued in 1958 with four such vessels. With the opening of the St. Lawrence Seaway in 1959, it is planned to operate this service with four chartered ships, but two of these will be slightly larger and faster than those operated in 1958.

Three of your coastal steamships were sold during the year. The "Yukon Princess," formerly assigned to the Alaska service, was sold in April. The "Princess of Alberni" and the "Queen of the North," which had served the West Coast of Vancouver Island and Northern British Columbia ports, respectively, were sold in July.

Air Lines

Your Air Lines had a net loss of $1.9 million after taking up profits of $412,000 from the sale of aircraft, buildings and equipment. This loss reflects the operation of restricted frequencies on light-density routes which is an outgrowth of the fact that the Government-owned Air Line has been given the overriding right in the international field as well as being the chosen instrument domestically.

Revenue from domestic services decreased 21%. Certain schedule and charter services were discontinued in 1957 and there was reduced activity in the British Columbia forest and construction industries. A new service from Vancouver to Kelowna, using DC-3 aircraft, was introduced in the summer of 1958.

Revenue from international services increased 29%. All routes showed substantial improvements in traffic, with the Mexico-Madrid and Vancouver-Orient services recording the greatest increases. The addition of Edmonton as a traffic point on the Vancouver-Amsterdam route and of Santa Maria on the Montreal-Madrid route; the introduction of Britannia aircraft on services between Vancouver and Europe, the Orient and Honolulu; and special fares all contributed to this improvement.

New equipment placed in service during the year consisted of six Bristol Britannia turboprop and four DC-6A aircraft, together with one Britannia and one DC-6 flight simulator. Five DC-3 aircraft were sold, leaving a fleet of 41 aircraft at the year end.

As a result of the application filed with the Air Transport Board in 1957, and in accordance with the Board's Report following public hearings, your Air Lines will be permitted to operate a transcontinental service, limited to one flight per day in each direction, between Vancouver, Winnipeg, Toronto and Montreal.

Canadian Pacific Oil and Gas Limited

Your wholly-owned subsidiary Canadian Pacific Oil and Gas Limited, incorporated January 3, 1958, issued shares of its Capital Stock to your Company in exchange for certain mineral rights.

In its first year of operation your Oil and Gas Company received $687,000 from the mineral rights transferred from the Parent Company. Royalties were received on 1.9 million barrels of crude oil from 299 producing wells. Ten gas wells were drilled of which six proved to be commercially productive and are presently capped. In addition, working interests averaging 37½% were acquired in three commercially productive gas wells drilled by other companies under farmout agreements.

An agreement providing for the sale to Trans-Canada Pipe Lines Limited of gas to be produced from wells in the Province of Alberta has been signed, and delivery thereunder is expected to commence late in 1959.

United States Subsidiaries

Income from your holdings of General Mortgage Income Bonds and Common Stock of the Minneapolis, St. Paul and Sault Ste. Marie Railroad Company, amounted to $483,000. Of this amount $131,000 was from interest and $352,000 from dividends. The net income of that Company in 1958, after provision for fixed and contingent charges, was $2.0 million, an increase of $334,000.

Interest income amounting to $115,000 was received from your holdings of First Mortgage Income Bonds of the Duluth, South Shore and Atlantic Railroad Company. The net income of that Company, after provision for fixed and contingent charges, amounted to $134,000, while in 1957 income was not sufficient to meet contingent charges in full.

Income from your holdings of First Mortgage Bonds, General Mortgage Income Bonds, and Common Stock of the Wisconsin Central Railroad Company amounted to $601,000. Of this amount, $518,000 was from interest and $83,000 from dividends. The net income of that Company, after provision for fixed and contingent charges, amounted to $441,000, an increase of $251,000 over 1957.

Rates

On September 16, an application was submitted to the Board of Transport Commissioners for a 19% interim increase in the general level of freight rates to cover additional costs that would be incurred on wage settlement with your non-operating and other employees. A judgment was issued by the Board on November 17 authorizing an increase of 17% effective December 1, to which reference has been made earlier in this Report. The application also requested such additional relief as would permit attainment of the permissive level of earnings established by the Board as fair for your Company. Hearings will commence on this section of the application on May 19, 1959.

Increases in freight rates averaging 3% granted to railroads in the United States were made applicable in Canada to international, overhead and certain import, export and related traffic, effective February 15, 1958, by authorization of the Board of Transport Commissioners.

Your Company continued to secure competitive freight traffic through negotiation of agreed charge contracts. One hundred and thirty-five such contracts were put into effect, the largest number in any one year, bringing to 364 the number in effect at year end.

Railway mail rates were increased 17% effective December 1, and there were increases in certain express rates.

Services

During the year, 122 diesel units were acquired in the furtherance of the diesel locomotive programme. These comprised 106 diesel-electric road switchers and 11 diesel-electric and 5 diesel-hydraulic yard switchers. The third stage in the gradual enlargement of the diesel maintenance shop at Montreal, to keep pace with the increasing use of diesel power, was completed, and an extension to the maintenance shop at Calgary was near completion and was in operation at the end of the year.

New freight train cars numbering 2,091 were placed in service, including 300 flat cars equipped for piggyback service. In addition 300 refrigerator cars were modernized to meet traffic requirements.

Twelve rail diesel cars were added to your passenger train fleet. At year end there were 55 of these cars in service operating on 4,400 miles of route.

The track replacement programme included the laying of 547 miles of new and relay rail, the installation of 1.8 million ties and the re-ballasting of 317 miles of track. Automatic block signals were installed on 53 miles of road, bringing to 3,267 the total miliage so equipped. The installation of a centralized traffic control system was completed on an 87-mile section of the line between Montreal and Toronto which permits the direction, by means of remotely controlled signals and switches, of trains over the main line or into sidings, thereby increasing the efficiency and capacity of the line.

The construction of two vertical lift bridges and related works for the St. Lawrence Seaway Authority at the location where your railway crosses the seaway near Montreal was virtually completed.

The common carrier piggyback service, introduced between Montreal and Toronto in October, 1957, was extended to New Brunswick, to the head of the Great Lakes and into Western Canada.

Your Company added to its highway operations by acquiring control of Smithsons Holdings Limited, which Company wholly owns Smith Transport Limited, Canada's largest trucking concern, and a number of related companies in the highway transport business.

Top priority was given to the co-ordination of rail and truck operations with a view to effecting complete integration of merchandise traffic services. A new department, Merchandise Services, was set up to study, plan and implement by progressive steps the necessary changes in organization, administration, methods of operation, facilities and equipment.

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During the year, 591 new manufacturing, warehousing and distributing businesses were located on or adjacent to the lines of your railway. Of these, 151 required industrial trackage, and a total of 31 miles was constructed to serve them.

A fifth consecutive award for public safety was received from the National Safety Council in Chicago, and the constant endeavour of your Company to provide safeguards against injury continues to meet with gratifying results.

Construction has been completed of buildings at Nelson and Winnipeg to accommodate communications and other departments.

The new extension to the Royal York Hotel was formally opened on February 21, 1959. This extension has added 400 new rooms, bringing the total of 1,600, and provides additional banquet and convention facilities.

Telex, the teleprinter exchange service operated jointly with Canadian National, was extended through arrangements with the Western Union Telegraph Company to connect with points in the United States. This service, which has received wide acceptance, now links a network of subscribers in Canada, United States, United Kingdom, Europe, Africa, Australia, Japan and South America. The television network, also operated jointly with Canadian National, was extended to include Trois Rivières.

Integrated Data Processing

During the year, further important segments of the paper work of your Company were mechanized, using the high speed electronic computer. Emphasis in the Integrated Data Processing programme moved to refinements in presentation of output, and the provision of entirely new information, as a more effective tool for management.

The first application of simulation of physical operations on the computer was completed, and the results are being brought into use. Studies along these lines are being directed toward determining maximum utilization of motive power and car equipment, evaluation of factors in design of terminal facilities, and other problems where the computer can be used to assist management to select from a number of different possible courses of action, that which will lead to the highest degree of operating efficiency.

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Capital Appropriations

Capital appropriations amounting to $10.4 million, in addition to those forecast in the last Annual Report, were authorized by your Directors during the year. These included $3.3 million for the purchase of the 300 flat cars for piggyback services, $1.4 million for 6 rail diesel cars and spare components, $1.0 million for construction of new trackage and $1.6 million for additions and replacements to communication facilities.

It is anticipated that capital appropriations for the year 1959 will amount to $78.9 million.

The appropriations for rolling stock include provision for 64 diesel locomotive units and 2,150 freight cars, comprising 1,500 box, 500 trailer flats, and 150 covered hoppers.

Patrons, Officers and Employees

Your Directors welcome this opportunity to express once again to shippers and the travelling public appreciation for their patronage of Canadian Pacific services throughout the year and to acknowledge the continued efficiency of officers and employees which is so essential to the progress of your Company.

For the Directors,

N. R. CRUMP,
President.

Montreal, March 9, 1959.

CANADIAN PACIFIC RAILWAY COMPANY

General Balance Sheet, December 31, 1958

ASSETS

CURRENT ASSETS:		
Cash	$ 38,692,145	
Temporary Cash Investments	41,528,531	
Special Deposits	4,893,937	
Agents' and Conductors' Balances	22,690,176	
Other Accounts Receivable	19,987,191	
Material and Supplies	44,942,276	
		$172,734,256
DEFERRED PAYMENTS AND MORTGAGES ON PROPERTIES		8,137,922
UNSOLD LANDS AND PROPERTIES		9,332,178
INSURANCE FUND		13,188,540
DEFERRED DEBITS:		
Prepaid and Unadjusted Charges	$ 4,788,088	
Unamortized Discount on Funded Debt	4,526,814	
		9,314,902
INVESTMENTS:		
Controlled Companies	$ 125,075,121	
Other Companies	38,122,158	
		163,197,279
PROPERTIES:		
Railway	$2,053,450,358	
Communications	57,303,370	
Hotels	72,160,713	
Steamships	84,706,552	
Other Properties	11,044,742	
		2,278,665,735
		$2,654,570,812

LIABILITIES

CURRENT LIABILITIES:		
Accounts Payable and Wages Accrued	$ 51,422,777	
Taxes Accrued	14,946,532	
Dividends Declared	12,628,696	
Other Current Liabilities	11,538,747	
		$ 90,536,752
DEFERRED LIABILITIES		3,380,902
DEFERRED CREDITS AND RESERVES:		
Deferred Credits	$ 4,081,852	
Tax Equalization Reserve	35,000,000	
Insurance Reserve	13,188,540	
Investment and Other Reserves	6,380,714	
		58,651,106
PROVISION FOR DEPRECIATION		903,544,379
FUNDED DEBT		192,471,000
DEBENTURE STOCK		292,548,888
SHAREHOLDERS' EQUITY:		
Preference Stock	$ 137,256,921	
Ordinary Stock	355,294,575	
Premium on Stock	37,999,049	
Donations and Grants	79,094,901	
Retained Income (Balance)	503,792,339	
		1,113,437,785
		$2,654,570,812

S. J. W. LIDDY, *Comptroller*

AUDITORS' REPORT TO THE SHAREHOLDERS OF CANADIAN PACIFIC RAILWAY COMPANY:

We have examined the above General Balance Sheet of the Canadian Pacific Railway Company as at December 31, 1958, and the related financial statements, and have obtained all the information and explanations we have required. Our examination included such tests of accounting records and other supporting evidence and such other procedures as we considered necessary in the circumstances.

In our opinion the General Balance Sheet and related financial statements are properly drawn up so as to present fairly the financial position of the Canadian Pacific Railway Company at December 31, 1958, and the results of its operations for the year then ended, according to the best of our information and the explanations given to us and as shown by the books of the Company.

PRICE, WATERHOUSE & CO.,
Chartered Accountants.

Montreal, March 6, 1959

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Guaranty Trust Company of New York whose proposed merger with **J. P. Morgan & Co. Incorporated** is awaiting approval by banking authorities—announced plans to reconstruct and enlarge the building at 44th Street and Fifth Avenue, in which one of its three midtown offices is located.

The announced plans contemplate the addition of 12 stories to the existing structure, so as to create a 23-story modern, fully air-conditioned building.

The proposed merger of Guaranty Trust and J. P. Morgan & Co., with the resultant institution to be called **Morgan Guaranty Trust Company of New York,** was approved by stockholders of both Banks on March 4. It requires approval by the New York State Superintendent of Banks.

* * *

H. I. Romnes has been elected a Director of **Chemical Corn Exchange Bank, New York,** it was announced by Harold H. Helm, Chairman. Mr. Romnes fills the vacancy caused by the death of Arthur B. Goetze.

Mr. Helm also announced the appointment of Harry E. Wilson to its 30 Broad Street Advisory Board on March 26.

* * *

THE BANK OF NEW YORK

	Mar. 31, '59 $	Dec. 31, '58 $
Total resources	547,671,606	620,358,278
Deposits	474,846,489	543,484,450
Cash and due from banks	146,828,321	210,814,151
U. S. Government security holdings	97,595,784	95,537,635
Loans & discounts	257,143,620	266,953,078
Undivided profits	6,460,219	6,224,258

* * *

The Hanover Bank, New York announced the appointment of George W. Dennis as Auditor.

* * *

THE MARINE MIDLAND TRUST COMPANY, NEW YORK

	Mar. 31, '59 $	Dec. 31, '58 $
Total resources	324,853,433	661,517,481
Deposits	551,110,900	584,406,945
Cash and due from banks	166,297,377	196,868,977
U. S. Government security holdings	132,738,414	125,459,391
Loans & discounts	281,225,578	294,911,891
Undivided profits	13,278,890	12,722,525

* * *

George B. De Luca, former Lieutenant-Governor of New York State, has joined the **Commercial Bank of North America, New York City,** as a Vice-President, it was announced April 2 by Jacob Leichtman, President, and Board Chairman D. Mallary Stephens.

* * *

The appointment of Ford H. Jones as Vice-President and Trust Officer of **The County Trust Company, White Plains, N. Y.,** was announced by Dr. Joseph E. Hughes, Chairman of the bank's board of directors.

For the last 14 years Mr. Jones has had success in developing new trust business for the **Central Hanover Bank and Trust Company** and **Irving Trust Company in New York.** It will be in a similar capacity that he will begin his new position with The County Trust Company on March 30.

* * *

THE CONNECTICUT BANK AND TRUST COMPANY, HARTFORD, CONN.

	Mar. 12, '59 $	Dec. 31, '58 $
Total resources	379,806,689	416,378,159
Deposits	338,425,160	375,524,646
Cash and due from banks	73,532,017	97,764,195
U. S. Government security holdings	77,015,026	88,621,134
Loans & discounts	161,515,531	164,750,849
Undivided profits	5,547,175	5,376,324

* * *

To celebrate its 100th anniversary, **Union Dime Savings Bank, New York,** has opened an exhibit highlighting the past century in New York. The exhibit will be at the bank's main office on Avenue of the Americas at 40th Street through April 17.

* * *

THE NATIONAL BANK OF PASSAIC COUNTY, PATERSON, N. J.

	Mar. 12, '59 $	Dec. 31, '58 $
Total resources	231,220,412	246,737,931
Deposits	212,246,348	225,966,923
Cash and due from banks	32,253,532	35,380,655
U. S. Government security holdings	56,427,459	62,875,414
Loans & discounts	107,733,487	114,182,254
Undivided profits	4,193,899	3,899,308

* * *

The Hunterdon County National Bank of Flemington, N. J., and the **Union National Bank of Frenchtown, N. J.,** have announced plans to merge.

* * *

The common capital stock of **The Bridgeville National Bank, Bridgeville, Penn.,** was increased from $400,000 to $450,000 by a stock dividend, and from $450,000 to $500,000 by the sale of new stock, effective March 19. (Number of shares outstanding—50,000 shares, par value $10).

* * *

The Towson National Bank, Towson, Md., with common stock of $300,000, was merged with and into **Mercantile-Safe Deposit and Trust Company, Baltimore, Md.,** under the charter and title of Mercantile-Safe Deposit and Trust Company, effective as of the close of business March 6.

* * *

American National Bank of Granite City, Granite City, Ill., received permission from the office of the Comptroller of the Currency to open a new bank. Harold F. Karandjeff is President and A. R. Koerper is Cashier. The bank has a capital of $150,000 and a surplus of $150,000.

* * *

The common capital stock of **First National Bank in Great Bend, Kansas,** was increased from $150,000 to $220,000 by a stock dividend, and from $220,000 to $250,000 by the sale of new stock, effective March 18. (Number of shares outstanding—25,000 shares, par value $10.)

* * *

By a stock dividend, the common capital stock of **The First National Bank of Junction City, Junction City, Kansas,** was increased from $100,000 to $200,000, effective March 17. (Number of shares outstanding—2,000 shares, par value $100.)

* * *

National Bank of Tulsa, Tulsa, Okla., increased its common capital stock from $5,250,000 to $5,500,000 by a stock dividend, effective March 18. (Number of shares outstanding—550,000 shares, par value $10.)

* * *

Bank of the Southwest National Association, Houston, Texas, increased its common capital stock from $12,500,000 to $14,375,000 by a stock dividend, and from $14,375,000 to $15,625,000 by the sale of new stock, effective March 20. (Number of shares outstanding—781,250 shares, par value $20.)

* * *

Mr. Estil Vance, President of **The Fort Worth National Bank, Texas,** died March 16.

* * *

William E. Palmer, Vice-President, has been named to head the staff of the out-of-town division at **California Bank, Los Angeles, Calif.,** Frank L. King, President, has announced.

Mr. Palmer joined California Bank in 1946. His election to Vice-President by the board of directors came in 1950.

During the past ten years Mr. Palmer has been in charge of two of the bank's largest offices, the Main Office and the Beverly Hills Office.

* * *

A formal ceremony has marked the completion of structural steel erection for Los Angeles tallest commercial building, **California Bank's, Los Angeles, Calif.,** new $13,000,000 Head Office.

Frank L. King, President of California Bank, assisted by L. J. Soracco, Assistant to the President, Bethlehem Pacific Coast Steel Corporation, affixed traditional Federal and state flags to the final 2-ton steel beam and signaled the 267-foot hoist.

* * *

Merger certificate was issued approving and making effective, as of the close of business March 14, the merger of **Baker State Bank, Baker, Ore.,** with common stock of $50,000, into **The First National Bank of Oregon, Portland, Portland, Ore.,** with common stock of $20,000,000. The merger was effected under the charter and title of The First National Bank of Oregon, Portland.

$75,000,000 Armco Steel Debs. Offered

A major public offering of steel company securities took place yesterday (April 1) with the underwriting of $75,000,000 Armco Steel Corp. 25-year 4.35% sinking fund debentures due 1984 by a group headed by Smith, Barney & Co. The debentures were offered at 100% plus accrued interest.

The sinking fund of the debentures will commence in 1963 and, with a final principal payment of $3,750,000, will retire all of the issue by maturity. The debentures also are optionally redeemable by the company in whole or part at any time, except that they are not so redeemable prior to April 1, 1964 from funds borrowed at an interest cost of less than 4.35% annually.

Armco will apply net proceeds from the sale of the debentures, together with other funds, toward the cost of additions, improvements and replacements.

Application will be made to list the debentures on the New York Stock Exchange.

Baruch School TV Spectacular

The Bernard M. Baruch School of Business and Public Administration of the College of the City of New York announces a one-hour education TV spectacular on "Investment Companies and Mutual Funds," to be shown Monday, April 13th from 3 to 4 p.m. on Channel 11.

Dr. Jerome B. Cohen, Professor of Economics of the Baruch School, will conduct the program, and A. Wilfred May of the *Commercial & Financial Chronicle,* and Dr. Harold S. Oberg, National Association of Investment Companies, will be guests.

Forms Associated Secs.

Mrs. Marguerite W. Bryan is engaging in a securities business from offices at 135 Front Street, New York City, under the firm name of Associated Securities Company.

Richard W. Simmers

Richard W. Simmers, partner in Scudder, Stevens & Clark, passed away March 24th.

Continued from page 6

Inflation is Unpopular And Can be Prevented

or an approach to full employment means inflationary price and wage increases. Such intervention, when it comes, will not be the result of advocacy. It will be because of the absence of alternatives.

Clearly we are coming to accept the need for such intervention. The recent survey of professional economists by the Joint Economic Committee shows that between 40 and 50% accept the need for wage and price regulation as at least a reserve weapon against inflation. It can be assumed that economists have not come to this conclusion very willingly.

What is perhaps more striking is the way the need for such intervention is implicit in the philosophy and economic pronouncements of the present Administration. The Administration has warned repeatedly that restraint is essential in wage and price-making. The last Economic Report of the President says, in remarkably categorical language, "Increases in money wages and other compensation not justified by the productivity performance of the economy are *inevitably* inflationary." It adds, "Self-discipline and restraint *are essential* if reasonable stability of prices is to be reached within the framework of free competitive institutions. . . ." (Italics added.) Apart, perhaps, from its tendency to single out wages for special attention, the only difference one need have with the Administration is its belief that the problem can be solved by such warnings. This, of course, is fantastic. As Professor Ben W. Lewis has said in his wise and amusing testimony, these unstructured admonitions have a perfect record of accomplishing nothing. One cannot imagine that the economists serving the President believe such warnings will work, and one wonders if they really wish to stake their professional reputations on the success of such a feeble course of policy.

These admonitions reflect only the appalling tendency of our time for words to become not a portent of action but a substitute for it. So if one asks for effective action instead of futile admonition, the economic philosophy of the Eisenhower Administration brings one abruptly and inescapably to the issue of controls.

Let me suggest, as we enter upon discussion of such intervention, two or three of the principles that should govern our policy.

Principles Governing Intervention

First. This should be a limited intervention. There is no need for intervention where there is nothing wrong. Apparel prices, food prices, many others, are not administered and not a source of inflationary pressure under the circumstances of which we are speaking.[4] We should beware of the man who says, "If you control anything, you must control everything." That will be to do nothing—which may sometimes be his aim.

Second. The machinery should be simple and its aim should be restraint, not rigid price and wage-fixing. We are seeking to remove the inflationary effect of large increases in prices that are now at the discretion of steel, machinery, automotive and other producers in the concentrated industries. And we are seeking to prevent wage increases, in excess of what can be absorbed from requiring or being the excuse for such advances. We can fall far short of perfection in this effort and still improve vastly on the present situation. The present situation, to repeat, allows at full employment for large discretionary increases without any restraint of any kind.

If we insist on perfection in this effort, we shall also probably end up doing nothing.

Third. The effort to achieve stability should, if at all possible, be in a conciliatory spirit. Our problem is that the economy is not stable at full employment. The task is to correct a fault in the system, not to assess blame.

The actual procedures will require discussion and it is worth hoping that this will get under way promptly. Legislation now pending under the sponsorship, among others, of Senator O'Mahoney and Senator Clark and Congressman Reuss will serve as a valuable focus. Desirable procedure will, I think, involve some kind of official finding each year as to the wage advances that can be afforded within a framework of stable prices. (If the recent admonitions had no other fault, the total lack of a statement of what is expected is sufficient to render them worthless.) The finding should be after full hearings and discussion. Perhaps, then, there might be tripartite committees representing labor, management and the public to deal in decentralized fashion with the application of the standards to particular industries. If a new collective bargaining agreement required no price increase and none occurred, there would be no action. Were it claimed that it did so, it would come before this committee for investigation and finding of fact. Certainly in the beginning the sanctions for noncompliance should be mild and with reliance on the force of public opinion. However, we should have in mind that acceptance of noncooperation is discrimination against the man who cooperates.

We should also remind ourselves that the constant chase of wages by prices and prices by wages, which is our present situation, is calculated to keep labor-management negotiations in a state of turmoil. The overall objective of these proposals is to eliminate price inflation. To take this factor out of industrial relations would, in turn, greatly simplify and regularize union-management negotiation.

IX

Sees No Market Interference

May I offer two more comments. Professional guardians of our ideology will react to proposals such as this by saying that they infringe on the free price system. Therefore, they are inconsistent, in principle, with the system of free markets. I would urge them to desist. These proposals do not interfere with free markets. Rather they bring the public interest to bear on what is now private price-fixing. It is obvious that if private discretion over prices did not exist, the problem would not arise. Where it does not exist, as in agriculture, the problem does not arise.

Further, those who are interested in price stability should count on conservative opposition to these proposals. For they have a meaning for progressive government which goes considerably beyond the case for price stability. Inflation because it is regressive, is unpopular. But it is not without conservative appeal. One must be a fairly imperturbable friend of the strong and the powerful to argue for it or to counte-

4 On occasion, declines in these series have offset increases elsewhere to bring an illusory appearance of stability.

nance it. But there are many who do not find it unpalatable.

Moreover, if some system of wage and price restraint is not available, the case for monetary and fiscal remedies for inflation will seem very strong. Monetary policy has a strong conservative appeal. As Professor Heller has argued, it is a policy that works against public activities, especially state and local construction, and it works against small business.[5] For the same reason, it has a strong appeal to banks, those with funds to lend and to large borrowers on whom the effect of a tight money policy is very slight.[6]

Similarly fiscal policy can be a strong reinforcement to goals and aims that are quite separate from the issue of inflation but which can be notably advanced by citing the danger of inflation. This is now the present tendency. The price of more spending on education, health, defense, foreign aid, or conservation is more inflation. The man who opposes the expansion or improvement in these activities is the defender of the dollar. The bogy of inflation has replaced the bogy of socialism as the barrier to enlarged and improved public services. And since inflation is a clear and present danger—a matter of recurring experience—and socialism is not, it is a much more effective bogy.

This situation will only be changed when we have an effective way of dealing with inflation. Then there can no longer be a generalized argument that expanded public activity causes inflation. The government can embark on needed and useful tasks when men and resources are unemployed and available. The imperatives of budget balancing will take over only at full employment which is when they should take over.

5 W. W. Heller, CED's "Stabilizing Budget Policy After Ten Years", *American Economic Review*, September, 1957.

6 J. K. Galbraith, "Market Structures and Stabilization Policy", *Review of Economics and Statistics*, May, 1957.

Walston Elects Three Asst. V.-Ps.

V. C. Walston, President of the investment firm of Walston & Co., Inc., has announced the election of Emmett H. Eaton, Carl R. Walston and Thomas L. Wilkerson as Assistant Vice-Presidents of the firm.

Mr. Eaton, who joined Walston & Co., Inc. as of April 1, will be in charge of corporate relations and new business operations for the organization. He has been associated with various Wall St. firms during the past 12 years and most recently was associated with the New York Stock Exchange. As head of the Exchange's Promotion Division, Mr. Eaton implemented the broadening membership program throughout the country.

Carl Walston, presently engaged in branch office promotion and managemnt, has been associated with the firm in various capacities since 1954, assuming his present position in 1957 following service with the Armed Forces.

Mr. Wilkerson joined Walston in 1957 and is Manager of the Underwriting and Syndicate Department. He was for several years associated with investment banking houses in Kansas City, Missouri and Chicago, Ill. prior to joining Walston.

Walston & Co., Inc., with headquarters at 74 Wall Street, New York City, is one of the country's major brokerage firms with 64 offices coast to coast and overseas.

Form Bonded Planning

Bonded Planning Corporation has been formed with offices at 202 West 40th Street, New York City, to engage in a securities business.

Allen Group Offers New Mexico Utility 5.25% Pfd. Stock

Allen & Co. yesterday (April 1) headed an underwriting group which offered 54,000 shares of Public Service Co. of New Mexico 5.25% cumulative preferred stock ($100 par value), 1959 series, with attached common stock subscription warrants, entitling the holders to purchase an aggregate 162,000 shares of the company's $5 par value common stock. The preferred stock was priced at $103 per share, plus accrued dividends from March 15, 1959.

Of the 54,000 shares of the 1959 series preferred stock with warrants being offered by the company, 2,000 shares together with warrants to purchase 6,000 shares of common stock, are offered to employees of the company at the public offering price of $103 per share, plus accrued dividends from March 15, 1959.

The common stock subscription warrants, non-detachable and nonexercisable until Oct. 1, 1959 and expiring July 1, 1963, entitle the holder of each share of the preferred stock to purchase three (3) shares of common stock of the company at $31.25 per share from Oct. 1, 1959 to June 30, 1961, and at $33.75 per share thereafter until 2 p.m. (EST) on July 1, 1963.

Net proceeds from the sale of the new preferred stock, together with other funds, will be used by the company to finance its construction program until the latter part of 1959, and for other corporate purposes, including the repayment of a short-term bank loan of $1,000,000.

The 1959 series preferred stock will be redeemable after March 15, 1964, at redemption prices ranging from $105 to $100 per share, plus accrued dividends to the redemption date.

Public Service Co. of New Mexico is engaged principally in the generation, purchase, distribution and sale of electricity and in supplying various communities with water, wholly within the State of New Mexico. Total population of the area served by the company with electrictiy is estimated at more than 315,000.

For the year 1958, the company had total operating revenues of $14,517,176 and net income of $2,855,688, equal after preferred dividends, to $1.39 per common share.

Now Fund Distributors

DALLAS, Tex.—The firm name of Washington Underwriters, Inc. has been changed to Fund Distributors, Inc. Offices are in the Life of America Building.

Now Remmele & Co.

GRANVILLE, Ohio—The firm name of Remmele-Johannes & Co., 118 East Broadway, has been change to Remmele & Co.

David Barnes Co. Opens

David Barnes & Co., Inc. has been formed with offices at 40 Exchange Place, New York City to engage in a securities business. David Barnes is a principal of the firm.

Continued from page 20

Application of Anti-Trust Laws of U.S.A. on Canada and Abroad

small number of prosecutions in Canada, plays a very large part indeed in maintaining a competitive economy in Canada.

Now in addition to the comparisons which can be made between the positive aspects of our legislation and yours, quite frequently suggestions as to changes are made which, so far as I can judge, are often also remarkably similar, as between our two countries. It is probably desirable that we should look at these as well from time to time, in order to assess the efficacy of our system of legislation.

One criticism is to the effect that our legislation forbidding combines is so all-embracing, especially as interpreted by the courts, that many cooperative practices which in fact are not harmful but would indeed be beneficial to the public interest, are not followed because businessmen fear they would be subject to criminal prosecution and conviction if they were party to any such arrangement. Exchanges of statistics and agreement on product standards and specifications are given as examples.

Actually no prosecution has ever been launched on the basis of participation in such arrangements alone. But since it is undoubtedly not the wish in either country to have laws which deprive the public of advantages which a little care and study would allow to become available, it may be desirable to see if some alternative approach could be adopted in respect of what I may call the peripheral areas.

One possible approach might be, while preserving in full force and effect the *per se* rule against the price fixing and related type of combine—what I might call the obviously detrimental combine—yet to provide that a defense can be raised to charges in other areas. Thus if it is charged that a combine exists, not relating to price fixing, etc., it might be made possible to defend by proving that the measures actually taken or contemplated — for instance, with relation to setting product standards—were not in fact contrary to the public interest.

Another suggestion which we could look at would be to permit the issue in such a case to be tried in an action for an injunction as an alternative to an action leading to prosecution and conviction.

There are also complaints that the provisions against mergers are so vague that a course embarked upon as a result only of honest business judgment, and not in any way dictated by greedy or anti-social motives, may yet result in criminal prosecution and conviction. Thus it is argued that amalgamations which are arrived at voluntarily, which produce beneficial results in terms of greater technical efficiency and thus cheaper production and a sounder competitive position, may yet result in a conviction because of a lack of clarity as to what may be admitted as argument or proof in respect of what is the public interest.

Here again there may be room for a greater precision in the legislation for the guidance of both business and the courts. We might consider whether, while not relaxing the stringency of the provisions and penalties against those types of practice which are on the face of them anti-social or purely self-aggrandizing in their motivation, there could be greater certainty as to what types of activity in the peripheral areas are or are not permitted. Thus study could be given to the question of whether it should be allowed as a valid defense to show affirmatively that the merger was necessary to achieve economies of production or distribution which could not be achieved otherwise and which are likely to benefit the public; that a substantial degree of competition remains in the trade or industry, and that, on balance, the merger is unlikely to operate to the actual detriment of the public; or alternatively to show that, by reason of its financial position or otherwise, one of the merging firms is unlikely to be able to remain in business if the merger is prevented.

Now I hope you will not think that in persuming to give this somewhat rambling sketch of aspects of government policy toward restrictive practices in our two countries and some other countries, I have been carrying coals to Newcastle. Perhaps, by the way, it is time we got rid of that old cliche and invented some new ones of our own, such as carrying oil to Texas or gas to Alberta. The reason, however, that I devoted some time to the anti-trust or anti-combines systems of our respective countries, is that I wished very sincerely to get my following remarks in their proper perspective.

Share Same Sentiments

You, in the United States of America, are interested in maintaining a free and competitive economy because you believe that such an economy is likely to afford the highest possible standards of living and the greatest degree of individual economic and political freedom. You wish to maintain as many centers of individual initiative as possible. You believe that the anti-trust laws are an important instrument in maintaining this kind of a system.

Those are our sentiments also. We may differ to a considerable degree in methods and as to the implications we read into particular trade and industry situations but, on the whole, we have set ourselves the same general objective of the maintenance of a free competitive economy, and we are beset by much the same problems.

If then, I take advantage of your kind invitation to criticize certain aspects of the enforcement of your anti-trust laws, in their effects upon Canada, it should now be clear to you that I do this not out of any lack of sympathy for the basic purpose of such laws. I criticize them because I feel that we are entitled to expect of your country that even in pursuing objectives which we may agree arise from the best of motives, a proper regard must be had for the feelings, rights and objections of friends and neighbors.

Now it is accepted, of course, that in certain cases the courts of one country will direct decrees to persons within their territorial jurisdiction which will have effects beyond such jurisdiction, and will assume jurisdiction in respect of certain activities taking place beyond such territorial jurisdiction. Nevertheless, the degree to which, and the purposes for which, the extra-territorial application of the anti-trust laws has for some time now been asserted, is causing serious misgivings in a number of countries friendly to the United States, including Canada.

Cites Recent G.E., Westinghouse And N. V. Philips Case

This misgiving is renewed from time to time by particular cases, and the complaint is now becoming articulate and public. The latest case which brings the matter to a head, as far as Canada is concerned, is that in which a complaint was filed on Nov. 24, 1958, in New York City against General Electric Company, Westinghouse Electric Corporation and the N. V. Philips Company, charging a violation of Section 1 of the Sherman Anti-Trust Act and seeking extensive relief. If my paper is to be at all responsive to the invitation for it, and to be at all meaningful, it is necessary that I make some reference to this case.

In doing so, let me make it abundantly clear that I am not discussing any aspect of it which is before the courts; it is the policy of the complaint in seeking to reach into the domestic commercial affairs of another country with which I take issue, and my remarks have nothing to do with the manner in which the complaint should be dealt with once it is before the courts.

The complaint alleges that the defendants, operating through Canadian subsidiaries, engaged with other co-conspirators, most of them Canadian companies, in an unlawful conspiracy in restraint of foreign trade and commerce between the United States and Canada in radio and television receiving sets. Such restraint, it is alleged was accomplished by the organization of a Canadian patent pool, controlled by the defendants' Canadian subsidiaries, which prevented the importation into Canada of radio and television receiving sets manufactured in the United States.

The "patent pool" referred to is Canadian Radio Patents Limited, a Canadian company organized about 1926, to which the leading Canadian manufacturers, and one ore more other holders of Canadian patents in this field, have assigned their patent rights for licensing en bloc to firms intending to manufacture in Canada. It has been its general policy to refuse licenses to import, exceptions being made in special cases. CRPL has from time to time been the subject of attention from both the Canadian Combines Branch and the Tariff Board and as a result of such attention has from time to time modified its policies in the direction of lower royalties and a more liberal licensing program. It is significant that notwithstanding this surveillance, CRPL has never been charged with an offense against our Anti-Combines Legislation.

Reveals Real Issue

Needless to say, the real issue for us, in an anti-trust case such as this launched in the United States, is not the merits or defects of the institutions or arrangements in Canada which the case seeks to alter. It is rather that in important aspects such cases appear to be directed against arrangements entered into by Canadian companies in Canada which are matters of Canadian commerce governed by Canadian laws including the anti-combines legislation and the patent legislation.

Such cases appear to illustrate a tendency, apparent in the field of foreign affairs as well as anti-trust, for United States authorities to regard foreign subsidiaries of United States parent companies merely as projections of United States trade and commerce and thereby subject to United States policies in priority to the laws, customs and interests of the countries in which such subsidiaries are incorporated and carry on business.

Our specific objections to an action such as this are threefold: That it is concerned not so much with strict compliance with United States laws in the United States as it is concerned with actions in Canada of Canadian companies which actions are in accord with Canadian laws and Canadian commercial policy; that compliance with the decree sought may bring these companies in Canada into conflict with Canadian laws and/or policy; and thirdly, that the only way effect could be given to such a decree is if American directors of U. S. companies give instructions to directors of Canadian companies to do something in Canada which is not in accord with Canadian business or commercial policy but is dictated by American policy. Nothing could more clearly illustrate the objectionably extra-territorial effect of the action taken.

Quotes Our Department of Justice

These are serious allegations. But I am satisfied you will agree they are accurate when you examine them in the context of the facts. Consider first the comments made by your Department of Justice itself in its press release at the time of the filing of the complaint.

"The complaint," to quote directly from the press release, "also charges that United States manufacturers, who would normally have exported such apparatus for the expanding Canadian market, were compelled instead to manufacture such apparatus in Canada." This is clear proof that the situation complained of was the result of actions in Canada, was in the interests of Canada and in accord with Canadian policy and that the real objection is that it is contrary to United States interests.

Next—the Canadian Law. Our Patent Act contains an express provision that it is an abuse of a patent, on account of which patent rights may be lost, if the working of the invention within Canada on a commercial scale is being prevented or hindered by importations from abroad, and also an express provision that, for the purpose of determining whether there has been an abuse, it should be taken that patents are granted "not only to encourage invention but to secure that new inventions shall so far as possible be worked on a commercial scale in Canada without undue delay." These provisions have, of course, been taken into consideration by the Canadian authorities in appraising the behavior of CRPL, and it is extraordinary to contemplate that action may be taken here to force companies in Canada to do something which may well be contrary to the intent of Canadian law.

And, finally, as I have indicated, it is clear that the only way in which effect could be given to successful outcome in your courts would be by way of directions from United States directors to Canadian directors to follow a policy which was not one of ordinary business management but one dictated by considerations of American policy and which is contrary not only to Canadian business and commercial interests but possibly to Canadian patent law as well, the sanction for which dictation is alleged to be enforcement of your anti-trust laws.

Against this background, it is not difficult to understand the concern and unfavorable reaction that has been aroused in Canada. Illustrative of the business reaction in Canada are the remarks attributed by the press to the Chairman of the Board of Canadian General Electric, a Canadian subsidiary of General Electric Company of the United States. The following is one of the milder of his utterances made recently in New York.

"We see it as a flagrant dictation by Washington and a blatant move to throttle the autonomy of these Canadian-based companies."

Now you are all familiar I know with the recent study by a special committee of the New York City Bar Association. In that study the view was expressed that the extended extra-territorial application being given to the anti-trust laws is in derogation of the established principles of public international law. But as you will have appreciated from what I have said, I do not put the issue upon the restricted and somewhat inconstant basis of international law. Even were it to turn out that, in coming to bear upon persons within the United States in order to bring about these results outside the United States, the anti-trust cases could be supported upon some theory or view of public international law, that nevertheless would not be a practical solution to a practical problem.

The situation as it strikes us, can be put in this way: That these cases reach into affairs that we regard as relating to our own sovereignty. These cases involve on the part of the United States more interference, and apparent assertion of a right to interfere, in commercial projects in Canada than is fitting or acceptable between two friendly but independent countries.

Refers to Other Cases

I am not going to refer at length or in much specific detail to other cases which were interpreted in Canada as involving undue interference. One or more of these cases have involved attempts to require the Canadian records of Canadian companies, being subsidiaries of United States parent companies, to be removed from Canada and brought into the United States for purposes of anti-trust suits relating to the activities of Canadian companies.

Not very long ago, in the ICI and duPont case, a decree was secured by your government in your courts of such an extraordinarily extra-territorial effect that a further application had to be made to a United States court to clarify the judgment so as to permit one Canadian company to sell a product made in Canada to another Canadian company for resale and distribution in Canada without penalty to directors in the United States.

Again, the final judgment in the recent RCA Victor case has been interpreted as requiring the RCA Victor Company of Canada to withdraw from participation in Canadian Radio Patents Limited, and as requiring the Canadian company to abrogate certain contracts with a department of the Canadian Government under which the company was obligated to assign to the Government department rights over inventions arising out of development contracts between the Government department and the company.

Now, it may be replied to all this that form rather than substance is at issue; that in the cases affecting international trade between our two countries in radio and television sets, for example, we in Canada have it within our own complete control to regulate such importation under the Patent law or the Tariff law, whatever may be the decree secured under your anti-trust suit. In other words, this argument runs, if the United States does not choose to fence, to keep certain effects of the anti-trust laws in, it is quite open to other countries to fence, to keep such effects out.

Indeed, at the time of the attempt in 1947 or 1948 to require Canadian documents of Canadian companies resident in Ontario to be brought into the United States and before the Grand Jury there, legislation was passed by the Province of Ontario making it an offense to take documents of Ontario companies out of the Province for such purpose.

Point is given to these thoughts by the observation from the Anti-Trust Bulletin of the Department of Justice at Washington for Dec. 22 and 29, 1958, that in the current *Standard Oil of New Jersey* case, a court in your country has affirmed its power to grant discovery from foreign files despite prohibitions of foreign laws.

I understand that some legislation of a "fencing out" nature in response to this sort of thing was passed not long ago by The Netherlands. Perhaps also some such course could be followed in connection with our problem. But it would seem to create almost as many difficulties in other fields as it would cure in the particular field.

To mention only one complication, w at for instance of the increasingly lugubrious position of the poor director? Increasingly he would be stretched and shackled, as it were, over the international boundary, with Washington putting lighted splinters under his toenails and Ottawa tearing off his fingernails.

Wants Less Rigid Position

No, the situation is bad enough now, but it might be even worse if each country takes ever more rigid positions, standing fast on its own legislation and insisting it is justified on the basis of strict legalistic interpretation of international law. The prospect presents an undignified international spectacle, to say nothing of the discomfort it causes the poor director.

Surely therefore this is not the only approach to a solution of the problem. While we in Canada are genuinely and deeply concerned over the threat to our sovereignty over Canadian commerce, and while I wish to make it clear that the Canadian Government regards it as a primary obligation to preserve such sovereignty, we share the aversion which I know you feel to that sort of action.

We feel that the proper solution to tthe problem lies in the full realization by United States authorities of the direct and indirect effects of these cases abroad and in a restraint in seeking from the courts, or applying, measures that interfere directly substantially and deliberately with matters that are essentially matters of Canadian commerce within Canada. If United States authorities entertain feelings of concern that practices carried on in Canada are unduly restrictive of international trade, it would appear t at this concern should be expressed through the usual channels. And I should like to emphasize that we agree that you would be entitled to expect us to act in a similar manner should the problem ever arise in reverse.

Offers Simple Solution

Perhaps I might conclude, therefore, by saying, what I am sure lawyers will agree with, indeed practicing lawyers are probably the first to realize the truth of the proposition. That is: T at not every problem is capable of satisfactory solution by a rigi insistence on the application to it of preconceived formulae. Particularly is this true in cases where international relations are involved and in situations where actions at home are bound to have extra-territorial effects.

We are therefore encouraged by the readiness of your government to discuss the general problem as it is illustrated by the current case. It is our hope that if in fact the situation is approached by both sides in the realization that considerations of comity in themselves call for self-imposed restraint, then this difficult problem of the extra-territorial effects of actions under anti-trust legislation may yield to a solution—perhaps even an agreement as to a *modus vivendi*—based on mutual understanding and respect.

Three With Midland

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio—William O. Carter, Jr., Russell G. Dawley and William A. O'Harra are now with Midland Investors Co., 52 East Gay Street.

Hirsch & Co. Installs Message Channel

Aluminum, in a new guise, has come to Wall Street.

Hirsch & Co., members of the New York Stock Exchange and other principal securities and commodities exchanges, has placed in operation a 60 foot, 12 lane, extruded aluminum message channeling belt in its headquarters at 25 Broad Street, it has been announced by Howard C. Hirsch, senior partner of the 48-year-old investment firm.

Said to be the longest aluminum conveyor in use in the brokerage field, the belt runs at a speed of 285 feet per minute and was designed to expedite communications between the company's headquarters and its branch offices and to speed up execution of orders received by the firm.

Each of the 12 lanes on the belt is colored for easy identification by traders, clerks and teletypists, and messages placed in a particular channel are directed to a predesignated spot along the conveyor.

The three departments of the firm linked together by the new installation are the order room, the over-the-counter trading desk and the cable desk.

In Securities Business

(Special to THE FINANCIAL CHRONICLE)

CONCORD, Mass. — Harry J. Cassidy is conducting a securities business from offices on the Concord Highway under the firm name of L. E. Peabody Co.

Registration Time Extended for IBA Inv. Banking Course

Announcement is made that arrangements have been made by the Investment Bankers Association of America with Northwestern University to extend to May 1 the time for the acceptance of registrations for the summer course on Fundamentals of Investment Banking to be given from Aug. 9 to Sept. 4.

This concentrated classroom training course is sponsored by the Education Committee of the IBA in cooperation with the School of Business of Northwestern University and the Education Committee of the Central States Group of the IBA.

Enrollment will be limited to 50. Tuition is $475 for each registrant, which covers all costs (instruction, room, meals, text materials and notebooks).

Applications should be made to the Washington office of the IBA, 425 13th Street, N. W.

With Yates, Heitner

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Mo.—Gerry D. Anderson is now with Yates, Heitner & Woods, 427 St. Louis St.

Hannaford & Talbot Adds

(Special to THE FINANCIAL CHRONICLE)

NAPA, Calif.—Charles E. Lantow and Willem Geerts have been added to the staff of Hannaford & Talbot, 3564 Jefferson.

Public Utility Securities

By OWEN ELY

British Columbia Power Corp., Ltd.

British Columbia Power is a large Canadian holding company, controlling British Columbia Electric (the principal subsidiary) and other utilities. The system supplies electricity and gas to the cities of Vancouver and Victoria and 67 other municipalities in British Columiba. It also operates railway and transit lines in leading municipalities and in lower British Columbia. The population served approaches one million. Total revenues in 1958 were $83 million, derived as follows: electricity 64%, gas 12%, passenger transport 17%, rail freight 6%, miscellaneous 1%.

BC Power has enjoyed extremely rapid growth so far as electric and gas operations are concerned. Following is the revenue comparison over the past decade:

	Millions 1949	Millions 1958	Percent Increase
Electric—Residential	$7.0	$25.4	263%
Electric—Other	10.7	27.8	160
Gas	3.8	10.4	174
Passenger Transportation	15.2	14.0	*8
Rail Freight	2.3	4.9	113
Miscellaneous	.6	.8	33
Total	$39.6	$83.3	110%

*Decrease.

Generating capacity has been increased from 352,000 kw. in 1949 to 745,000 at the end of 1958; and peak load increased from 361,000 to 755,000 kw. Capacity has, therefore, barely kept pace with peak load. Output in 1957 was about as follows: hydro 92%, steam and diesel 1%, purchased 7%. Production costs were about as follows per kwh.: hykdro .4 mills, steam 4 mills, diesel 36 mills, purchased power 5.8 mills. Similar data for 1958 are not yet available.

The company's earnings record has been quite favorable in recent years up to 1957. Share earnings increased steadily from 98c a share in 1951 to $2.34 in 1956 and in 1957 remained at $2.33. In 1958, however, they slipped to $1.95. The decline last year was due in part to issuance of additional shares (the increase was about 10.5%), and somewhat less favorable business conditions. The company saved about $500,000 or about 11c a share by claiming as a deduction from taxable income the balance of pension costs, instead of spreading the amount through the year 1962.

In 1958 the company obtained rate increases as follows:

	Millions of Dollars: Total Amount	Amount Accrued in 1958	Balance to Accrue in 1959
Electric	$5.1	$2.4	$2.7
Urban Transportation	1.7	.3	1.4
Interurban Bus	.1	---	.1
Freight Revenues	.3	---	.3
Total	$7.2	$2.7	$4.5

The amount of increased revenues which should accrue in 1959 would be equivalent to roughly 50c a share. However, the electric and urban transportation increases may be effected by proceedings before the Court of Appeal, the outcome of which may not be known for some months.

The company is expected to continue its rapid growth, although transit may remain somewhat of a drag. There has been some concern about the future development of additional hydro facilities in British Columbia. While there are substanthial amounts of undeveloped power on the Fraser and upper Columbia Rivers, the former is not now available because of its salmon runs and the latter because it is involved in negotiations with the United tSates, which takes a great deal of power from the lower river. Peace River, however, does not have such complications and the Peace River Power Development Co. has been formed by the Wenner-Gren interests, with BC Power participating through a subsidiary. The results of an initial survey are expected to be ready by the end of this year.

British Columbia Power has formerly considered a "growth utility" on a par with similar U. S. utilities, and sold at corresponding P-E ratios. Thus in 1957 the stock sold up to 55½ on the American Exchange and 53 in Canada, equivalent to 22.5 times the 1956 earnings. This proved to be a high-water-mark, however; the range here in 1958 was about 44-37, and this year has been 41½-37.

The stock pays $1.40 and at the recent price here of 39½ yields 3.6%. It sells at about 20 times 1958 earnings, but with earnings adjusted to include the balance of rate increases (about 50c) the stock would be selling at only 16.1 times earnings, compared with a general U. S. average around 18 and a range of about 22-26 for U. S. growth utilities. Of course, there is some doubt regarding the rate increase until the court proceedings are ended, but in any event economic conditions in BC should improve this year, and the company should realize more adequate earnings from the investment of equity funds raised in 1958.

Harwyn Securities Formed

ELMONT, N. Y.—Harry Weintraub is engaging in a securities business from offices at 120 North King Street under the firm name of Harwyn Securities Co.

Forms Milton Inv. Co.

WEST ENGLEWOOD, N. J.—Milton Cohen is engaging in a securities business from offices at 194 The Plaza under the firm name of Milton Investment Co.

With A. C. Karr Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—John C. Daniels is now affiliated with A. C. Karr & Co., 3670 Wilshire Blvd. He was formerly with Hemphill, Noyes & Co. and Shearson, Hammill & Co.

Livey E. Copple

Livey E. Copple, associated with Smith, Barney & Co., New York City, passed away March 24th.

Continued from first page

Outlook for Petrochemicals

for that area on a scale hitherto undreamed of. The story is the same in Latin America. It is close to one of the world's richest oil pools, namely Venezuelan oil. Oil is also plentiful and relatively inexpensive in other Latin American and South American countries. Multi-million dollar petrochemical projects are announced with surprising frequency for Mexico, Venezuela, Argentina and many other countries to the south. With rich petroleum resources and with petroleum refining well-established in Canada coupled with a relatively large and fast-growing population, it is not surprising to find petrochemicals well-established in Canada. Based on the same rich Middle-East oil pool we have witnessed the growth in recent years of a petrochemical industry in the Far East, notably Japan. Several months ago a great petrochemical project was announced for Australia. It is evident—beyond a shadow of doubt—that we are in the midst of a tremendous world-wide chemical revolution.

In the United States there are now several thousand chemicals being produced daily which are made partly or wholly from petroleum, natural gas, or refinery gas. Although today approximately 28% of all chemicals synthesized in this country are petrochemicals, scarcely 2% of our petroleum and natural gas production are required for this fast-growing segment of the chemical industry.

During the 1957-1958 recession there were vague rumblings of over-capacity and possible reduced growth in the chemical industry in the future. It is a well-established fact that the petrochemical segment of the chemical industry has enjoyed a higher growth rate than the industry as a whole. Nevertheless, with the continuing support of the strong research and development arm of the industry coupled with intelligent and aggressive leadership the industry will continue to prosper.

The principal hydrocarbon types which contribute directly to the synthesis of petrochemicals are known as paraffins, olefins, naphthenes, and aromatics. Methane (CH_4) is an excellent example of a paraffin. It is the major ingredient in natural gas which ordinarily will contain 90-95% methane. It is used to make many chemicals including ammonia and methanol. Before methane was a major factor in the synthesis of ammonia and methanol, coal was the principal raw material. Ethylene (C_2H_4) is an example of an olefin. Two of its well-known uses today are ethyl alcohol and polyethylene. Years ago ethyl alcohol was made largely by fermentation of grain.

Today the bulk of the alcohol used by industry is of petroleum origin. Cyclohexane (C_6H_{12}) is an example of a naphthene or cycloparaffin. It occurs naturally in crude oil and is recovered by a combination of highly developed physical processes. In addition to its use as an industrial solvent, it is used as an intermediary in the synthesis of nylon. An alternate route to cyclohexane includes hydrogenation of benzene produced from coal. Benzene (C_6H_6) is the first of a whole series of aromatics which were obtained primarily from coal prior to World War II but which today are synthesized to a great extent from petroleum. The uses of benzene are legion. Two large outlets are in certain plastics and in GRS synthetic rubber. In either case the benzene is first reacted with ethylene to form ethylbenzene. Upon subsequent dehydrogenation the styrene thus formed is ready to be converted to polystyrene for plastics or reacted with butadiene to form GRS synthetic rubber.

The following survey is based solely on the domestic petroleum refining and petrochemical industries. A study of the world-wide picture is outside the scope of the present report.

Size of the Industry

In Tables I and II statistics relating to the magnitude of the petrochemical industry relative to the whole chemical industry are presented. In the former a comparison is made on a production basis and in the latter on a sales basis. Last year total petrochemical production was estimated to be about 40 billion pounds. This year petrochemical production is expected to be close to 43 billion pounds. Petrochemicals will probably comprise 29% of the U. S. chemical production in 1959. Last year domestic production of all chemicals was slightly above 140 billion pounds. The value of petrochemicals was approximately 57% of the sales value of all chemicals.

Capital Investment Pace

The capital investment of the petrochemical industry in manufacturing facilities is presently estimated at $5 billion. In 1940 the investment in the petrochemical industry was a mere $315 million. It is believed to represent 55-60% of the assets of the entire chemical industry. Since plant investment in the petrochemical industry has been increasing at a rapid rate, it is expected that the capital investment in 1963 will be between $7,000,000,000 and $9,000,000,000.

Petrochemicals are ordinarily classified in three groups: aliphatics, aromatics and inorganics. In 1963, the estimated production of the different classes of compounds is listed below:

	Pounds Yearly
Aliphatics	47.5 billion
Aromatics	6.5 "
Inorganics	18 "

In recent years the average price/pound of the aliphatics was 15 cents, of aromatics 19 cents, and of inorganics 2.5 cents. In 1958 petrochemicals sales are believed to have amounted to $4.5 billion.

In Table III a comparison is presented for capital expenditures for new petroleum refining facilities, new petrochemical plants, and new capital expenditures for "Chemical and Allied Products." It is believed that the investment in new facilities for the chemical side of the petroleum industry exceeded that for petroleum refining last year and will exceed those for refining again this year. It is further expected that the former will also exceed the latter each year thereafter.

The capital expenditures for petroleum refining and petrochemical plants are shown in Table III for 1955-1957 and estimated for 1958 and the next five years. In 1960 it is expected that the annual rate of capital spending for new equipment and plants in petroleum refining will be approximately $0.7 billion and will increase almost to $1.0 billion annually by 1963. Today capital expenditures for new petrochemical plants are believed to be greater than for oil refining; however, the annual rate of spending for new plants in the field of petrochemicals in the next five years is expected to far exceed that for new oil refining plants.

Diversity of Ownership

Petrochemicals are broadly defined as those chemicals derived from natural gas and petroleum sources.[1] Today in the petrochemical business one finds companies which not so many years ago were established firmly in petroleum refining, chemical manufacture, shipping, farm equipment manufacture, rubber processing, gas pipe line operation, etc.

Examination of some of the historical growth figures and profit margins, and the anticipated growth patterns makes it easy to understand the great and continuing activity in this field.

Statistical information on the petrochemical industry — as distinguished from the chemical industry as a whole—is difficult to segregate. A comparison can be shown, however, for the entire industry with the natural gas, petro-

TABLE I

Past and Future Petrochemical and Chemical Production

Year	Petrochemicals Output (Billion Pounds)	All Chemicals Output (Billion Pounds)	Petrochemicals % of Total
1954	26.5	114.6	23
1955	32	134.8	24
1956	35	143	25
1957	38	148	26
1958 (est'd)	40	141	28
1959 (est'd)	43	150	29
1963 (est'd)	72	185	39

TABLE II

Dollar Value*

	Billions of Dollars		
1954	$3.2	$6.0	52.5
1955	3.7	7.2	51.5
1956	4.2	7.8	55
1957	4.4	8.0	55
1958 (est'd)	4.5	7.9	57
1959 (est'd)	5.2	8.8	59
1963 (est'd)	8.0	12.0	67

*Figures shown for 1958, 1959 and 1963 have been estimated and/or predicted. It is expected that by 1963 the dollar sales value of petrochemicals will be two-thirds that of all chemicals.

TABLE III

Comparison of Capital Expenditures

	Petroleum Refining	Petrochemicals	Total Chemicals and Allied Products
	Billions of Dollars		
1955	$0.8	$0.5	$1.1
1956	0.9	0.7	1.45
1957	0.9	0.9	1.7
1958 (est'd)	0.6	0.7	1.4
1959 (est'd)	0.6	0.7	1.3
1963 (est'd)	1.0	1.3	---

1 "Petrochemicals can be defined as chemical compounds made with a petroleum hydrocarbon as one of their basic components. Actually the general understanding goes beyond this to include pure hydrocarbons and other materials derived wholly or in part from petroleum but not generally classed as chemicals. Examples are ammonia made from natural gas and synthetic rubber—a mixture of hydrocarbon polymers. Carbon black, essentially pure carbon, is included in this category.

"The major petrochemicals are ammonia, synthetic rubber, carbon black, ethylene, propylene, butylene, butadiene for rubber, acetylene, benzene, toluene, styrene, polyethylene, phenol, formaldehyde, acetaldehyde, methyl alcohol, ethyl alcohol, isopropyl alcohol, butyl alcohols, ethylene oxide, ethylene glycol, acrylonitrile, acetic acid, acetic anhydride, and acetone. The minor products are numbered by the thousands."—Excerpt from "PETROLEUM AND NATURAL GAS" Bulletin 556 Bureau of Mines, p. 8, A Chapter from Mineral Facts and Problems by R. A. Catel and others.

leum, rubber, and all industry to present a picture of the size and scope of this growing field. The figures for the 25-year period 1931 to 1956 inclusive show the chemical industry's growth of 10.8% per year far exceeds that of the other major industries shown. The annual growth rates were 7.8 for natural gas, 5.5 for rubber products, 4.5 for petroleum, and 4.5 for all industry. Growth is expressed on the basis of pounds of product made each year.

Last year petrochemical sales amounted to $4.5 billion, rubber (finished goods) $5.5 billion, and petroleum products $12 billion. The latter figure is based on wholesale prices before state and Federal taxes which are both substantial.

The net income per dollar of net worth for the "Chemical and Allied Products," "Petroleum," and "All Manufacturing Operations," representing an average for 1956 and 1957, shows that the return for "Chemical and Allied Products" was highest at 13.4%. Petroleum Refining was 12.6% and All Manufacturing 11.3%.

With regard to the past, present and future expected growth rate of the "petrochemical" portion of the chemical industry, the capital investment and production have increased better than fourfold from 1940 to 1950. From 1950 to 1958 the industry more than doubled. A high growth rate is expected to continue from 1958 to 1963. The capital investment in 1963 may be in excess of $8 billion.

The preceding data show the chemical industry — particularly the petrochemical segment—to be both fast growing and profitable. It is characterized, however, by high investment per unit of production and rapid technological obsolescence.

The petroleum industry is playing a major part in the development of the petrochemical industry. Here are a few interesting observations concerning successful petroleum company participation in the petrochemical field:

Shell Oil

The Shell Chemical Corporation came into being in 1929. The 1956 chemical production of this wholly-owned subsidiary of the Shell Oil Company amounted to 2 billion pounds with a sales value of $213,000,000. In 1957 sales of chemicals were a little less than in the previous year but were still believed to be above $200 million. From 1950 to 1956 the gross income from chemicals increased three times. The largest sales increases were in agricultural chemicals, resins, plastics, synthetic rubber and organic chemicals.

Among the many organic chemicals derived from petroleum on which Shell has done outstanding work are isopropyl alcohol, synthetic glycerine, epoxy resins, butyl alcohol and methyl ethyl ketone. They have pioneered in the agricultural chemical field and in recent years added a urea plant to their nitrogen chemistry kit.

Shell Chemical, in collaboration with U. S. Rubber, recently announced their plans to commercialize a synthetic rubber made from isoprene that has substantially the same properties as the natural product. The polyisoprene rubber is understood to be satisfactory for use in standard size truck tires. It is also very interesting that Shell Chemical plans to sell the polyisoprene for only 30 cents per pound.

The contribution of Shell Chemical's operations to Shell Oil's net income is not publicly available. However, Shell's outstanding record of net return to gross sales, total assets, plant investment or net worth—however you want to evaluate its performance with other oil companies — indicates petrochemicals contribute a significant share towards Shell's earnings.

It is believed significant that as far back as 1948, approximately half of the efforts of the Shell Development Company were directed to the petrochemical field.

Esso

Among the petroleum companies Esso (Standard Oil Company of New Jersey) was one of the first to make a big entry in the petrochemical field. Many years ago, Esso manufactured synthetic ethyl alcohol from petroleum via the indirect hydration route using sulfuric acid as an intermediary. Later butyl alcohol and methyl ethyl ketone were added to their list. Esso also manufactures "OXO" products which are believed to have an especially bright future.

For supplying the rubber we needed in World War II, several oil and rubber companies initiated programs which led to the development and commercial production of synthetic rubber. Butyl rubber, discovered by SONJ, is derived completely from isobutylene and isoprene. More than two years ago Esso Research and Engineering announced successful production of automobile tires from butyl and declared that the butyl tires have several advantages over those in present use. They have also developed a process for making butadiene from butylenes and extraction processes for recovery of butadiene and also isobutylene.

In the U. S. nearly $3 billion worth of farm crops are destroyed each year by disease. Esso Research and Engineering has licensed patents dealing with the production of a fungicide which is having unusual success in combatting crop disease.

In 1955 petrochemical sales were above any previous year and amounted to approximately 6% of total domestic sales. Although their petrochemical sales have not been published, it is believed that they were in excess of $150,000,000 in 1954. In 1953 they were more than $100,000,000.

Recently the Humble Oil Company, an affiliate of Esso, disclosed their intention to manufacture polypropylene. This may well be an up-and-coming plastic that will enjoy huge growth.

Phillips Petroleum

Phillips Petroleum has been a very aggressive and successful operator in the petrochemical field since World War II. Some years back it set as a company objective the upgrading of many of its petroleum and natural gas hydrocarbons to more valuable end products. In the past decade, it has become one of the largest producers of ammonia fertilizers and carbon black. In addition, it is producing paraxylene and methylvinylpyridine for synthetic fibers, and are now in commercial production with a new type polyethylene by their new low-pressure process.

Phillips was one of the refiners to purchase government-owned butadiene and GR-S plants and is now an important factor in the butylene, butadiene, and GR-S rubber fields thus adding to its

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Outlook for Petrochemicals

petrochemical activities. Phillips has a synthetic "natural" rubber, made from cis-polybutadiene, that is being produced on a semi-works scale. Such a material may be competitive with other synthetic "natural" rubbers when the scale of operation is greatly increased.

With one of the largest reserves of natural gas in the U. S., they have an excellent position in the petrochemical industry. The company's activities include fertilizer, synthetic rubber and plastics. Sales of petrochemicals were estimated at $130,000,000 for 1955 and are believed to have been substantially greater in 1956 and 1957. Within the next two or three years, their petrochemical sales are expected to be double the 1955 sales. It is conceivable that earnings from petrochemicals could easily expand to the point where they are at least as great as present profits from oils and gas operations.

Gulf Oil

The petrochemical activities of the Gulf Oil Corporation have been primarily in the field of ethylene production and distribution and also in the manufacture of iso-octyl alcohol via the Oxo process. In the early 1950's Gulf entered the ethylene business by building a plant to manufacture 150,000,000 lbs. of ethylene/year. More than three years ago they completed a second unit to manufacture an additional 220,000,000 lbs./year. Last year their ethylene production was close to 400 million pounds. It is understood that Gulf is currently manufacturing approximately 9,000,000 lbs. annually of high-grade iso-octyl alcohol and that demand exceeds capacity. There is a growing interest in a number of Gulf-developed additive agents, an example of which is a superior rust-inhibitor which also has a number of other attractive features including anti-stalling.

Gulf's other interest in the petrochemical field is through Goodrich-Gulf Chemicals, Inc. They now have a substantial interest in the butadiene plant at Port Neches, Texas. The synthetic rubber plant at this location is owned exclusively by Goodrich-Gulf, Inc. The latter company has experienced increased sales of its Ameripol rubbers and latex. The so-called "Ameripol SN" synthetic rubber is very similar to the natural product and can be expected to compete for a share of this huge potential market.

Standard Oil Company of California

The Standard Oil Company of California has pioneered in the utilization of aromatics. The Oronite Chemical Company[2] (a wholly owned subsidiary) is believed to be the acknowledged leader in the manufacture of dodecylbenzene. This material is made by polymerizing propylene to the tetramer, which is subsequently alkylated with benzene to form dodecylbenzene. Dodecylbenzene is the precursor to one of the major detergents.

The petrochemical sales of California Chemical Company[2] were about $70,000,000 four years ago and were $120 million last year.

Cities Service and Continental

In 1927 Cities Service, with their natural gas oxidation process, manufactured formaldehyde, methanol and acetaldehyde. In recent years Cities Service and Continental formed a petrochemical subsidiary called Petroleum Chemicals, Inc. (P.C.I.)

Three years ago P.C.I. purchased from the government the Lake Charles butadiene plant. This plant has a capacity of about 65,000 tons per year. The capacity has now been increased to 80,000 tons per year.

Cities Service and Continental also purchased a controlling interest in Mid-South Chemical Company, an anhydrous ammonia marketing company. This company has undergone a major expansion with construction and purchase of additional ammonia bulk distribution stations, dock facilities, and construction of barges for transporting ammonia to a number of terminals on the Mississippi Valley and in southern Texas. P.C.I. has built a huge ammonia plant for Lake Charles to supply the requirements of Mid-South. It is understood that their new huge ethylene plant is on stream and that ethylene glycol and butyl rubber plants will soon follow. When these plants are completed, P.C.I. will have over $80 million invested in petrochemical plants. It will not be very many years before their petrochemical sales will be in excess of $100,000,000/year.

International Combustion Engine Petrochemicals

Even though the present and future fuels do not come under the accepted definition of petrochemicals no paper on petrochemicals would be complete without recognition of the gradual change that has been taking place in oil refining over the years. Petroleum refining is becoming more and more a series of chemical processing operations. Today's premium gasoline is a clear cut example of this change in refining practice.

The most outstanding development in petroleum refining in the past 10 years has been the synthesis of aromatics on an enormous scale for gasoline. This growth took place because the catalytic chemistry was well-established, the processes were available and tremendous pressure was being brought to bear on the refiner from the automobile manufacturer. What followed was the gasoline octane race at an unprecedented rate. Less than 10 years from today we may be saying that one of the most outstanding developments in petroleum refining in the past decade has been the synthesis of isoparaffins on an enormous scale.

2 A subsidiary called the California Chemical Co. was organized to coordinate the activities of Oronite Chemical and California Spray-Chemical.

TABLE IV

Production of Premium Gasoline and Automotive Alkylate

	Premium Gasoline BPCD	Automotive Alkylate BPCD
1955	1,040,000	52,300
1956	1,120,000	52,300
1960	1,650,000	197,000
1964	1,950,000	839,000

TABLE V

U. S. Alkylate Capacity

(January 1st)

Year	BPCD Capacity	Year	BPCD Capacity
1955	236,000	1960	408,000
1956	263,000	1962	570,000
1957	273,000	1964	1,000,000
1958	300,000	1965	1,400,000
1959	350,000		

Gas-Turbine Engine

In recent years it has been predicted many times that the gas-turbine and the free-piston engine will replace the conventional internal combustion engine in automobiles. Last December the following item appeared in one of the leading trade journals for the petroleum industry: "Auto engineers now predict gas turbines will make their appearance in production-model autos within 2-7 years." It is my opinion that we can abandon any consideration of significant inroads of either the gas-turbine or the free-piston engine in the automotive field during the next 10 years. This conclusion was reached by examining developments in the petroleum and automobile industries during the last two decades. Changes in automotive engine design have required—and will continue to require — increasingly higher octanes. More premium gasoline will likewise be needed.

The United States is now consuming approximately 4,000,000 barrels of automotive gasoline per day. At the present time 30-35% of the gasoline sold is "premium" or so-called "super-premium."

Today in the U. S. A. premium gasoline averages 99.0 octane (C.F.R.R.) and regular gasoline 91.6 octane. Where a refiner markets both a "premium" and a "super-premium" fuel, all of the latter are better than 100 octane. In one instance super-premium fuel is understood to rate 102.7. The "Super-premium" gasoline is gaining acceptance, particularly with the owners of the newest model high compression ratio cars.

The anticipated octane numbers of premium and regular gasoline were predicted several years ago. We expected the average research octane number of all gasolines in the U. S. of quality above regular grade to be 105.6 by 1964. The forecast followed an extensive survey of the petroleum and automobile industries.

This type of information provided the starting point for establishing future automotive alkylate requirements. The predicted alkylate required for premium gasoline was estimated from a forecast of future premium gasoline requirements plus an estimate of the amount of isoparaffins — principally alkylate — that would be needed to satisfy the premium gasoline quality and quantity demand. In Table IV the past production figures both for total premium gasoline and alkylate are shown together with predicted requirements for 1960 and 1964. The 1955 and 1956 data shown for automotive alkylate in Table IV were calculated by difference assuming 90% of alkylate capacity was in operation and that what was not accounted for in avgas must have been incorporated into automotive gasoline.

It should be noted that today there are only about 125,000 BPD of alkylate going into automotive gasoline; however, by 1964 it is expected to reach 839,000 BPD. These data provide the basis for calculating the growth in alkylate capacity presented in Table V. It is seen that present alkylate capacity will double in less than four years and quadruple in less than six years. The rapid upswing in alkylate capacity is expected to start around 1960.

As for new alkylate capacity to be put on stream each year, allowing for an increase in alkylate quality, rapid expansion is expected to start in 1960.

Petrochemicals

Developments in the petrochemical industry have continued to come in at a very rapid rate. In addition to the basic building blocks and intermediates such as ethylene, propylene, the various butylenes, acetylene, synthesis gas, ammonia, methanol, benzene, toluene, and the several C_8 aromatics —notably paraxylene—there have been many newcomers in recent years. Epoxy resins is just one example of many that have appeared in the plastic field. Urethene foams have also been receiving a lot of attention. The domestic production of each of the previously mentioned materials probably exceeded 40 million pounds per year in 1958. A huge market could develop, for many basic intermediates of which only a few examples are 1,4 trans-polybutadiene fiber, cis-polybutadiene rubber, copolymers of ethylene and propylene, and isocyanate foams. Huge segments of the synthetic fiber industry appear to be on the threshold of continual rapid growth over the years ahead. One large potential outlet for future petrochemicals is in the missile, rocket, and jet fuels field. A great deal is said about boron fuels and hydrogen, but hydrocarbons (petrochemical building blocks) are expected to serve at least as a significant part of many of the fuels under development.

The last section of this paper will be devoted to a few of the petrochemical building blocks and intermediates that are produced on such a scale that they truly bridge the gap between chemical and fuel production not only from the standpoint of quantity and quality but also from the standpoint of processing techniques. Many of the processing methods employed have been lifted bodily from modern refinery technology. There is good reason to expect a continually expanding picture when one realizes that in the chemical industry (Chemical & Allied Products) expenditures for research and development are probably in excess of $600 million per year.

Synthetic Ammonia

Many years ago ammonia could lay no claim to being a petrochemical. Today it surely is one! What has brought about the revolution in the fertilizer industry—and particularly in ammonia—is undoubtedly a combination of several factors. It is customary to call attention to two facts in the introduction of any discussion of the rapidly expanding fertilizer industry: one being the great annual increase in population and the other that there is relatively little additional land to be brought under cultivation. An increasing awareness that greater use of fertilizer was the best way to increase and maintain the productivity of our soil while simultaneously decreasing the cost of production has been largely responsible for the fertilizer revolution.

It has been reported that the most profitable rates of application, if used at optimum levels of other practices, would correspond to 10 times the current total use of three primary plant nutrients.[3] The implications of such a volume become immediately apparent.

Most oil companies are using natural gas for ammonia production. An ammonia plant may be converted to production of methanol, the second-largest volume product from methane. Production of methanol is now over 1.5 billion pounds per year and is growing. It is used for formaldehyde manufacture, antifreeze, and solvents.

Ethylene

Except for petrochemicals such as aromatics and alkylate, which are largely burned as fuel for the internal combustion engines, ethylene follows ammonia as the second highest tonnage material supplied from petroleum and natural gas. The growth of ethylene as a chemical raw material in the last 10 years has been spectacular. Its present annual consumption is at the rate in excess of four billion pounds per year and is growing rapidly. Its list of derivatives is steadily increasing until it now contributes to nearly twice as many chemical and chemical intermediates as both propylene and butylene.

The most rapidly growing market for ethylene is in polyethylene plastics. In addition to its well-established use for wire insulation, film for packaging, pipes and bottles, it is finding new applications in its low polymer forms as wax substitutes. Production over the past several years and estimated to 1960 is shown in Figure 8.

Unless some far superior materials are developed, a 1.25 billion pound per year production rate could be reached by 1960. The above figure is intended to cover the production of polyethylene by both the low-pressure and high-pressure technique.

3 Nitrogen, phosphorous and potassium.

Conclusion

Petroleum refining is becoming more like a series of gigantic petrochemical operations with each passing year. The roles of chemistry and catalysis are prominent in both areas.

The total assets of the petrochemical industry are valued at $5 billion. Petrochemicals now amount to one-fourth of our total chemical production. The annual investment in new plants and facilities in the petrochemical industry in the next five years will exceed that for the petroleum refining industry. The opportunities for growth are enormous and are expanding at such a rate as to assure an excellent future.

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Manheim Director

Paul E. Manheim, a partner in the investment banking firm of Lehman Brothers, has been elected a director of Security Title Insurance Company, it was announced by William Breliant, Chairman of the Board of the company. Security Title Insurance is engaged in the title insurance, escrow and trust business in California.

Paul E. Manheim

Mr. Manheim is also a director of Western Union Telegraph Co., The Lehman Corporation, The One William Street Fund, Inc., and Chairman of the Board of Vertientes - Camaguey Sugar Company.

With La Hue Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

ST. PAUL, Minn.—Mrs. Marion V. S. Blodgett has become affiliated with La Hue Investment Co., Pioneer-Endicott Arcade. Mr. Blodgett was formerly with the First National Bank of St. Paul and C. S. Ashmun Company.

Wack With Troendle

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Roland L. Wack has become associated with Victor Troendle & Co., 6318 San Vicente Boulevard. Mr. Wack in the past was in the trading department of First California Co.

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Growth Stocks as Exemplified In the Chemical Industry

plow back a substantial portion of earnings to meet their expected and recurring growth requirements. In fact, the corporate dividend policy of growth companies is largely formulated in these terms, and accounts for the fact that, in contrast to other equity groups, the dividend-payout ratio is typically modest. It is noteworthy that emphasis on internally generated funds to meet growth requirements is to the distinct advantage of both the growth companies and their stockholders. From the company standpoint, retained earnings provide a cheap and convenient method of financing expansion and practically eliminate primary dependence on external sources of capital. Within broad limits, management is free to reinvest earnings as it pleases, with a considerable degree of immunity from the judgments of outside financial groups (viz., commercial and investment bankers). Thus, as the growth period progresses, during which period earning power is expanding rapidly and dividend payout remains at a stable ratio, then constantly larger (internally generated) funds become available to a growth company, both for financing new capacity and for paying enlarged dividends.

Similarly, stockholders of growth companies should eventually benefit from a heavy plowback policy. In the short run, investors may forgo what would otherwise be larger cash dividends and higher current yields by commitments in growth stocks, but this may turn out to be a small sacrifice as compared to the progressive building up of dividend return and capital values over a considerable period of time. Thus, it is a reasonable probability that, so long as growth companies as a class are capable of producing high rates of return on invested capital and of compounding pershare earnings, the investor can secure from these stocks a higher average annual yield on investment cost, together with larger capital gains, than can be obtained from an equivalent investment in stable-income equities for long-term holding.

Fundamental Characteristics

The fundamental characteristics are postulated as the ultimate determinants of high and rising earning power of growth stocks, and, unlike the financial characteristics through which they operate, they are not amenable to exact quantification. The fundamental characteristics are essentially qualitative in nature, and constitute the dynamic background factors whose impact on earning power can be only indirectly deduced from the corporate operating and financial records, and the investment benefits accruing to stockholders.[6]

Emphasis on research—Corporate-sponsored research and new-product development are powerful factors of corporate growth in particular and economic development in general. As presently conducted by corporations, research is typically of two types: basic and applied, limited to technological operations. However, a broadened and balanced program embraces several interdependent phases of research: exploratory research conducted outside the orbit of the established company program; fundamental research for new knowledge without regard to its commercial feasibility; basic research in fields of potential commercial interest; research to produce new, better, and cheaper products; and process development in converting laboratory data via pilot-plant operations into new plant design.[7] Owing to the unquestioned success of research and development (R&D) in its effects upon cost savings, sales and market growth, and enlarged profits, corporate management is faced with a continuing question: How much should the company spend on R&D? Obviously this is not a problem easily solved, for a meaningful answer depends on a constellation of factors, among which is the nature of the technology and competition within the industry. Moreover, the justification of R&D projects would be determined by informed estimates of market potential, availability of manpower, technical feasibility, the patent situation, pilot-plant results, and economic considerations. At a lower limit, "defensive" research may be budgeted in preserving a competitive *status quo* in the industry; or additional budgetary outlays may become necessary to pursue "offensive" research by which new and undeveloped markets are penetrated. In any case, one point is clear: failure to conduct an adequate level of research can be fatal, for such a policy can eventually destroy a company's capacity to compete effectively. Even though R&D is a long-range gamble, it is even more risky for a company to fail to conduct any project research at all.

The need for research is self-perpetuating, owing to the sharper competition which it breeds and to the increasingly complex technology which it creates. No one, however, would be so foolish as to imagine that a large research budget *per se* guarantees industrial success. As Graham and Dodd said years ago, "if the mere ownership of a research laboratory could guarantee a successful future, every company in the land would have one."[8] Despite the formidable market and time risk[9] incident to new products and processes which emanate from R&D, it remains almost certain that the companies aggressively research-minded today will be among the industrial leaders of tomorrow. With their heavy emphasis upon R&D, the growth companies are destined to be in the vanguard.

Underdeveloped markets—Taking a long view, the multiple markets in which growth companies sell their products and services are typically far from the point of saturation. Not only are established markets expanding, but new markets are continuously being created through aggressive merchandising and new-product development. It is interesting to observe that most growth companies apparently grow not merely by adjusting passively to expanding markets induced by population or income changes but by actively creating massive new markets through their emphasis on research and product development, technological innovation, and aggressive merchandising.[10] Accordingly, dynamic companies attempt to develop new products which will command potentially large markets so that significantly enlarged sales, low per-unit costs, and generous profit margins will be secured. In seeking out these markets, growth companies normally engage in detailed product and process planning. Elaborate research is often conducted to estimate the probable demand, at varying prices, for the company's newly developed products. Similarly, new processes of manufacture are normally put to severe testing under pilot-plant and semiwork conditions long before the company embarks on an expensive program of constructing full-scale plants.

Expanding industry—Practically without exception, the most dynamic companies participate in rapidly expanding industries. These "growth industries" are recognized by the fact that their rate of physical expansion and output is usually higher than the growth of the national economy, as measured by the Federal Reserve Board Index of Industrial Production. The "growth industries" share certain common characteristics: they are typically capital-intensive, research-grounded, and technologically advanced. Moreover, these industries seem to enjoy superior control, *vis-a-vis* the "static industries," as a result of such factors as regulated output adjusted to demand, predictability of supply, uniformity of product quality, relative stability of prices, physically contiguous and interlocking productive operations, and "inanimate mechanisms" utilized as raw materials. In contrast, the "static industries," which are typically dependent upon organic processes, are consequently plagued by uncertainties arising from the vagaries of the various climates of the continent and the endless heterogeneity of nature. An inherent weakness is transmitted to these industries, as manifested in such ways as a drastic fluctuation in the yield of a crop or in the price it brings. Agriculture and the industries primarily dependent on this source of raw materials are closely linked with the rhythm of organic life and seem to lack that higher degree of control over processes and mechanisms characteristic of the more scientific and automated industries.[11]

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6 The fundamental characteristics developed in this paper, though not necessarily applying with equal force and relevance to the diversity of common stocks which may properly be identified as growth stocks, are believed to be sufficiently general in scope and regular in occurrence to comprise a nucleus of causal factors making possible high and rising earning power of growth stocks generally.

7 Kenneth H. Klipstein, "You Can Turn R&D from Blind Alleys," *Chemical and Engineering News*, July 1, 1957, pp. 18-20.

8 Benjamin Graham and David Dodd, *Security Analysis* (3d ed., McGraw-Hill Book Company, New York, 1951), p. 399.

9 It is estimated that four out of every five new products developed via R&D fail commercially and that, on average, a seven-year lag exists between laboratory inception and developed markets for the successful products.

10 See Peter L. Bernstein, "Growth Companies Vs. Growth Stocks," *Harvard Business Review*, September-October, 1956, pp. 87-98.

11 For a stimulating and profound inquiry into the fundamental differences between nature-oriented and science-oriented industries, see Erich W. Zimmermann, *World Resources and Industries* (Harper & Brothers, New York, 1951).

TABLE I

Selected Financial Ratios of Eight Chemical Companies for the 10-Year Period 1946-55

Company	Av. Div.-Payout Ratios by Percent.	Av. Retained Earn. Ratios by Percent.	Net Income Available for Common as Percentage of Equity Capital	Av. Annual Percentage Increase of Sales
E. I. du Pont	65*	35	20	29
Union Carbide	62	38	18	32
Dow Chemical	48	52	14	55
Eastman Kodak	51	49	15	28
Hercules Powder	62	38	19	23
Olin Mathieson	55	45	13	291
American Cyanamid	52	48	14	28
Allied Chemicals	63	37	12	24
Over-all company aver.	57	43	16	31†

*Excludes the General Motors dividend contribution to du Pont stockholders.
†Excludes Olin Mathieson as abnormal and unrepresentative of sales growth.
SOURCE: Moody's Industrial Manuals.

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Growth Stocks are Exemplified In the Chemical Industry

The industrial growth process is deeply rooted in technological innovation. But new technology has something of a Dr. Jekyll and Mr. Hyde nature: it both creates and destroys. It creates new and dynamic industries and, simultaneously, it may shatter the foundations of other established industries by producing a state of maturity, stagnation, or obsolescence. The competitive and technological superiority of the petroleum industry over the coal industry is a well-known case in point. This type of technological competition is largely responsible for the emergence and disappearance of entire industries. The rise and fall of companies are often but mere pawns in inter-industry struggles for survival and supremacy. Over the long run, companies operating in declining industries cannot hope to compete successfully with aggressive companies situated in important "growth industries" which operate nearer to the frontiers of new scientifically derived knowledge and which produce a continuing stream of new products and processes on a lower-cost, mass-volume basis.

The fact that a leading company is situated in a rapidly expanding industry (measured in physical terms) does not, of course, *ipso facto* make it a "growth situation" in its investment significance. The controlling factor is the ability of a company to convert its participation in a rapidly growing industry into a commensurate growth in per-share earning power. Because public-utility companies must operate in a regulatory climate, their common stocks cannot seriously be considered as "growth situations."[12]

Aggressive management — The controlling and coordinating point in the entire growth process is an aggressive and risk-taking management. The performance of such a management is variously measured[13] and praised for the ability to reduce costs, develop and market new products originating from research, enlarge its share of the market, introduce the principles of "scientific management," avoid labor conflicts by having sound labor policies, successfully build and operate new capacity with increased demand, and finance its growth requirements to the long-term benefit of the stockholders. In appraising the management factor, one must usually reason deductively from the operating and financial records of the company, since field contracts and personal acquaintanceships with managements are largely beyond the reach of most investors and security analysts. Thus, a long record of high and rising earning power, steadily increasing dividends, sound net working-capital position, very moderate debt-to-equity ratios, recurrent expansion and modernization programs largely financed by internally generated funds—these and many other financial and operating results provide evidences of managerial proficiency.

Competitive superiority — This necessary and distinguishing trait of growth companies may exhibit a diversity of forms. In one form, a growth company can be expected to occupy a position of commanding importance in one or more expanding industries, being favored with a considerable element of monopolistic power by which oppressive price competition is kept in check. Along these lines, a growth company is usually protected by various legal and economic circumstances, such as the control of important patents and trade-marks, the investment of huge aggregations of capital, or the possession of outstanding managerial and technical skills. These circumstances tend to preclude the entry of outside firms into growth industries which are dominated by a few large units. In another form, a growth company demonstrates competitive leadership by its ability to control a substantial share of the markets available to it. Market control may be secured and maintained by introducing a continuous stream of new products via R&D or by aggressively merchandising and discovering new applications for established products.

12 Indeed, there are some utility stocks which have demonstrated outstanding growth: e.g., Tennessee Gas Transmission, Florida Power, Texas Utilities. Nevertheless, most public utility stocks are relatively stable-income situations, associated with slow growth, and are not "growth stocks" in conformity with the definition advanced in this paper.

13 For a rating system by which managerial performance is measured, see Jackson Martindell, *Manual of Excellent Managements, 1957* (New York, American Institute of Management, 1957).

Today, many "growth industries" are characterized by the economics of oligopoly.[14] In these industries, competitive conditions are relatively stable, for they have already passed through the unsettling industrial stage in which atomistic competition tended to prevail. There are several "growth industries" with oligopoly characteristics: e.g., petroleum, aluminum, rayon, rubber, and electrical equipment. The higher measure of market and technological control which is associated with oligopoly assures the stockholder that his investment will probably share fully in the dynamic development of such "growth industries." This is an important point. It suggests that, by reason of their oligopolistic power, the corporate giants in an industry can continue to produce high levels of profit on expanding sales and invested capital, while remaining largely immune to the prospect of aggressively stepped-up competition because of outside firms coming into the industry. In such a well-controlled situation, it is not surprising that these growth companies are characterized by high and rising earning power.

Investment Characteristics

The secular uptrend of earning power is the essential condition making possible the outstanding investment benefits which may be derived from long-term ownership of growth securities, if they were originally purchased at reasonable values. Accordingly, growth stocks have the potential of producing significant share multiplication, better-than-average yield results on investment cost, and substantial capital gains. These expected results are the pragmatic test which clearly differentiates growth stocks from other equity types of investment media. To illustrate, I have summarized in Table II the "investment results" derived from long-term ownership of several leading growth stocks representing the chemical-products industry; it gives clear evidence of the substantial benefits obtainable from growth stocks when such stocks are bought at reasonable values and are held for permanent investment.

14 In this general connection, see J. Fred Weston, *The Role of Mergers in the Growth of Large Firms* (Berkeley, University of California Press, 1953).

Share multiplication—The long-term rapid growth of per-share earnings and dividends of growth stocks is typically reflected in share multiplication. This means that the investor who holds growth stocks for a considerable period of time is usually in a position to accumulate a substantial number of additional shares from his investment as a result of retaining stock dividend and splits issued to him and by exercising rights issues to acquire new shares of common stock. Table II illustrates this share-multiplication process. For example, Dow Chemical has issued seven stock dividends and two stock splits and has made available to stockholders eight rights issues during the 1926-55 period; hence, an original commitment of 100 share in 1926 has been multiplied into 16,515 shares by the end of 1955.

The share-multiplication process occurs mainly during periods of general prosperity, because it is during these periods that earnings, dividends, and market prices are growing most rapidly and that enormous expansion requirements must be financed. The motives of corporate management in issuing stock dividends and splits are too well known to justify further discussion here. The use of rights issues, leading to share enlargement, is of special importance in the case of growth companies, for acquiring capital from current stockholders via rights issues is one of the principal means of supplementing retained earnings when expansion requirements must be financed. Consequently, the share-multiplication process —an enormous advantage to long-term investors — is largely determined by (1) the rate of per-share earnings growth, (2) the extent of earnings plow-back into new capacity, and (3) the supplementary methods employed by management in financing growth requirements.

Above-average yield results—Because the growth factor is widely recognized by the investing public, growth stocks as a class tend to sell on the basis of high price-earnings ratios and low current yields. These signify the large premiums which are associated with expectations of exceptional growth of earning power and market values. However, if bought on a reasonable premium basis and held for a sufficiently long period of time, growth stocks are capable of producing very satisfactory yield results on investment cost. This less appreciated feature of growth stocks makes them attractive for even the most conservative institutional accounts. But one point must be emphasized. Even the more spectacular growth stocks normally require a minimum holding period of a decade or more to attain and exceed an average annual yield of 5% on investment cost, which is normally obtainable from a group of high-quality, stable-income common stocks. This "time risk" is a function of the high prices (relative to earnings) which must be paid for growth stocks, even though growth rates of earning power may be impressively rapid.

Table II illustrates the high average annual-yield results obtainable from growth stocks. The derivation of the investment-yield results of the chemical stocks in Table II are based on certain assumptions and calculations. A 100-share commitment in each chemical stock is assumed to have been made by Investor A in 1926 and held continuously for the ensuing 30-year period. During the period, he has retained all stock dividends and splitups and he exercised all stock rights to purchase additional common. Thus, a running record of yield on investment cost for each year becomes a simple calculation. The investment results of average annual yield on investment cost is derived simply by totaling the separate annual yields of each stock for 30 years and dividing it by the number of annual periods. The compounded growth rates (the last column of Table II) are derived by applying secular-trend analysis to the build-up of yield on investment cost as the 30-year period progresses for each chemical stock.

Substantial capital gains — The most popularized feature of growth stocks is the expectation of substantial capital gains, even over relatively short periods of time (e. g., one year). From the viewpoint of conservative investment, where income requirements are the primary consideration, I would suggest that an appropriate function of (unrealized) capital gain is to serve as a potential offset to the low yield on investment cost which is building up to satisfactory levels during the first decade of holding. Table II summarizes the exceptional capital-gain results attributed to the chemical stocks for the 30-year period. In the case of du Pont stock, an initial 100-share commitment in 1926, together with the cost of exercising stock rights, constitutes a total investment cost of $25,115 for the 30-year period. The 1955 market value of du Pont shares accumulated in the portfolio amounted to $671,798, to provide a total capital gain of $646,683, or the equivalent of an average capital gain of 83% annually. It is no wonder that growth stocks, such as du Pont, are regarded with glowing enthusiasm by the investing public.

Generally, the very impressive capital-gain results of the chemical stocks shown in Table II can be explained largely by the existence of three major developments: (1) rapidly expanding earning and dividend power, of which market values are a reflection; (2) the spreading recognition of the growth factor and the increasing investment quality of the chemical stocks, as reflected in higher multipliers; and (3) in some cases, rising dividend-payout ratios relative to earning power. It is a reasonable estimate that, in the future, only the growth of earning and dividend power should continue to exert influence on market values of the chemical stocks, since the other factors are probably near their maximum levels in the current stock market.

Conclusions

A descriptive framework of characteristics has been developed in this paper as a working basis for identifying growth stocks. High and rising earning power, growing in accordance with the operation of compound interest, has been advanced as the controlling and pivotal characteristic of growth stocks. The fundamental growth factors, operating through the financial characteristics of wide profit margins, high rates of profitability on invested capital, and heavy plow-back policy, make possible the long-term rapid growth of earning power by which, in turn, the superior yield and capital-gain results are produced by growth stocks when held for long-time investment.

Advantages of owning growth stocks, if they pan out, are obvious to all. Such investment media are especially attractive to those seeking long-range retirement-income goals, such as businessmen or professional people who, let us say, expect to reach retirement age in another 25 years. They can probably look forward to a growing yield on investment cost, together with larger potential capital gains, as the period of holding progresses. Moreover, growth stocks should provide at least a partial hedge against commodity price-level advances. In fact, it is hard to imagine any equity group better designed to offset the risk of long-range inflation.

TABLE II

Investment Results from Long-Term Ownership of Eight Chemical Stocks for the 30-Year Period 1926-55

Company	Share Multiplication by Number*	Percent. of Av. Annual Yield on Invest. Cost	Av. Annual Percentage Capital Gains on Invest. Cost	Percentage of Compounded Av. Annual Yield Growth Rates†
E. I. du Pont	2,892	24	83	7
Union Carbide	972	12	32	6
Dow Chemical	16,515	18	54	10
Eastman Kodak	889	7	13	2
Hercules Powder	1,760	17	42	6
Olin Mathieson	1,233	7	10	4
American Cyanamid	18,000	17	42	10
Allied Chemical	462	8	12	3
Over-all company aver.	5,340	14	36	6

*Based on original commitment of 100 shares in each stock as of Dec. 31, 1925, and with all stock dividends and splits retained, and all rights issues to acquire additional common stock exercised thereafter. "Share multiplication" denotes the number of shares accumulated as of Dec. 31, 1955.

†Based on the growth of yields on investment cost computed for each stock over the 30-year period.

SOURCE: Moody's Industrial Manuals.

Standard Sign & Signal Stock Sold

Sano & Co., on March 20 publicly offered as a speculation 300,000 shares of common stock (par 10 cents) of Standard Sign & Signal Co. at $1 per share. The offering was quickly completed.

The net proceeds are to be used for financing new shelter lease contracts to replace heavy bank charges for advertising and promotion of shelter program; and the balance for working capital.

Standard Sign & Signal Co. prior to September, 1956, was engaged principally in the manufacture of traffic signs and signals. It then branched out into the Safety School Shelter business which provides a new medium for outdoor advertising. This new line of the business is conducted by the American Safety School Shelters as an operating division of Standard Sign & Signal Co. In a short time the Safety School Shelter business has grown to approximately four times the volume of the traffic sign business, the latter remaining at a fairly constant level.

The purpose of the corporation will be to promote and expand the development of the Safety School Shelter business.

Hyland & Rice Appted. By Inv. Co. of Am.

LOS ANGELES, Calif. — Lawrence A. Hyland and Louis J. Rice, Jr. have been appointed to the Advisory Board of the Investment Company of America, it has been announced by Jonathan B. Lovelace, president of the company.

Mr. Hyland is vice-president and general manager and a director of Hughes Aircraft Company. Mr. Rice is vice-president, a director, and manager of the investment department of the First National Trust and Savings Bank in San Diego. He is also chairman of the City of San Diego Funds Commission.

S. K. Murdichian Opens

Sumpod K. Murdichian is engaging in a securities business from offices at 135 Broadway, New York City.

Securities Salesman's Corner

By JOHN DUTTON

Correct Mistakes Now

Unlike the Doctor, the security salesman must live with his mistakes; he can't bury them. Regardless of the research and study given to investigation before a situation is recommended to a client there are times when unavoidable circumstances make it necessary to reverse the original recommendation. When such a situation arises there is only one thing to do and that is to bring the facts to the attention of the customer and talk it over. If a sale is indicated then recommend it, if it is better to sit tight and wait it out then suggest it; or if averaging may be advantageous, suggest that, but by all means don't leave your customer in the dark. The only way you can retain his confidence is to bring the facts to him promptly.

Retain Confidence

The only reason your client does business with you is that he believes in your firm, its recommendations and in your ability to keep him informed after he makes an investment. Some years ago I recommended the stock of a young and growing firm to a few of my clients. Everything was going along well, dividends were paid, and the financial reports favorable. One day one of the directors told me he had just had a talk with the comptroller of the company and the conversation seemed to leave with him the impression that everything was just not what it should be. Before I could make a further check I was advised that their certified public accountants had made a mistake in evaluating the inventory, which created a loss for the prior year of several hundred thousand dollars instead of the profit that was announced. This was not an error of management but strictly one of the accountants; there was no question of the integrity of the officers.

After ascertaining the facts there was only one thing to do and that was to notify clients who held the stock before they heard the news from some other source. In this situation it was decided that the best course was to sit tight and hold the stock pending a recovery in earnings which seemed to be indicated by recent events. While discussing the situation with one client we were informed that he had other funds for investment and this was taken care of as a routine matter without a break in the chain of confidence that had been established over the years.

Few People Expect the Impossible

It is sometimes advisable to inform your customers that they should anticipate some losses even in an investment account. Not all securities will constantly sell at a premium above cost, and although we may think others know this it does no harm to bring it to their attention without laboring the point. The main point at issue, however, is that the client wants to know that the security he is holding will qualify as a sound and profitable investment, regardless of whether he bought for speculative capital enhancement or for income purposes. The intermediate fluctuations are not going to bother an informed client providing he knows that the underlying basic trend is upward. A temporary interruption in the trend can and should be taken in stride, but if there is a serious reversal then action should be taken and the sooner the better.

There is one thing that customers want above all else and that is a knowledge that they can rely upon their broker for advice which is based upon facts and which is honestly presented. That is why it is necessary to come right out with the facts even when they are unfavorable, because in no other way can a client's confidence be retained.

Pennsylvania State Authority Bonds Offered to Investors

Drexel & Co., Harriman Ripley & Co. Incorporated, The First Boston Corporation and Kidder, Peabody & Co. are joint managers of the group which offered publicly on March 31 an issue of $30,000,000 The General State Authority of the Commonwealth of Pennsylvania, tenth series, 6, 2¾, 2.90, 3, 3¼, 3.40, 3½, and 3.60% serial bonds at prices to yield from 2.25% for those due July 15, 1961 to 3.70% for the 1984-85 maturities. The group was winner of the issue at competitive sale on a bid of 98.16035 for the combination of coupons, a net interest cost of 3.58424%.

Rated A-1 Standard & Poor's, the bonds are direct and general obligations of the Authority. They are secured by the pledge of all rentals payable by the Commonwealth from its current revenues under leases covering projects leased by the Authority to the Commonwealth, and by the pledge of all other revenues, rentals and receipts of the Authority.

Among those associated with the managers in the offering are:

Smith, Barney & Co.; Blyth & Co., Inc.; Lehman Brothers; Phelps, Fenn & Co.; Eastman, Dillon, Union Securities & Co.; B. J. Van Ingen & Co., Inc.; White, Weld & Co.; A. C. Allyn and Company, Incorporated; Hemphill, Noyes & Co.; Lee Higginson Corporation;

F. S. Moseley & Co.; Stroud & Company, Incorporated; Yarnall, Biddle & Co.; Alex. Brown & Sons; W. E. Hutton & Co.; A. G. Becker & Co., Inc.; Reynolds & Co.; Shearson, Hammill & Co.; Hallgarten & Co.; Schaffer, Necker & Co.

American Securities Corporation; Schoellkopf, Hutton & Pomeroy, Inc.; Roosevelt & Cross, Incorporated; Butcher & Sherrerd; Schmidt, Roberts & Parke; Auchincloss, Parker & Redpath; Moore, Leonard & Lynch; J. A. Hogle & Co.; W. H. Newbold's Son & Co.; Singer, Deane & Scribner; Green, Ellis & Anderson; Rand & Co.

Ford Motor Stock Offer Oversubscribed

A total of 2,000,000 shares of common stock of Ford Motor Co. ($5 par value) which are being purchased from The Ford Foundation were offered on March 31 by a group of 324 underwriters at $56.50 per share.

This offering does not represent financing by Ford Motor Co. and will not result in any increase in the total number of shares of capital stock of all classes of the company outstanding. The Ford Foundation will receive all of the net proceeds from the offering.

The underwriting group is managed by: Blyth & Co., Inc.; The First Boston Corp.; Goldman, Sachs & Co.; Kuhn, Loeb & Co.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Smith, Inc.; and White, Weld & Co.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The $4 billion of new money which the Treasury obtained through the sale of $500 million of 4% bonds due Oct. 1, 1969; $1.5 billion of 4% notes due May 15, 1963, and $2 billion of 289-day Treasury bills meets its current needs, but gives the money market only a very short time to digest these issues. The Government will be back again in the early part of May with operations that will take care of the refunding and new money needs. The kind of securities which will be used for this coming financing is not being given very much consideration yet, but the market is very conscious of its presence and as a result it is an influencing force in the money and capital markets.

The demand for fixed income bearing Government obligations continues to be limited in spite of reports of the heavy oversubscription of the issues which were just offered for new money. The unbalanced budget and inflation fears are still exacting a toll in the form of higher rates as far as bond yields are concerned.

Basis of Allotment

The Treasury last week sold an issue of $2 billion of 289-day bills at an average yield of 3.386% and thus completed the package deal that was used to raise $4 billion of new money. The $500 million of 10-year 4% bonds were allotted on the basis of 65% for subscriptions in excess of $25,000, for the savings type of investor. The commercial banks received allotments of 35% in excess of $25,000 while all other investors received 20% allotments on subscriptions in excess of $10,000. The $1.5 billion of 4% notes were allotted on the basis of 50% on all subscriptions in excess of $100,000. In addition, $50 million of the 4% bonds were allotted to government investment accounts as were $100 million of the 4% notes.

Speculators Chagrined

The market action of the new money raising coupon issues that were sold by the Treasury, namely the 10-year 4% bond and the 4% note was, on the whole, nothing to write home about. The 10-year 4% bond, according to reports, attracted a certain amount of speculation since this issue had been selling well above 101 just prior to the announcement by the Treasury that this outstanding obligation would be reopened for subscription at 100. It was reasoned by those that are always interested in making a fast buck, that the 10-year bond would be well taken and should move up to a level which would carry the quotation of this security back in the neighborhood of 101, say at least 100½ or 100¾.

This did not happen to be the case, and one of the reasons given for the failure of this issue to hold its price level was that the allotments of 20% were larger than what was being looked for by the so-called fast operating group. It was not expected that the allotments would be in excess of 15%, with some of the opinion that it would not be more than 10%. When the money market sensed that the allotments in the 4% bond were likely to be larger than what had been talked about, there were more sellers than buyers in the 4s due Oct. 1, 1969 and, as a result, quotations for this obligation went below the 100 level when the allotments were made public by the Treasury.

No Institutional Demand

Here, we had a situation where a 10-year Government obligation this time was yielding more than 4%, because there is really no important investor interest in even medium-term fixed income bearing issues of the Government. The Treasury had tried a long-term 4% bond due 1930, and this issue also went below the issue price of 99, for the same reason; the lack of institutional investor demand for Government securities, and, this is in spite of the fact that the yields on Government obligations for a wide maturity range, is considerably better than the return which is available in most of the so-called "blue chip" common stocks.

The 4% note due May 15, 1963 also went under the issue price of 100, even though it had been fairly generally expected that the allotments would be in the area of 50% which turned out to be the case here. Nonetheless, it seems as though a four-year Government obligation yielding 4% or slightly more will sooner or later have more than a passing amount of interest for the investor.

More of the Same Issues?

Another reason given for the not too enthusiastic reception for the recent Treasury financing is the uncertainty that surrounds the whole Government fiscal program and the big question mark as to how the impending refunding and new money raising operations of the Treasury will be taken care of. There is a sizable operation coming along in May, and who can say now that the four-year 4% notes and the 10-year 4% bonds will not be part of this one too.

W. K. Pearson With First Maine Corp.

PORTLAND, Maine.—Worsdell K. Pearson has been elected Treasurer of First Maine Corp., 84 Exchange Street.

Mr. Pearson has had 35 years of financial and investment experience. For the past 22 years, he has served as Secretary and Treasurer of Institutional Shares, Ltd. of New York, one of the larger and older mutual fund organizations in the United States.

First Maine Corp., of which former Maine Governor Burton M. Cross is President, is engaged in the underwriting and distribution of investment securities.

Loomis, Sayles & Co. Opens Chicago Office

CHICAGO, Ill.—Loomis, Sayles & Company, Boston investment counsel firm, has announced the opening of a Chicago office at 135 South La Salle St.

Charles M. Kase, previously associated with the firm's Boston and Milwaukee offices, will be in charge of the new office.

Two With Inv. Service

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Edwin A. Sanborn and Robert G. Truitt have been added to the staff of Investment Service Co., 916 Broadway.

R. W. Pressprich & Co. New Chicago Branch

CHICAGO, Ill. — R. W. Pressprich & Co. has opened a Chicago office at 135 South La Salle Street with Walter J. Fitzgerald as resident manager.

Walter J. Fitzgerald

For the past 10 years Mr. Fitzgerald was a partner of Blunt Ellis & Simmons, Chicago. He began his investment career here with the Guaranty Company of New York in 1929, and from 1934 until 1943 was associated with Harriman Ripley & Co. Later he organized his own municipal bond firm, and since 1949 has been a partner of Blunt Ellis & Simmons. He is past President of the Municipal Bond Club of Chicago and on several occasions has served as a director of The Bond Club of Chicago.

Associated with Mr. Fitzgerald in the new office will be Charles T. Matz, formerly with L. F. Rothschild & Co.; Francis W. McGoey, formerly with Goldman, Sachs & Co., and Richard N. Strang, formerly with Halsey, Stuart & Co.

The opening of the Chicago office represents a major expansion for the Pressprich firm since the office here will be headquarters for a 13-state middlewestern area. The firm is a member of the New York Stock Exchange and other leading exchanges and maintains branches in Boston, Phaladelphia, San Francisco and Albany, N. Y. This year R. W. Pressprich & Co. will celebrate the 50th Anniversary of its founding.

It was organized by Reginald W. Pressprich in 1909 following his 11 years experience in the investment field. In the early years the firm was principally an underwriter of government, municipal and railroad securities and its clientele largely institutional, but since 1926 it has been a member of the New York Stock Exchange and does a comprehensive investment business. The present Senior Partner is Clinton S. Lutkins who was formerly Senior Vice-President and Treasurer of Allied Chemical & Dye Corporation.

Railroad Securities

Seaboard Air Line

A merger of Seaboard Air Line with Atlantic Coast Line has interesting long range possibilities. Studies are being made of a possible consolidation of the two roads. The two roads are parallel and complement each other in many ways. Unquestionably substantial savings could be made through use of joint facilities.

Last year Seaboard's revenues dropped less than the national average, and were off only 5.3% under 1957. This reflects the fact that heavy industry is not as large a factor in its traffic pattern as most of the Eastern carriers. Maintenance cost and transportation expenses were only nominally higher in 1958 despite higher wages. Even with these adverse factors the road was able to report net income equivalent to $3.11 a common share as compared with $3.85 a share reported in 1957.

Traffic in recent months has shown improvement. Shipments of phosphate rock, paper products and other manufactured goods items have been improving. Further improvement is anticipated. The carrier's revenue trend has been outstanding over the years. Population growth and industrial expansion in the service territory have been the principal factors. At one time traffic was outbound, but new industrial plants in the area served have brought about a heavier volume of traffic, providing better utilization of equipment.

A large factor in the ability of this road to control expenses has been its modernization program over the past few years. It was one of the first roads in its district to dieselize and also brought its yards up to a high degree of operating efficiency.

Earnings have been hurt by losses incurred from passenger business. In 1957 a small loss was sustained from this source and a larger deficit probably was experienced in 1958, on a direct cost basis. At one time this was a profitable business for the Seaboard.

Capital expenditures this year are not expected to be as high as the $14,800,000 of 1958. Cash and equivalents at the end of last year totaled $16,800,000 and current liabilities were $20,898,000. Net working capital was $20,898,000 as compared with $22,232,000 at the end of 1957. Depreciation charges exceed total debt maturing within the next year, plus sinking fund requirements, with some $600,000 to spare.

Continued from first page

Analysis and Forecast for 1959 and the Business Cycle

reach peak levels in 1959, or 1960.[1]

More and more evidence is appearing that an improving and higher level of economic activity will characterize the current year, but that a runaway boom is not in the offing. Businessmen and business economists are heartened by the nature of the fourth quarter 1958 upturn and are finding positive signs of continued improvement. Yet, the outlook must be couched in cautious terms because of the volatile nature of so many of the strategic factors. More and more as the analyst turns to specific indicators he finds a generally improving situation, ranging from industrial production to personal income, capital spending, and exports. Encouraging signs are indicated by improvements in the average length of the work week, the increased orders for durable goods, the number of new incorporations, and the decline in the dollars involved in business failures.

Let us begin by looking at the total economic picture and use the gross national product—the monetary value of all the goods and services marketed—as a first approximation of national economic well being. Gross national product had reached a dollar high of $440.3 billion in 1957, a peak rate of $455.6 billion having been set during the third quarter. A decline set in which reached a low of $425.8 billion during the first quarter of 1958. Since then there has been an improvement to a rate of about $453 billion for the last quarter. The total for the year probably will be about $438 billion. The current year should witness a substantial improvement with a level of about $473 billion for the annual average, unadjusted for prices increases.

1 The business forecaster is being helped by the increasing availability of data. Especially helpful is a new series published by the Department of Commerce which now places estimates of gross national product on a constant dollar basis quarterly instead of only annually.

Sees Rising GNP Rate

The first quarter of the year should be marked by a general all around improvement in most economic indexes, but at a gradual and moderate rate. The improvement should pick up momentum during the second quarter as businessmen begin to add to inventories as a hedge against possible late spring and summer strikes. By the beginning of the third quarter, GNP should be at a $465 billion rate. Because of vacations, strikes, and general summer slowdowns, the third quarter might show some decline, to be replaced by substantially new highs during the last quarter—with a gross national product rate of between $480-$485 billion not unlikely at that time.

It is well to pause for a moment and consider the growth in gross national product since 1957. It has become commonplace to assume that the data for the United States should evidence an annual rate of growth of approximately 2.5%, based on historical experiences. If we apply this rate of expected growth to 1957, the projected figure for 1958 should have been some $451 billion. This approximates $13 billion more than the actual figure, or about 3% below the projection. Using the 1957 base again, and projecting the 1959 figure, G.N.P. should be slightly in excess of $462 billion to maintain the long run trend rate of growth. The $473 billion of this forecast thus, is in excess of the trend. The forecast total means an annual rate of growth of about 3.7% since 1957, but an improvement of about 8.0% between 1958 and 1959.

Thus, it is that the importance of the growth factor cannot be overlooked in national data. Failure to do so easily might mislead one to believe that one year is as good as a preceding year when actually constantly increasing results are necessary if established rates of improvement are to be maintained.

Further, the foregoing data are based on current prices. Although it is unlikely that 1959 will witness much of a price advance, it is possible for such rises to eat up as much as 10 to 15% of the increase in gross national product, or account for about $5.25 billion of the increase. This would bring the 1959 G.N.P. to about $468 billion in terms of 1958 prices, thereby reducing the percentage gain between the two years from 8.0 to 6.8. This figure, we notice, is very close to the projected G.N.P. based on the 1957 result and the 2½% growth factor. It is important to note the real nature of the 1959 recovery—most of the increase will reflect real gains in activity and not merely higher prices for a similar volume of goods.

In spite of this dissipation due to higher prices, the year 1959 probably will be marked by relatively stable prices in general. The dollar, which currently is worth about 48 cents in terms of the 1939 dollar should drop no lower than to 47 cents. The consumer will be affected little by changes in the cost of living which presently is at 123.8 (1947-9 =100). It is unlikely that this consumer price index will rise by more than two points or less than 1%. Specifically, the outlook is for cheaper prices for most foods, at least the staples of vegetables, eggs, meat, and citrus fruits. Clothing prices should remain relatively stable. Most consumer durables might increase slightly in price. Price advances can be expected for utilities, transportation, rents, and medicine as well as for state and local taxes. It is unlikely that automobile prices will show any appreciable increase.

Most Will Be Better Off

Most segments of the nation will be better off in 1959. Since wages, salaries and supplements thereto are expected to rise and with the cost of living to remain relatively stable, the outlook is for a rise in real income. Wage earners may look forward to average gains of about 12 cents an hour, with average factory wages to reach about $2.25 an hour in contrast to the present $2.13. Workers in certain industries are guaranteed increases either because of automatic raises or escalator clauses. These include automobile, electrical equipment, airlines, and soft coal. Salaried workers too can expect to benefit as pay cuts are restored.

Not only should workers benefit because of increased wages but also because of the expectation of increased total employment and hours worked by those employed. Civilian employment should advance to nearly 67 million during 1959, an increase of slightly under 2.5 million from the current level. Unemployment, however, will not drop proportionately. The present 4.0 million might decline by but a half a million to 3.5 million. Essentially, this represents the increase in the labor force as well as the rapid strides in industrial productivity that enable a given output to be produced with a reduced labor force. Productivity of industrial plants may be up by as much as 6-7% in 1959 in contrast with a smaller rate of increase for the economy as a whole. Hence, a force tending to generate unemployment. The smooth flow of labor income may be interrupted by a series of strikes, with the potentiality in steel constituting a serious and disruptive force.

One of the most encouraging features expected in 1959 is the degree of improvement in production. Total industrial production should reach at least 150 (1947-49=100) in 1959 averaging about 148. This would be almost 25 points above the 1958 low (April, 1958), 10 points above the rate for December, 1958, and even four points above the previous high of December, 1956. This increase should occur in most segments of the index. Durable production which suffered more relatively in 1958 should make a gain of about 10%. The increase in non-durables probably will be only about half as great. Some of the industries that should show gains include leather, rubber, textiles and apparel of about 10% and paper, printing, chemical, food and beverages, of about 5%.

Probability of Steel Strike

One of the most significant industries that looks forward optimistically to 1959 is steel. This industry suffered particularly in the first half of 1958, dropped to a little above 50% of capacity. This reflected not only the decline in industrial production, but also the fact that many steel customers used their steel inventories rather than to make current purchases. Replenishment of depleted inventories will help in 1959. Output for 1958 is estimated at about 86,000,000 tons. This is based on a practical capacity of some 140,000,000 tons, giving an overall utilization of about 62%. For 1959, output is expected to reach 113,000,000 tons and capacity to rise by 5,000,000 tons to 145,000,000. This would result in a percentage of utilization for 1959 of about 80. The industry may be unsettled by a summer strike which is highly probable.

Construction, another of the key industries, was one of the sectors that kept the decline in 1958 from being more severe. The total of all construction in 1959 might reach $54,000,000,000[2] or an increase of about 10% over the $49 billion of 1958. Within the overall picture of construction, there is an uneven alignment. Substantial increases are expected in the building of stores, roads, bridges, churches, garages, public utilities, schools, and public buildings. However, industrial construction may decline by about a sixth and home building seems to have reached a plateau with a decline in the offing. New housing starts hit 1,200,000 during 1958. In fact, November starts reached a rate of 1.33 million for a record since 1953. Total new starts in 1959 should equal the 1958 rate of 1,200,000, but the rate probably will decline throughout the year to a low of 1,000,000 by the end of 1959. Because of price changes and changes in the type of house built the value of new household construction should top $15 billion in 1959, or a dollar increase of some 12% over 1958. The decline in new housing starts may come from three sources; the increasing cost of new houses; the tightening of credit, interest rates and down payments; and the stricter regulations by the Federal National Mortgage Association. Federal Government aid in making home building credit more abundant and less costly will be diminished.

The wellbeing of the construction industry has many repercussions on the welfare of the nation. Not only is a large bloc of labor employed in construction, but new housing means increased demand for many building materials, household appliances and furnishings, and consumer durables.

Automobile production is another of the fundamental industries that looks forward to substantial improvement in 1959. Domestic sales in 1958 were down to about 4,300,000 which was some 3,700,000 below the 1955 peak. In fact anything under 6,000,000 units today is considered below the norm for the industry. Plans for 1959 look towards domestic sales of about 5,500,000. Efforts also will be launched to recapture some of the 500,000 market now accounted for by foreign models. Prices, in general, should remain relatively stable for new automobiles. Sales of used cars also should remain high. This industry holds the key for the prosperity of many other areas such as steel, glass, rubber, copper, zinc, aluminum, textiles, and lead.

2 About $36 billion in private and $18 billion in public construction.

In the soft goods lines, most of which suffered substantially in 1958, improvement looms for 1959. Furniture, appliances, and other household equipment items should increase in sales along with the activity in house construction. Textiles, clothing, food and petroleum sales stand to increase as population advances. Expenditures for recreation and leisure, such as outlays for resorts, sporting goods, do-it-yourself, gasoline, and transportation, will increase as consumer income advances. Department stores expect an increase in sales of about 5% and total retail sales should advance by between 7 and 10%. By mid-1959, retail sales volume should surpass $220 billion.

Even railroading which has not shared in the general prosperity of the decade is looking forward to an increase in carloadings during 1959. At the present time, railroad carloadings are running about 7% ahead of the comparable 1958 period and for the total year the gain may be as great as 15-20%.

One of the sectors of the economy that will not share in the increasing activity of 1959 is agriculture. In fact, a decline up to 10% in farmer cash income may be expected in 1959. Cash income for 1958, however, had reached approximately 34.5 billion dollars — the best year since 1951. Production is expected to increase in most lines — poultry, hogs, cattle, wheat, eggs, vegetables, fruits, cotton, and dairy products. Subsidies will be reduced substantially since the end of the soil bank. Meanwhile, prices of the items bought by farmers can be expected to rise. Hence, a squeeze on farm income of between 1 and 3 billion dollars.

Now that we have looked at some of the specifics that determine the scope of national output, let us return to the gross national product and review the outlook for its components for 1959. Since the G.N.P. measures the market value of all goods and services produced in a year, we may view the components as groups of buyers-consumer purchases, gross private domestic investment (business spending), purchases by governments, and the net balance on the foreign account. We recall that a gross national product of $473 billion has been estimated for 1959.

Sees Increased Business Spending

Spending by business — gross private domestic investment — which had reached a rate of almost 68 billion dollars in 1957 declined to a level of 54 billion dollars for 1958. By the end of 1959, the rate should be up to 65 or 66 billion. The drop in this sector of G.N.P. was responsible for initiating most of the 1958 recessionary influences. With business declining and profit expectations pessimistic early in 1953, many firms decided to live off their inventories for as long as possible and to curtail outlays for new plants and equipment. From an increase of a billion dollars in 1957, inventories declined some $5 billion in 1958. The prospect is that inventory build up likely will be renewed during the first and second quarters of 1959. For the year inventory buildups could account for an increase of some 3-4 billion or a net charge of almost 5 billion dollars.

Business spending in new plant and equipment also declined substantially in 1958. The decline in purchases of producer goods—the items that are used to produce other goods — receded by almost 20% in 1958. This type of spending dipped from a peak rate of almost 38 billion dollars in 1957 to an average of about $31 billion for 1958, with a level below 30 billion during the last quarter. The first quarter of 1959 is expected to experience a rise to 30.5 billion dollars. The expected improvement in capital spending is one of the most encouraging notes for 1959. This is especially so because of the multiplying effects of such outlays. The drop in 1958 was one of the major forces behind the 1957-58 recessionary influences. The 1957-58 decline in capital outlays may be viewed as a sort of digestion period during which time the over-optimistic decisions of 1955-1957 leading to extra capacity were coming to fruition. Faced with declining markets and increased costs, many companies cut their capital outlays drastically. Coincidentally this took place at the same time that inventories also were being cut. Hence, two significant recessionary influences joined hands to generate a business decline.

Now, with the inventory picture improved and industrial activity on the way up, an increase in capital expenditures can be expected for 1959. A pick-up in this segment of spending to a rate of about $32.5 billion can be looked for in the current year. This sector of the economy will bear careful watching, it being one of the most sensitive barometers of business sentiment. Peak boom levels will not be attained until this area demonstrates a full feeling of optimism, rather than the cautious optimism of the present.

Increased Consumer Spending

Consumption expenditures — spending by the people—has been one sector of the economy that buoyed up much of business during 1958 and prevented the decline from going further. Consumer outlays which had reached a peak of 287.2 billion dollars in 1957 established a new record of about $297 billion for 1958. The total would have been much higher were it not for the decline during the first two quarters of 1958. For 1959, these expenditures should reach approximately 308 billion dollars. The consumer already is evidencing a greater willingness to spend for such items as automobiles, household goods, appliances, television sets, travel, rents, clothing, eating out, and medical care.

The willingness to spend is related directly to an expected increase in personal income. One anomaly of 1958 has been the continued advance in personal income to new high grounds in spite of increased unemployment and shorter work weeks. The increase in personal income should continue and may reach as high as $375 billion in 1959, representing an increase of some 20 billion over 1958. Disposable income — that remaining to persons after paying taxes—also should advance to approximately 328 billion dollars, for an increase of approximately 15 billion over 1958. This increase will help retail trade considerably.

An idea as to the significance of increase in disposable personal income may be glimpsed from the following calculation. It is reasonably safe to assume that out of a dollar of increased income, the typical consumer will pay ten cents in taxes, save ten cents, and spend eighty cents on consumer outlays. Thus, if personal disposable income rises by fifteen billion dollars, this would mean an increase of 1.5 billion dollars in savings and of 1.5 billion dollars in taxes and a stimulant of 12 billion dollars for the consumer goods industries. A favorable factor in consumer spending has been the diminished reliance on installment buying which reached a record of over 34 billion dollars in 1957. Net repayments amounted to over a billion dollars in 1958. There probably will be an increase in this type of debt of about two billion dollars in 1959, particularly to facilitate the purchase of hard goods, automobiles, appliance, and miscellaneous household goods.

The size of the population (currently estimated at 175,000,000) and the rate of population growth act as a stabilizing force that will keep consumer spending from declining as much as other components of the G.N.P. Although there were about 70,000 fewer marriages and 45,000 fewer births in 1958 than 1957, the population showed a net gain of about 2,750,000 in 1958. An additional gain of approximately 3,000,000 can be expected in 1959, since the recessionary influences that curtail marriages and births will be in less evidence. From this force, new markets for the basic essentials of life constantly are being opened.

Spending by all units of government has gone on rising during all of the 1958 decline, rising to approximately 93 billion dollars from $88 billion in 1957. A level just under one hundred billion dollars can be expected in 1959. A federal budgetary deficit of 12.2 billion dollars has been estimated for the fiscal year 1959, ending June 30, 1959. It is the President's hope that the next year will show a balance. One must not overlook, however the importance of state and local outlays in this picture. Their purchases of goods and services account for about 40-45% of the total public sector, or about 40-45 billion dollars in 1959.

It is important to note that purchases of goods and services by governments differ from governmental spending totals since only these items that affect the total national production are included in the former, but transfer payments are added to the latter.

Governmental outlays stimulate both the consumer and business sectors of the economy as they enhance payrolls, create demands for the products of munitions and construction industries and increase the sales of miscellaneous local suppliers of governments. Outlays for schools, streets and other public works will continue by state and local units.

Some improvement in the export picture can be expected during the year. A rise to about twenty billion dollars in exports is possible. This will still be about five per cent below the 1957 level. Imports might rise a billion dollars to a level of 14 billion. This will depend solely on tariff manipulations.

Business profits can be expected to show substantial improvement throughout the year. Corporate profits after taxes might reach a level of about 25 billion dollars as compared with approximately 18 billion in 1958. This means a before tax profit of about $48 billion in 1959 in contrast to about 37 billion dollars for 1958. This would surpass the former high of $45.5 billion of 1956. A significant portion of this increase in profits may be attributed to the lessons in cost reductions and economies learned by businessmen during the recession. In fact, higher profits are being earned by many concerns now at lesser rates of operation than in previous years.

As profit expectations increase there will be an additional incentive to investment in new plant and equipment. Likewise, dividend payments should be increased by above a billion dollars over the 1958 level of approximately $12.5 billion. It is likely that the stock markets already have reflected the improved profit prospects. The Dow-Jones average showed a 30% gain for 1958. For the current year the expectation is that the average will continue to rise, but at a more moderate rate.

A word of caution is in order at this time as a modification of this generally optimistic forecast. The American economy is a psychological mechanism, easily disturbed. And there are numerous forces that could interrupt the upward swing. Industry still has a high percentage of unutilized capacity and there always is the danger of markets becoming saturated. Unemployment will continue as a drag on the economy. Then, too, there is the matter of Federal Reserve Policy. Injudicious action easily may introduce a cautionary element at a strategically inopportune time. There is the danger that credit may be restricted too much and that money may be tightened unnecessarily.

Discusses Anti-Inflation Monetary Policy

This brings us to the question of inflation and monetary policy for 1959. The general indication is that the Board of Governors of the Federal Reserve System is committed to a policy of halting as much inflation as is possible within the scope of its powers. The leaning is toward tight money and this is especially significant now that banks have little free reserves. There is little reason, however, to expect any serious price upheavals. Unlike other periods of prosperity in the post World War II period, there is no pressure of demand against scarce goods. If prices are bid up, this will be caused more by a psychological feeling that inflation is coming rather than as a result of the interaction of basic economic forces.

It is well to stop and inquire whether the American economy has been characterized by inflation in recent years. To begin with it is necessary to correct a common fallacy that a mere rise in prices constitutes an inflation. Inflation is a relative concept. To characterize a period as inflationary it is necessary to examine not only price levels but other quantitative measures such as gross national product, disposable personal income, supply of money, and the like. Adjustments also must be made for rates of growth. Were those factors not taken into consideration, it would be possible to describe even some of the most devastating depression years of the 1930's as inflationary by using a base far enough removed during which prices were lower, such as some nineteenth century period, for example, 1890.

That such comparisons are essential is self-evident if for no other reason than the number of welfare or value connotations attached to the idea of "inflation." Thus if certain public policies are to be called into play when an inflationary period is present, and correspondingly if certain vested interests are to be affected favorably or adversely, it is imperative that the period be truly inflationary and not just a surface emanation of higher prices.

Perspective and hindsight are valuable tools for economic analysis. It is not enough to point to gross national product or like measures and indicate that they are so many percentage points below last year or another peak year. Only to keep even with the past is to fall behind since there is a rate of growth that also must be considered. For example, if G.N.P. were $430 billion in one year, just to sustain the established rate of growth of between 2½ and 3% would require a G.N.P. for the next year of between $441 and $443 billion to maintain an even keel. Changes in prices, too, must be given full consideration. For example, although the dollar value, in current dollars, of the gross national product advanced some 5% in 1957, approximately 80% of this was due to price increases, thus leaving a true increase in physical product of only about 1%, below the established rate of growth of the economy.

Achieving Full Employment

A serious question that stems from the price problem is whether a stable price level is compatible with full employment. At present, this seems unlikely. As indicated earlier, it is estimated that some 3.5 million will be unemployed in 1959, and this in spite of the substantial improvement in G.N.P. It is likely that gross national product would need to be nearer $500 billion if unemployment were to be reduced to a level of full employment, something closer to 2,000,000 unemployed. This would mean an annual rate of increase in G.N.P. of about 4.5 to 5% which easily could generate an upward price movement.

The following table will be helpful in highlighting the predictions for 1959 with the record of the past.

Component—	1957 (Actual)	1958 (Estimated)	1959 (Projected)
(All Prices Are in Current Billions of Dollars)			
Gross National Product	$440.3	$438.0	$473.0
Consumption Expenditures	284.4	291.0	308.0
Durables	39.9	37.0	42.0
Non-Durable	138.0	142.0	148.0
Services	106.5	112.0	118.0
Gross Private Domestic Investment	65.3	53.5	68.0
Construction (New)	36.5	36.0	37.5
Producer's Equipment	27.8	23.0	26.5
Inventory	1.0	—5.5	4.0
Government Purchases of Goods and Services	87.1	93.0	99.0
Federal	50.8	53.0	57.0
State and Local	36.3	40.0	52.0
Net Foreign Investment	3.5	1.0	1.0
Personal Income	347.9	354.0	375.0
Disposable Personal Income	305.1	311.0	328.0
Personal Savings	20.7	21.0	22.0
Industrial Production	143	133	148

In summary, we note that most key indicators point to the fact that a genuine recovery is under way marked by sound economic growth but with no boom and bust potential for the year. In fact most signs indicate gradual increase through 1959 with substantially new highs appearing in 1960. By 1960, the nation should be faced with a year of general optimism and expansion and with a gross national product in excess of $500 billion. The year 1961 becomes another year of decision which may show many characteristics similar to 1958.

Emphasizes Economic Problem of Stability

Now, that the specifics of the business forecast for 1959 have been reviewed, let us turn our attention to some of the broader underlying philosophical implications that must be given full consideration when analyzing business prospects. Much interest in the area of industrial fluctuations and business cycles centers around the problem of stabilizing business activity. There is little doubt that the problem of stabilizing business activity is one of the most important economic problems and one of the critical points in the American economic system.

The responsibility for keeping economic declines from turning into severe recessions is shared by all—government, consumers, business, labor, agriculture; each sector can make a particular contribution to economic stabilization.

The variations in employment and production which produce the fluctuations in the business cycle are due primarily to a lack of coordination between production and utilization, both in consumer and capital goods, which, in periods of business optimism, results in over-production and over-building, financed largely by over-extension of credit.

There is no direct cause and effect relation, however, either between the volume of goods consumed and that produced or between the volume of savings available for investment and the demands of the economy for investment funds. The degree of correlation between production and consumption depends upon the ability of business managements to forecast future demands. Over-production and over-building expand business activity while in progress, but obviously must be followed by a corrective period during which production and private investment are curtailed, and business recession is started thereby.

When the market for goods and services is oversold and industrial capacity has become excessive — both of which conditions developed in the latter part of 1957 and most of 1958—the rate of business activity obviously must slow down until market demands catch up. For reasons explained herein, only government can expand its demands under these circumstances for the purpose of offsetting the slowdown in business until the economy grows enough to again become self-supporting.

As a first approximation, economic activity may be viewed as consisting of a circular flow in which the economic raw materials (labor, capital, natural resources and management) flow into the productive process, where they are converted into goods and services. These goods and services in turn flow back to the owners of the raw materials and others in their role as consumers, thus closng the circle.

The objective of business cycle control is to maintain business activity always on a high enough level to produce the optimum of economic prosperity, thus avoiding the wide fluctuations—booms and busts—that have been so devastating in the past. To accomplish this in a period of growing population and increasing productivity such as the present, there must be a constantly increasing productivity of industry thereby to generate a constantly growing demand for goods and services sufficient at all times to employ the growing labor force and all other agents of production. Unfortunately, the pattern of total demand does not conform to the above requirement; hence the ups and downs that shape the business cycle. The causes of the departures of the usual pattern of demand from the ideal pattern are generally understood but difficult to correct; human psychology is a big factor. A look into the sources of demand and their contributions and limitations will throw light on the subject.

There are three main sources of utilization of goods and services from which demand stems; they are personal consumption, gross private domestic investment and government purchases. An added minor element is net foreign investment.

Personal consumption and private investment are responsive to the production programs of business management and are limited by economic considerations associated with maintaining sound relationships between income and expenditures. Government, however, technically is free from such economic restraint, and may regulate its demand with or without regard for the overall business situation—and even create a financial deficit when government management believes this to be in the public interest.

The use of credit, based primarily on savings and bank loans,

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Analysis and Forecast for 1959 and the Business Cycle

is an increasingly significant factor in determining the overall demand for personal consumption and private investment because it produces immediate additional buying power for the borrower. Thus, when outstanding credit is increasing, buying power — and hence demand for production—is increased and business activity is stimulated. However, cause and effect must not be confused. There must be a sufficiently attractive marginal efficiency of capital (for the business loan) or marginal utility of goods (for consumer loans) to induce the borrowing. When outstanding credit is decreasing, buying power — and hence demand — is decreased and business becomes depressed.

The creation of private debt—the debt of both consumers and business—has become a factor of constantly growing importance in the expansion of gross national product, especially since 1954. Thus, in 1946 private debt was 60.5% of gross national product; by 1956 it had risen to 93.5%. During the same period, however, total government debt—Federal, state and local—went down from 133% to 78% of gross national product.

Available credit may—and often does—produce buying power to support excessive purchases by consumers, for over-expansion of residential, commercial and industrial building, and for over-extension of capital spending by business, thus anticipating future growth of income and demand for production. The final result of such over-expansion inevitably is a falling off of demand for consumer goods and services and private investment, and a corresponding reduction in business activity and employment. The boom of 1955-56 in no small way was stimulated by the "easy credit" available, especially for installment purchases and mortgages on new homes. Business also built up an unusually large volume of bank loans during this period. Over-expansion in some lines continues to be a problem even today, in spite of a series of cut-backs since early 1957.

Singles Out One-Third Labor

At the present time, approximately two-thirds of the available labor force produces most of the requirements for personal consumption; the remaining one-third can obtain employment only from private investment and government. Since the influence of the multiplier principle affects business activity to such a dominant extent, we find that it **is the variation in employment of this one-third that is the "mechanical" cause for most of the fluctuations in the business cycle.**

Since the demands for personal consumption and private investment are limited by economic restraints, and fluctuations are such as to produce ups and downs in business activity, business stability necessitates a third source of demand that can adjust its requirements—except in times of national emergency—so as to offset or balance the fluctuations produced by private industry. This is government, mainly the Federal Government. The amount of contribution of government toward resistance to a decline or promotion of a recovery is measured approximately by the amount by which expenditures exceed revenues. This deficit may be financed by the sale of bonds or other obligations which provide an investment channel for funds becoming available because of a decrease in private investment, by means of an expansion of note issue, or through borrowing from banking institutions, thereby increasing the volume of money through the operation of fractional reserve requirements.

The total demand for goods and services may be increased by tax reduction and/or increased spending. Both stimulate business by increasing the excess of government expenditures over revenues. Reduction in taxes releases additional buying power to consumers and private investment; additional spending by government for goods and services increases employment directly. It is believed that an increase in spending for the construction of public works is the means capable of exerting the greatest influence on trend of business activity. State and local governments also can expand their public works construction programs, borrowing funds if necessary from the Federal government. The execution of such an extended public works program involves complicated problems of timing and techniques, but these are not insurmountable.

A Look Ahead

After the boom of 1955-1956, there is little accumulated demand for consumer goods, such as was built up at the end of World War II, and it appears that even some future demands have been anticipated and filled. Productive capacity of industry recently has been expanding more rapidly than demands for production, so that present producing capacity to some extent anticipates future requirements; this condition, together with the fact that the demand for private investment is furnishing a decreasing percentage of the gross national product, indicates slowing down in the annual rate of private investment. Consumer credit has risen so rapidly that there is considerable doubt as to whether it will advance further along the same steep trend as in the recent past.

Under these conditions, there appears to be some uncertainty as to whether private investment and consumer credit will produce the increased demand for production necessary during the next five years or longer for a continuation of the present trend upward to give full employment. Although gross national product will increase during the next five and ten years, it is the writer's fear that full employment will not be achieved, short of instability.

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The State of Trade and Industry

schools and public buildings. Increases were reported for stores, factories, hospitals and social and recreational buildings.

Residential building contracts inn February were $1,073,077,000, up 48% over last year. All residential categories, without exception, were up.

February heavy engineering contracts amounted to $529,623,000, up 11% above the corresponding month of last year. Within the category, public works contracts were up 13%, with gains in all types including highways, bridges and sewerage systems. Contracts for utilities rose by 8%, with electric light and power systems down and all other major types up.

Cumulative totals for the first two months of 1959, with the percentage changes from the corresponding period of last year, were as follows: Non-residential building, $1,521,120,000, up 1%; residential building, $2,091,220,000, up 39%; heavy engineering, $1,009,049,000, unchanged; and total construction $4,621,389,000, up 15%.

February New Business Incorporations at Record

New businesses chartered in February were down seasonally from January, but were at the highest level for any February on record. The total came to 15,758, exceeding the previous Febraury record of 12,503, set in 1956 by 26.0%. The current level was down 16.0% from the prior month's all-time high of 18,765, but was 50.6% higher than the 10,466 of February, 1958.

Charters for the first two months of this year totaled 34,523. This was 46.6% above the 23,546 of the comparable period last year, and 42.8% higher than the 24,178 of the 1957 January-February period.

U. S. Sulfur Facing Rising Foreign Competition

Rising sulfur production in countries where little existed three years ago is challenging the U. S. sulfur industry with ever-stiffening competition, declares "Chemical Engineering," the McGraw-Hill publication.

Where the U. S. turned out 5,938,000 long tons of the world's total elemental sulfur production of 6,936,6000 tons in 1954, its share slipped to 5,274,000 out of the 7,900,000-ton world total in 1958.

Mexico, Canada and France, meanwhile, each increased their production ten-fold or more during the same period. Mexico went from 107,000 tons in 1954 to 1,250,000 tons last year, Canada from 20,000 to 200,000 tons and France from 4,000 to 135,000 tons.

And while 1954 exports by these countries were almost non-existent, the magazine estimates Mexico will export between 1.1 million and 1.3 million tons and France 400,000 to 500,000 tons of sulfur during 1959. This compares with expected U. S. exports in the 1.4 to 1.5 million range.

Another factor in the competition is the increased production of sulfur in many countries as a by-product of oil refining, metal smelting and other industries.

On the brighter side, says the magazine, is the strengthening of sulfur demand at home and abroad as the business recovery continues along with the development of new markets.

Both factors will cause a jump in world needs of about 1.5 million tons this year.

Also encouraging is the long experience of U. S. sulfur producers as the dominating force in the field. "Let's figure on our sulfur producers having been in the business far too long to lose the initiative now," the magazine says.

Steel Imports Reaching Record Proportions

Foreign steel mills are having a field day in the tight American steel market, according to "The Iron Age," national metalworking weekly.

At the same time, said "Iron Age," steel imports are running into some resistance due to (1) the lateness of delivery promises, and (2) price increases in those products which are in shortest supply.

Still, it's already apparent that in the red-hot midwestern market, foreign steel buying may hit a record high during the first half. Most of this steel is being offered for May, June, and July delivery.

"Iron Age" said U. S. mills report an easing in new order volume this week. It explained this is not due to a lack of demand, but simply an indication that steel users now know what they will get or won't get before June 30, possible steel strike deadline.

Some metalworking plants are not getting enough steel. They are pressing the mills for quick delivery on the ground they are using more steel than they had expected, and are in danger of running short.

"This group is small," said "Iron Age," "but as one producer points out, a shortage among as little as 5% of a customer list can create a lot of noise.

"The only way a mill can meet unexpected and urgent needs is by pushing someone else down the ladder. There is no sign that this is happening to an extent that will really hurt many people, but there is a chance of a chain reaction. If unexpected demand hits on top of lagging delivery performance there could be problems."

"Iron Age" points to the railroad market as an example of an unexpected and probably sustained demand. The railroads have come back late, but hard, in the steel market. It is estimated 10,000 freight cars were ordered in March. Feeling is, another big car-building program is underway. One source estimates backlogs will hit 75,000 cars by the end of the year.

Despite the tight market, mills are doing a good job of maintaining delivery promises. Most are only a week behind on scheduled deliveries. But this will not be the case by mid-May. Then shipments are expected to lag by two-to-three weeks, and some customers may not receive shipments scheduled for the last half of June.

"Steel's" 34th Annual Steel Industry Analysis

Steel producers made almost a third less net income in 1958 than in the previous year, "Steel" magazine reported.

The industry's net profit was estimated at $817.2 million, 31% below the $1.19 billion of 1957. The metalworking weekly based this estimate on the performance of 33 leading steel companies accounting for 94% of U. S. steelmaking capacity.

Total net income for the 33 companies was $769.4 million, ending a string of three years in which they netted over $1 billion. Out of every sales dollar, 6.36 cents was kept as net profit, the lowest figure since 1954. 1957 net income was $1.12 billion.

But if these steelmakers' earnings slipped last year, so did Uncle Sam's. Federal income taxes fell 34% to $721.9 million, again the lowest since 1954. But dollar-for-dollar, taxes almost matched company profits.

Nearly a million people owned shares in these 33 selected companies. Common stockholders numbered 885,864 in 1958, vs. 857,465 in 1957. There were 112,385 preferred stockholders in 1958, vs. 114,904 in 1957.

Steel Inventory Buildup Falters

Steel users are having difficulty building up inventories to tide them over the anticipated summer steel strike because current operations are taking incoming steel shipments as fast as they are received, "Steel" magazine said on March 30.

Mill spokesmen predict the inventory accumulation by July 1 will be substantially less than consumers planned, the metalworking weekly reported.

Most sheet mills are booked solid for the first half. One producer has refused more than 60,000 tons of flat-rolled business in the last few weeks. Some have had to close their books earlier than anticipated.

The rush of consumers to get steel is being handled in an orderly fashion by both mills and users. In spite of the demand, there is little friction between buyers and sellers this year. Steelmakers probably deserve more credit for the handling of orders than for the production records they've set.

Steelmakers operated their furnaces at 93% of capacity last week. Production was at a record level of 2,633,000 net tons of steel for ingots and castings.

The scrap market is weak even though mills are producing more steel than ever before. "Steel's" composite on No. 1 heavy melting scrap dropped to $39.33 a gross ton, off $2.34 from the preceding week.

The fact that mills are using more hot metal, home scrap, and metal returned by customers poses a troublesome problem for the scrap industry.

With a limited home market, interest in scrap exports is high. Three cargoes will leave Philadelphia within the next six weeks. Most of it headed for Japan. Seattle and San Francisco scrapyards are also negotiating for Japanese requirements.

Already alarmed by foreign steelmakers' sales in the U. S., American mills fear even stiffer competition when the St. Lawrence Seaway opens. Here's why: Using foreign steel, a Detroit warehouse underbid a big U. S. mill on 200,000 tons of bars and structurals for municipal projects in the Detroit area.

"Steel's" industrial production index for the latest week equaled the all-time high set in the first three weeks of December, 1956. For the first time in several weeks, steel output played a relatively minor role in the uptrend. Steady improvement of electricity output, automobile assemblies, and freight carloadings pushed the index up. Records will be set in the next few weeks.

The proposal to build an ore carrying conveyor belt to bypass the Cuyahoga River at Cleveland can mean $35 million in hardware contracts to the conveyor industry. Lake carriers can save $1.8 million a year by eliminating the river trip.

Steel Production Continues on Uptrend

The American Iron and Steel Institute announced that the operating rate of steel companies will average *165.2% of steel capacity for the week beginning March 30, equivalent to 2,653,000 tons of ingot and steel castings (based on average weekly production for 1947-49) as compared with an actual rate of *163.8% of capacity and 2,631,000 tons a week ago.

Actual output for March 23 week was equal to 92.9% of the utilization of the Jan. 1, 1959 annual capacity of 147,633,670 net tons. Estimated percentage for the week of March 30 is 93.7%.

A month ago the operating rate was *159.1% and production 2,556,000 tons. A year ago the actual weekly production was placed at 1,312,000 tons, or 81.7%.

*Index of production is based on average weekly production for 1947-1949.

March Auto Sales May Reach 500,000 Units

A near two-year mid-month high in new car sales was recorded March 11-20, "Ward's Automotive Reports" said, as the auto industry showed promise of its first spring pickup in demand since 1955. March 1-20 sales topped Feb. 1-20 by 12%.

"Ward's" said the 174,780 new car sales for March 11-20 averaged to 19,420 daily, a 16.5% increase over 16,660 a day March 1-10 when 133,300 were retailed. The upturn gave the industry its best mid-month sales rate since June 11-20 of 1957 when an even 20,000 new cars daily were delivered at retail.

The statistical agency said the sudden surge surprised veteran industry observers, but was well distributed by make and by manufacturer. Indicated is a tenor of buying that should give the industry its fourth-best March in history, with total volume approaching 500,000. March sales last year totaled 365,000.

"Ward's" said Chrysler Corp. jumped to 12.5% of March 11-20 sales from 9.9% in the opening 10-day period, launching its "comeback" following production setbacks in recent months.

Production of passenger cars and trucks was tempered last week by Good Friday (March 27) closedowns, as well as assembly cutbacks prompted by new car inventory adjustments.

"Ward's" estimated output at 122,714 automobiles, 9.4% below preceding week (135,466) and the smallest count since Feb. 16-21 (120,780). Trucks were programmed at 25,185 units, 2.8% fewer than earlier week (25,907), which was the best volume of 1959 to date.

"Ward's" said Ford Motor Co. programmed the sharpest decline in week ended March 27—19.2%. Two of the company's assembly plants were idle all week. Los Angeles was down while engineers realigned facilities in order to integrate Ford and Mercury assembly operations. Previously, only Mercurys have been made there. Mercury's St. Louis unit halted all week because of inventory adjustment. However, "Ward's" said Ford Division will have three car-making and five truck-erecting plants busy beginning Saturday, March 28.

Other reductions in output last week: American Motors, 17%; Studebaker-Packard, 14.5%; Chrysler Corp., 9.6%; and General Motors, 1.9%.

"Ward's" said GM had four Buick-Oldsmobile-Pontiac assembly plants, two Chevrolet units and Buick's Michigan facility on four-day schedules the past week in a move to reduce new car supplies in various parts of the nation.

Electric Output Again Below Previous Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, March 28, was estimated at 12,709,000,000 kwh., according to the Edison Electric Institute. Output the past week was below the level of the preceding week and marked the second successive weekly decline.

For the week ended March 28 output declined by 191,000,000 kwh. below that of the previous week, but showed a gain of 1,064,000,000 kwh. or 9.1% above that of the comparable 1958 week.

Car Loadings 13.2% Above Corresponding 1598 Week

Loadings of revenue freight for the week ended March 21, 1959, totaled 603,178 cars, the Association of American Railroads announced. This was an increase of 70.181 cars, or 13.2% above the corresponding week in 1958, but a decrease of 82,658 cars, or 12.1% below the corresponding week in 1957.

Loadings in the week of March 21 were 7,876 cars, or one-third of 1% above the preceding week.

Lumber Shipments 2.5% Above Production For March 21 Week

Lumber shipments of 483 mills reporting to the National Lumber Trade Barometer were 2.5% above production for the week ended March 21, 1959. In the same week new orders of these mills were 6.2% above production. Unfilled orders of reporting mills amounted to 45% of stocks. For reporting softwood mills, unfilled orders were equivalent to 21 days' production at the current rate, and gross stocks were equivalent to 44 days' production.

For the year-to-date, shipments of reporting identical mills were 1.4% above production; new orders were 5.7% above production.

For week ended March 21, as compared with the previous week, production of reporting mills was 1.7% below, shipments were 1.4% below; new orders were 0.6% below. For the latest week, as against the corresponding week in 1958 production of reporting mills was 7.5% above; shipments were 15.8% above; and new orders were 9.3% above.

Business Failures Edge Up

Commercial and industrial failures rose slightly to 297 in the week ended March 26 from 292 in the preceding week, reported Dun & Bradstreet, Inc. While casualties were noticeably lower than the 327 last year, they exceeded the 290 in 1957. Some 14% fewer businesses failed than in the comparable week of prewar 1939 when 310 occurred.

All of the week's increase was concentrated in failures with liabilities of $5,000 or more, which rose to 265 from 256 in the previous week but remained below the 287 of this size a year ago. In contrast, small casualties, those with liabilities under $5,000, dipped to 32 from 36 last year and 40 in the corresponding week of 1958. Liabilities in excess of $100,000 were incurred by 42 of the week's failures as against 25 a week earlier.

Manufacturing, up to 57 from 47, wholesaling, up to 31 from 27, and commercial services, up to 24 from 22, accounted for the increase during the week. On the other hand, retailing casualties declined to 145 from 153 and construction dipped to 40 from 43. No group except commercial service had as many failing concerns as a year ago.

Five regions reported week-to-week rises. The toll in the Pacific States climbed to 76 from 68, in the East North Central to 51 from 42; moderate increases also appeared in the West North Central and South Central States. Contrasting declines prevailed in four regions, including the Middle Atlantic States where casualties dipped to 92 from 110 last week. Failures ranged below year-ago levels in six of the nine geographic regions. The West North Central, West South Central, and Pacific States suffered the only increases in mortality from the comparable week of 1958.

Wholesale Food Price Index Unchanged

Following two successive weeks of increases, the Wholesale Food Price Index, compiled by Dun & Bradstreet, Inc., remained unchanged in the latest week. At $6.19 on March 24, it was down 7.6% from the $6.70 for the comparable date a year ago.

Higher in price the past week were flour, oats, bellies, butter, potatoes, steers, and hogs. Lower in price were corn, rye, barley, lard, sugar, coffee, cottonseed oil, cocoa, and eggs.

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 Hits New 1959 High

Higher prices on hogs, grains, rubber, flour, and lard helped boost the general commodity price level to the highest level so far this year. The Daily Wholesale Commodity Price Index, compiled by Dun & Bradstreet, Inc., rose to a 1959 record of 279.66 on March 30 from 278.18 a week earlier, but remained slightly below the 279.73 of the similar date a year ago.

Reflecting a rise in both domestic and export buying, wheat prices moved up appreciably this week; wheat receipts in some markets were light. A move in Congress to increase price supports stimulated trading in oats and rye; this resulted in slight price increases. Commercial stocks of rye in Chicago were noticeably reduced.

Supplies of corn were light and domestic and export purchases were sustained at a high level. Corn prices moved up moderately from the prior week. Although trading in soybeans remained close to a week earlier, prices rose moderately reflecting strength in the meal market.

The domestic buying of flour was sluggish this week, but export demand climbed substantially boosting prices somewhat over the prior week. There was a marked rise in export inquiries for rice and a pick-up in business is expected in the near future. Domestic trading was steady and prices were unchanged.

Sugar trading slackened this week, but prices matched those of the preceding week. Wholesalers reported an appreciable gain in cocoa transactions and prices were steady. There was little change in coffee volume and prices were close to a week earlier.

Reflecting higher sales, hog prices rose steadily during the week and finished noticeably higher than a week earlier; hog receipts in Chicago expanded slightly from the prior week. Cattle receipts were down slightly and trading declined somewhat; prices were fractionally below those of the preceding week. Although the salable supply of lambs was down sharply during the week, trading was steady and prices were up substantially. Following the rise in hog prices; prices on lard rose appreciably.

Cotton prices on the New York Cotton Exchange moved within a narrow range during the week, but finished slightly higher than the prior week. United States Exports of Cotton for the week ended last Monday were about 55,000 bales, compared with 45,000 in the prior week and 118,000 a year ago. The total so far this season came to less than 2,000,000 bales, compared with 3,665,000 about the same time last season.

Retail Trade Aided by Enlarged Easter Sales

Consumer buying climbed noticeably in the week ended March 25 boosting total retail trade over that of both the comparable calendar week last year and the 1958 Palm Sunday week. The most outstanding gains were in sales of apparel, with increases in women's merchandise more noticeable than in men's lines. The buying of new passenger cars matched that of a week earlier and remained substantially higher than last year, according to scattered reports.

The total dollar volume of retail trade in the week was 7 to 11% higher than a year ago, according to spot estimates collected by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1958 levels by the following percentages: Middle Atlantic +11 to +15; Pacific Coast +9 to +13; West North Central and South Atlantic +7 to 11+; West South Central +6 to +10; East North Central +5 to +9; Mountain +4 to +8; New England +3 to +7; East South Central +1 to +5.

Considerable year-to-year gains occurred in sales of women's dresses, suits, fashion accessories, and millinery, and volume in coats and sportswear was up moderately. Retailers reported appreciable increases in girls' blouses, dresses, and shoes. The call for men's furnishings heightened, especially hats, dress shirts, and hosiery, but the buying of sportswear dipped somewhat. Interest in men's lightweight suits was up substantially from a year ago.

Nationwide Department Store Sales Up 17%

Department store sales on a country-wide basis as taken from the Federal Reserve Board's Index for the week ended March 21, advanced 17% above the like period last year. In the preceding week, for March 14, an increase of 9% was recorded. For the four weeks ended March 21 a gain of 10% was registered.

According to the Federal Reserve System department store sales in New York City for the week ended March 21 showed a 16% increase from that of the like period last year. In the preceding week, March 14, a decrease of 7% was reported and for the March 7 week a 1% decrease was recorded. For the four weeks ended March 21 an increase of 1% was noted over the volume in the corresponding period in 1958.

C. Austin Barker With Hornblower & Weeks

C. Austin Barker, formerly Chief Economist of the Cleveland Electric Illuminating Company, has joined Hornblower & Weeks, members of the New York Stock Exchange, as Economist, it has been announced. He will be located in the firm's New York office, 40 Wall Street.

C. Austin Barker

Since 1944, Mr. Barker has been associated with the Cleveland Electric Illuminating Company and, in recent years, was its Chief Economist. He was Secretary of the Finance Committee of the company's Board of Directors.

Mr. Barker was born in the State of Washington, received his AB from Stanford University and has studied at Columbia and New York University; he has an MBA from the latter. He has lectured on corporate finance and investment analysis in graduate courses at Western Reserve University.

He is a member of the American Statistical Association, the American Finance Association, the American Economic Association, and the Cleveland Society of Security Analysts. He has written articles on the security markets and finance for "Barron's Weekly," the "Harvard Business Review," the "Analysts Journal" and the "Commercial & Financial Chronicle."

Alkow & Co. Absorbs Toboco & Co. Inc.

BEVERLY HILLS, Calif.—The opening April 1 of the first West Coast office of the New York investment firm of Alkow & Co., Inc., at 9235 Wilshire Boulevard, has been announced by Jacob M. Alkow, President.

Alkow & Co., Inc. is a member of the New York, American, and Pacific Coast Stock Exchanges, and the new office will offer a complete investment service in domestic and foreign securities, underwriting, and mutual funds.

Milton Toboco, Vice-President, will be resident manager of the Beverly Hills office. Daniel D. Weston, Vice-President, will be in charge of the firm's underwriting and corporate financial management departments.

Mr. Toboco was formerly President of Toboco & Co. Inc., which has been succeeded by the new Alkow office.

Steiner, Rouse & Co. Celebrating 35 Years

Steiner, Rouse & Co., members of the New York Stock Exchange and other leading exchanges, on March 31 celebrated the 35th anniversary of its founding. Established in 1924, the firm's headquarters are located at 19 Rector St., New York City.

New York branches are maintained at 157 East 86th St., 575 Madison Ave., 1440 Broadway and 122 East 42nd St. Out of town branches are located in Birmingham, Ala., New Orleans, La., and Mobile, Ala.

Joins Lester, Ryons

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Joyce E. Brown has joined the staff of Lester, Ryons & Co., 623 South Hope Street, members of the New York and Pacific Coast Stock Exchanges.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

★ Adam Consolidated Industries, Inc.
March 31 filed $1,500,000 of convertible subordinated debentures, due 1974. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Underwriter**—Dempsey-Tegeler & Co., St. Louis, Mo.

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.

Agricultural Insurance Co.
March 23 filed 132,000 shares of capital stock (par $10), to be offered in exchange for stock of Anchor Casualty Co. at the rate of one Agricultural share for each Anchor common share (par $10) and 1 1/10 Agricultural shares for each share of Anchor $1.75 cumulative convertible preferred stock (par $10). **Office** — 215 Washington Street, Watertown, N. Y. **Underwriter**—None.

Aida Industries, Inc.
March 16 (letter of notification) 50,000 shares of cumulative preferred stock (par 75 cents). **Price**—$1 per share. **Proceeds**—For general corporate purposes and working capital. **Business** — Manufacture, sale and distribution of novelty items, toys and costume jewelry. **Office** — 146 West 28th St., New York, N. Y. **Underwriter** — Darius Inc., New York.

★Airtek Dynamics, Inc. (4/27-5/1)
March 27 filed 150,000 shares of common stock (no par). **Price**—To be supplied by amendment. **Proceeds**—For additional working capital and for repayment of bank and other loans. **Office** — 2222 South Figueroa Street, Los Angeles, Calif. **Underwriter**—S. D. Fuller & Co., New York.

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. (4/7)
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.

★ Alscope Explorations Ltd.
March 26 filed 1,000,000 shares of capital stock, of which 700,000 shares are to be offered publicly in the United States, and 300,000 shares in Canada. **Price**—Related to the then current market price on the Canadian Stock Exchange (31 cents per share on March 16). **Proceeds**—For properties, drilling costs, working capital and general corporate purposes. **Office** — 303 Alexandra Bldg., Edmonton, Canada. **Underwriter**—None in United States; Forget & Forget in Montreal, Canada.

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 Biltrite Rubber Co., Inc. (4/20-24)
March 31 filed 325,000 shares of common stock (par $1). **Price** — To be supplied by amendment. **Proceeds** — To selling stockholders. **Underwriter**—Goldman, Sachs & Co., New York.

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 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 Independent Reinsurance Co.
March 25 filed 514,500 shares of common stock, to be offered for subscription by common stockholders at the rate of 1.4 new shares for each one share held. **Price**—To be supplied by amendment. **Proceeds**—To increase capital and surplus. **Office**—307 S. Orange Avenue, Orlando, Fla. **Underwriters**—Francis I. du Pont & Co., Lynchburg, Va., and Goodbody & Co., New York, N. Y.

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 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 centers 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.

★ Amican Petroleum & Natural Gas Corp. Ltd.
March 23 filed 745,000 shares of capital stock (no par), of which 500,000 shares are to be sold for the account of the company, and 245,000 shares by the holders thereof. **Price**—30 cents per share. **Proceeds**—For exploration and development program. **Office** — 2100 Scarth Street, Regina, Saskatchewan, Canada. **Underwriter**—Cumberland Securities, Ltd., Regina, Canada.

★ American Pipe & Construction Co.
March 20 (letter of notification) 10,171 shares of common stock (par $1) to be offered pursuant to Employees Stock Option Plan. **Price**—$14.88 per share. **Proceeds**—For working capital. **Office**—390 South Atlantic Blvd., Monterey Park, Calif. **Underwriter**—None.

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.

★ American Television & Radio Co.
March 23 (letter of notification) 60,000 shares of common stock (par 50 cents). **Price**—$5 per share. **Proceeds**—For working capital. **Office**—300 E. Fourth Street, St. Paul 1, Minn. **Underwriter**—None.

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. Davenport & Co., Providence, R. I. and Merrill, Turben & Co., Inc., Cleveland, Ohio.

Ampex Corp. (4/3)
March 12 filed 204,191 shares of common stock (par $1) to be offered for subscription by common stockholders at the rate of one new share for each 10 shares held on April 2; rights to expire on April 17. **Price**—$52.50 per share. **Proceeds**—For working capital. **Underwriters**—Blyth & Co., Inc., San Francisco and New York; and Irving Lundborg & Co., San Francisco, Calif.

★ Anken Chemical & Film Corp. (4/16-24)
March 27 filed 225,000 shares of common stock, of which 112,500 shares are to be sold for the account of selling stockholders, and 112,500 shares for the account of the company. **Price** — To be supplied by amendment. **Proceeds**—To construct and equip plant space adjoining present facilities of the company in Newton, N. J. **Underwriters**—R. W. Pressprich & Co. and Riter & Co., both of New York.

★ Arkansas Power & Light Co. (5/5)
March 26 filed 75,000 shares of cumulative preferred stock (par $100). **Proceeds**—For property additions and improvements. **Underwriter**—To be determined by competitive bidding. Probable bidders: Lehman Brothers; Blyth & Co., Inc., and Smith, Barney & Co. (jointly); Equitable Securities Corp. and Eastman Dillon, Union Securities & Co. (jointly); White, Weld & Co.; The First Boston Corp. and W. C. Langley & Co. (jointly). **Bids**—Expected to be received up to 11:30 a.m. (EDT) on May 5.

Armstrong Uranium Corp.
Jan. 16 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price** — 10 cents per share. **Proceeds**—For mining expenses. **Office**—c/o Hepburn T. Armstrong, Round Up Heights, Cheyenne, Wyo. **Underwriter**—Bruno-Lenchner, Inc., Pittsburgh, Pa.

Associated Bowling Centers, Inc.
Nov. 24 filed 300,000 shares of 20-cent cumulative convertible preferred stock (par one cent) and 50,000 outstanding shares of common stock (par one cent). The preferred shares are to be offered for public sale for the account of the company and the common shares will be offered for the account of a selling stockholder. **Price**—To be supplied by amendment. **Proceeds**—To acquire new bowling centers and increase working capital (part to be used in defraying cost of acquisition of stock of owner of a Brooklyn (N. Y.) bowling center. **Office**—135 Front St., N. Y. **Underwriter** — To be named by amendment. **Offering**—Expected in two weeks.

★ Atlantic Research Corp., Alexandria, Va.
March 31 filed 110,000 shares of common stock, of which 100,000 shares are to be offered publicly and 10,000 shares to employees under company's incentive plan. **Price** — To be supplied by amendment. **Proceeds** — To reduce short-term bank loans and to provide equipment for development and production of propellant rockets. **Underwriter**—Johnston, Lemon & Co., Washington, D. C.

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 notification) 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. (4/15)
Dec. 29 filed 5,000,000 shares of common stock (no par), later reduced to 500,000 shares (par $1). **Price**—$9 per share. **Proceeds**—For expansion and acquisition or leasing of new sites. **Office**—2210 Walnut Street, Philadelphia, Pa. **Underwriter**—Bear, Stearns & Co., New York.

• Barnes Engineering Co. (4/20)
March 20 filed 110,000 shares of common stock, of which 85,000 shares are to be offered for public sale by Fox, Wells & Rodgers, the holder thereof; and the remaining 25,000 shares for the account of the Barnes company. **Price**—To be supplied by amendment. **Proceeds**—$104,995 to prepay a 4% note due in December; $100,000 to pay the remaining tax liability of a former subsidiary; and the balance will be added to working capital and used for general corporate purposes, including approximately $100,000 for plant and test equipment, fixtures and leasehold improvements in connection with plant expansion. **Office**—30 Commerce Rd., Stamford, Conn. **Underwriter**—Hayden, Stone & Co., New York.

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.

★ Biddeford & Saco Development Corp.
March 17 (letter of notification) 25,000 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—For purchase of now vacant Saco Lowell buildings and to rent same. **Office** — 208 Main St., Biddeford, Me. **Underwriter**—None.

★ Billups Western Petroleum Co.
April 1 filed $5,000,000 of 6% participating debentures due May 1, 1984 and 1,000,000 shares of common stock

to be offered in units of $10 of debentures and two shares of stock which will not be transferable separately until Nov. 14, 1959. The company is also registering 50,000 shares of common stock, not included in the units, which will be offered to its employees. **Price**—To be supplied by amendment. **Proceeds**—To be used in the acquisition of substantially all the assets of 39 corporations and a partnership engaged in the operation of 195 gasoline stations in Mississippi, Texas, Louisiana, Alabama, Missouri, and Tennessee. **Underwriter**—The Johnson, Lane, Space Corp., Savannah, Ga.

● Black Hills Power & Light Co.
March 13 filed 32,198 shares of common stock (par $1), to be offered for subscription by holders of outstanding common stock of record April 1, 1959 on the basis of one new share for each 11 shares held (with an over-subscription privilege); rights to expire on April 16. **Price**—To be supplied by amendment. **Proceeds**—To be used for property additions and improvements and to repay some $400,000 of bank loans obtained primarily for such purpose. **Office** — 621 Sixth St., Rapid City, S. Dak. **Underwriter**—Dillon, Read & Co. Inc., New York. **Offering**—Expected today (April 2).

★ Blue Ridge Mutual Fund, Inc., New York
March 25 filed (by amendment) an additional 500,000 shares of common stock. **Price**—At market. **Proceeds**—For investment.

★ Boonshaft & Fuchs, Inc., Huntingdon Valley, Pa.
March 20 (letter of notification) 90,000 shares of common stock (par 25 cents). **Price**—$2 per share. **Proceeds**—For expansion; to repay bank loans and for working capital. **Office**—994 Byberry Rd., Huntingdon Valley, Pa. **Underwriter**—Woodcock, Hess, Moyer & Co., Inc., Philadelphia, Pa.

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.

★ B. S. F. Co. (4/22)
March 26 filed 113,079 shares of capital stock (par $1) and warrants for the purchase of an additional 113,079 shares, to be offered in units, each unit consisting of one share of stock and one warrant, for subscription by stockholders of record April 21, 1959, at the rate of one unit for each three shares then held; rights to expire on May 6 (the warrants carry an initial exercise price of $20). **Price**—To be supplied by amendment. **Proceeds**—For working capital and other corporate purposes. **Underwriter**—Sutro Bros. & Co., New York.

● Carlon Products Corp., Aurora, Ohio. (4/6-10)
March 12 filed 100,000 shares of common stock (no par). **Price**—To be supplied by amendment. **Proceeds**—For additional working capital and other corporate purposes. **Business**—Manufacturer of plastic pipe and pipe fittings. **Underwriter**—Shearson, Hammill & Co., New York.

Cemex of Arizona, Inc.
Nov. 17 (letter of notification) 300,000 shares of common stock (par 25 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Address**—P. O. Box 1849, 3720 E. 32nd Street, Yuma, Ariz. **Underwriter**—L. A. Huey Co., Denver, Colo.

Central Louisiana Electric Co., Inc. (4/20)
March 20 filed $5,000,000 of first mortgage bonds, series I, due 1989. **Proceeds**—To repay $1,000,000 of bank loans and to finance construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler, Merrill Lynch, Pierce, Fenner & Smith, Inc., and Stroud & Co. (jointly); Kidder, Peabody & Co.; White, Weld

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NEW ISSUE CALENDAR

April 2 (Thursday)

Gulf Power Co.____Bonds
(Bids 11 a.m. EST) $7,000,000

Norfolk & Western Ry.____Equip. Trust Ctfs.
(Bids noon EST) $7,350,000

April 3 (Friday)

Ampex Corp.____Common
(Offering to stockholders—underwritten by Blyth & Co., Inc., and Irving Lundborg & Co.) 204,191 shares

Cormac Chemical Corp.____Common
(Offering to stockholders—underwritten by Ross, Lyon & Co., Inc.) $217,334

Western Massachusetts Companies____Common
(Offering to stockholders—underwritten by The First Boston Corp. and White, Weld & Co.) 177,626 shares

April 6 (Monday)

Carlon Products Corp.____Common
(Shearson, Hammill & Co.) 100,000 shares

Dalton Finance Inc.____Debentures
(Paul C. Kimball & Co.) $500,000

Eurofund, Inc.____Common
(Glore, Forgan & Co.) $50,000,000

Fed-Mart Corp.____Common
(Eastman Dillon, Union Securities & Co.) $1,877,700

Harzfeld's Inc.____Common
(Stern Brothers & Co.) 46,200 shares

Indiana Steel Products Co.____Common
(Offering to stockholders—underwritten by Kalman & Co., Inc.) 42,193 shares

April 7 (Tuesday)

Alco Oil & Chemical Corp.____Common
(Chace, Whiteside & Winslow, Inc. and Ball, Burge & Kraus) 500,000 shares

Erdman, Smock, Hosley & Read, Inc.____Common
(Simmons & Co.) $300,000

Graham-Paige Corp.____Preferred
(Bache & Co.) $3,500,000

Mergenthaler Linotype Co.____Common
(Offering to stockholders—no underwriting) 116,541 shares

Pittsburgh & Lake Erie RR.____Equip. Tr. Ctfs.
(Bids to be invited) $2,475,000

Tennessee Gas Transmission Co.____Preferred
(Stone & Webster Securities Corp. and White, Weld & Co.) $44,000,000

April 8 (Wednesday)

Grant (W. T.) Co.____Comomn
(Lehman Brothers) 320,000 shares

Hawaiian Electric Co., Ltd.____Bonds
(Dillon, Read & Co., Inc. and Dean Witter & Co.) $10,000,000

Hermetic Seal Corp.____Common
(Amos Treat & Co., Inc.) $300,000

Ritter Finance Co.____Preferred
(Stroud & Co., Inc.) $1,500,000

Ritter Finance Co.____Common B
(Stroud & Co., Inc.) 25,000 shares

April 9 (Thursday)

Natural Gas Pipeline Co. of America____Bonds
(Dillon, Read & Co., Inc. and Halsey, Stuart & Co., Inc.) $20,000,000

Texas Eastern Transmission Corp.____Bonds
(Dillon, Read & Co.) $45,000,000

April 10 (Friday)

Southern Union Gas Co.____Preferred
(Offering to stockholders—underwritten by Snow, Sweeney & Co., Inc. and A. C. Allyn & Co.) $11,068,275

April 13 (Monday)

Dorsey Corp.____Preferred
(Blair & Co., Inc.) $1,250,000

Dorsey Corp.____Common
(Blair & Co., Inc.) 150,000 shares

Gold Seal Products Corp.____Preferred
(S. D. Fuller & Co.) $1,250,000

SIMCA Societe Anonyme, of France____Common
(Offering to stockholders—not being underwritten) $10,120,000

April 14 (Tuesday)

Central Power & Light Co.____Bonds
(Bids 10 a.m. CST) $11,000,000

Louisiana Power & Light Co.____Preferred
(Bids to be invited) $7,500,000

April 15 (Wednesday)

Bargain City, U. S. A.____Common
(Bear, Stearns & Co.) $4,500,000

Little (J. J.) & Ives Co.____Common
(Shields & Co.) $875,000

Wisconsin Power & Light Co.____Bonds
(Bids 11:30 a.m. EST) $14,000,000

April 16 (Thursday)

Anken Chemical & Film Corp.____Common
(R. W. Pressprich & Co. and Riter & Co.) 225,000 shares

Chadbourn Gotham, Inc.____Debentures
(Offering to stockholders—underwritten by R. S. Dickson & Co., Inc.) $3,000,000

Philco Corp.____Debentures
(Smith, Barney & Co.) $20,000,000

April 20 (Monday)

American Biltrite Rubber Co., Inc.____Common
(Goldman, Sachs & Co.) $325,000 shares

Barnes Engineering Co.____Common
(Hayden, Stone & Co.) 110,000 shares

Central Louisiana Electric Co., Inc.____Bonds
(Bids noon EST) $5,000,000

Cooper Tire & Rubber Co.____Debentures
(Paine, Webber, Jackson & Curtis and Prescott, Shepard & Co., Inc.) $3,500,000

Dynacolor Corp.____Debentures
(Lee Higginson Corp.) $1,600,000

General Telephone & Electronics Corp.____Common
(Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp.) 800,000 shares

Moog Servocontrols, Inc.____Common
(Kidder, Peabody & Co. and Blunt Ellis & Simmons) 130,000 shares

Republic Foil Inc.____Common
(Offering to stockholders—underwritten by Laird & Co., Corp.) 70,196 shares

Wometco Enterprises, Inc.____Common
(Lee Higginson Corp.) 325,000 shares

April 21 (Tuesday)

Diamond State Telephone Co.____Debentures
(Bids to be invited) $5,000,000

First National Trust & Savings Bank of San Diego____Common
(Offering to stockholders—underwritten by Dean Witter & Co.; Blyth & Co., Inc.; William R. Staats & Co.; Eastman Dillon, Union Securities & Co. and Dewar & Co.) 105,000 shares

Frito Co.____Common
(White, Weld & Co. and Dittmar & Co.) 200,000 shares

Greater All American Markets, Inc.____Common
(J. Barth & Co.) 300,000 shares

April 22 (Wednesday)

Brockton Edison Co.____Preferred
(Bids 11 a.m. EST) $2,000,000

B. S. F. Co.____Common & Warrants
(Offering to stockholders—underwritten by Sutro Bros. & Co.) 113,079 units

April 24 (Friday)

Maine Public Service Co.____Common
(Merrill Lynch, Pierce, Fenner & Smith and A. G. Becker & Co.) 50,000 shares

April 27 (Monday)

Airtek Dynamics, Inc.____Common
(S. D. Fuller & Co.) 150,000 shares

Washington Gas Light Co.____Preferred
(Offering to stockholders—underwritten by The First Boston Corp. and Johnston, Lemon & Co.) $10,000,000

April 28 (Tuesday)

Di-Noc Chemical Arts, Inc.____Debentures
(Offering to stockholders—underwritten by Blair & Co., Inc.) $947,200

Public Service Co. of Colorado____Bonds
(Bids 11 a.m. EDT) $20,000,000

Southern Nevada Power Co.____Preferred
(May be Hornblower & Weeks; William R. Staats & Co. and First California Co.) $1,500,000

April 30 (Thursday)

Alabama Power Co.____Bonds
(Bids to be invited) $20,000,000

May 1 (Friday)

Arkansas Western Gas Co.____Debentures
(Snow, Sweeney & Co., Inc. and A. C. Allyn & Co., Inc.) $1,000,000

May 5 (Tuesday)

Arkansas Power & Light Co.____Preferred
(Bids 11:30 a.m. EDT) $7,500,000

May 11 (Monday)

Southern Nevada Power Co.____Bonds
(Bids 9 a.m. PST) $5,500,000

May 12 (Tuesday)

Central Illinois Light Co.____Debentures
(Offering to stockholders—may be underwritten by Eastman Dillon, Union Securities & Co.) $10,038,700

El Paso Electric Co.____Common
(Offering to stockholders—underwritten by Stone & Webster Securities Corp.) 76,494 shares

Southwestern Electric Power Co.____Bonds
(Bids 11:30 a.m. EDT) $16,000,000

May 13 (Wednesday)

Idaho Power Co.____Bonds
(Bids 11 a.m. EDT) $15,000,000

May 15 (Friday)

Seaboard Plywood & Lumber Corp.____Common
(Peter Morgan & Co.) $450,000

May 19 (Tuesday)

El Paso Electric Co.____Bonds
(Bids 11 a.m. EDT) $3,500,000

El Paso Electric Co.____Preferred
(Bids 11 a.m. EDT) $2,000,000

May 21 (Thursday)

Consolidated Natural Gas Co.____Common
(Offering to stockholders—no underwriting) 821,256 shares

May 25 (Monday)

West Penn Power Co.____Bonds
(Bids noon EST) $14,000,000

May 26 (Tuesday)

Consolidated Edison Co. of New York, Inc.____Bonds
(Bids 11 a.m. EDT) $50,000,000 to $60,000,000

May 28 (Thursday)

Southern Electric Generating Co.____Bonds
(Bids to be invited) $25,000,000

May 29 (Friday)

Bank of Commerce, Washington, D. C.____Common
(Offering to stockholders) $300,000

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)

Northern Illinois Gas Co.____Bonds
(Bids to be invited) $20,000,000

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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& Co. **Bids**—Expected to be received up to noon (EST) on April 20.

Central Power & Light Co. (4/14)
March 16 filed $11,000,000 of first mortgage bonds, series I, due April 1, 1989. **Proceeds**—To finance part of company's construction costs and to prepay and discharge all bank loans. **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 up to 10 a.m. (CST) on April 14.

● 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 being issued to stockholders of Consolidated Coppermines Corp. (which is to be dissolved and liquidated) on the basis of 0.107126 of a share of common stock (par $3) and $14 principal amount of debentures of Cerro de Pasco Corp., plus 2.678 cents in cash for each Consolidated Coppermines share. **Underwriter** — None. Statement effective March 25.

★ Chadbourn Gotham, Inc. (4/16)
March 26 filed $3,000,000 of 5.90% convertible subordinated debentures, due April 1, 1971 (with warrants to purchase 300,000 shares of common stock) to be offered for subscription by common stockholders at the rate of $100 principal amount of debentures (with warrant for purchase of 10 shares) for each 68 common shares held. **Price** — To be supplied by amendment. **Proceeds** — To provide additional working capital to finance the company's expanding business and will currently be applied to the reduction of short-term bank loans. **Underwriter** —R. S. Dickson & Co., Inc., Charlotte, N. C., and New York, N. Y.

Chattanooga Industrial Development Corp.
March 25 filed 37,500 shares of common stock. **Price**—$20 per share. **Proceeds**—For purchase and development of industrial properties and for working capital. **Office** —Chattanooga, Tenn. **Underwriter**—None.

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.

Clute Corp.
Aug. 21 (letter of notification) 300,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—To pay additional costs of construction; and for retirement of obligations and working capital. **Office** — c/o John Harlan Lowell, 2200 Kenton, Aurora, Colo. **Underwriter** —Lowell, Murphy & Co., Inc., Denver, Colo.

Colorado Water & Power Co.
Feb. 25 (letter of notification) $220,000 of 6% unsecured debentures due April 1, 1964 and 1,100 shares of common stock (par $1) to be offered in units of $200 of debentures and one share of stock. **Price** — $205 per unit. **Proceeds**—For working capital. **Office**—Suite 421, 901 Sherman Street, Denver, Colo. **Underwriter**—Associated Securities 412 Main Street, Cedar Falls, Iowa.

● Columbia Gas Systems, Inc.
March 5 filed 1,799,057 shares of common stock (par $10) being 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**—$21.75 per share. **Proceeds** — To finance System construction expenditures. **Underwriter**—Lehman Brothers and Eastman Dillon, Union Securities & Co. (jointly).

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.

★ Cooper Tire & Rubber Co. (4/20-24)
March 27 filed $3,500,000 of senior sinking fund debentures (with warrants). **Price** — At 100% of principal amount. **Proceeds**—To retire a $2,150,000 term loan, for the purchase and installation of a dual tube production line, and for working capital. **Office**—Lima and Western Avenue, Findlay, Ohio. **Underwriter**—Paine, Webber, Jackson & Curtis, New York; and Prescott, Shepard & Co., Inc., Cleveland, Ohio.

● Cormac Chemical Corp. (4/3)
Jan. 22 filed 108,667 units of 108,667 shares of common stock (par one cent) and 108,667 common stock purchase warrants, each unit consisting of one common share and one warrant, to be offered for subscription by holders of the common stock of Cormac Photocopy Corp. at the rate of one such unit for every six shares of Cormac Photography common held on or about April 3, 1959; rights to expire on or about April 17. **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.

★ Crowley's Milk Co., Inc.
March 26 filed 60,000 outstanding shares of common stock (par $20). **Price**— To be supplied by amendment. **Proceeds**—To selling stockholders. **Office**—145 Conklin Ave., Binghamton, N. Y. **Underwriter**—None.

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. (4/6-10)
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.

D. C. Transit System, Inc. (Del.)
Mar. 23 filed 350,000 outstanding shares of class A common stock. Trans Caribbean Airways, Inc., which owns all of this stock, proposes to give the holders of its outstanding class A stock, and holders of its outstanding 5½% convertible subordinated debentures, transferable warrants, which evidence the right to purchase shares of the class A stock on the basis of one share of class A stock for each three shares of the class A stock of Trans Caribbean which such holders either hold as stockholders or to which they are entitled upon conversion of their debentures (with an oversubscription privilege). Employees of Trans Caribbean and its subsidiaries will have the right to purchase up to 100,000 of the said 350,000 shares. **Price**—To be supplied by amendment. **Proceeds**—To selling stockholder. **Office**—Washington, D. C. **Underwriter**—None.

★ Dejur-Amsco Corp., Long Island City, N. Y.
March 31 filed 225,000 shares of class A stock (par $1). **Price**—To be supplied by amendment. **Proceeds** — To selling stockholders. **Underwriter**—H. M. Byllesby & Co., Inc., New York and Chicago.

★ Dejur-Amsco Corp., Long Island City, N. Y.
March 31 filed $1,000,000 of convertible subordinated debentures due 1974. **Price**—To be supplied by amendment. **Proceeds** — To retire mortgage loans and bank notes and to provide additional working capital and for general corporate purposes. **Underwriter**—H. M. Byllesby & Co., Inc., New York and Chicago.

Derson Mines Ltd.
June 5 filed 350,000 shares of common stock. **Price**—$1 per share. **Proceeds**—For new equipment, repayment of loan, acquisition of properties under option, and other corporate purposes. **Office**—Toronto, Canada, and Emporium, Pa. **Underwriter**—None.

★ Diamond State Telephone Co. (4/21)
March 27 filed $5,000,000 of 35-year debentures, due April 1, 1994. **Proceeds**—To be used principally to repay advances from parent, American Telephone & Telegraph Co., and for general corporate purposes. **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., and Kidder, Peabody & Co. (jointly). **Bids**—Expected to be received on or about April 21.

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.

Dorsey Corp. (4/13-17)
March 20 filed 25,000 shares of 6% cumulative preferred stock, series A, $50 par (with warrants attached for the purchase of 50,000 common shares) and 150,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—Together with $1,000,000 of institutional borrowings and other company funds, will be applied for purchase by its subsidiary of the assets of Dorsey Trailers, Inc. and to the retirement of the latter company's notes and installment contracts, in the approximate amounts of $4,000,000 and $670,392, respectively. **Office**—100 West 10th St., Wilmington, Del. **Underwriter**—Blair & Co., Inc., New York.

● Dynacolor Corp., Rochester, N. Y. (4/20-24)
March 24 filed $1,600,000 of 7% sinking fund debentures due 1969 and 155,000 shares of common stock. The company proposes to offer the debentures and 80,000 common shares in units, consisting of $100 of debentures and five common shares. Remaining 75,000 outstanding common shares are to be offered for sale by the holders thereof. **Price**—To be supplied by amendment. **Proceeds** — To pay bank loans and for construction, equipment and development. **Underwriter**—Lee Higginson Corp., New York.

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.

★ Equity Fund, Inc., Seattle, Wash.
March 25 filed (by amendment) an additional 300,000 shares of common stock. **Price**—At market. **Proceeds**—For investment.

● Erdman, Smock, Hosley & Read, Inc. (4/7)
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. (4/6-10)
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.

Fed-Mart Corp. (4/6-10)
March 16 filed 170,700 shares of common stock. **Price**—$11 per share. **Proceeds**—For acquisition of land, buildings and fixtures for two new stores; for expansion of operations of Reid Oil Co., a subsidiary; to reduce debt; and for working capital. **Office**—8001 Athello St., San Diego, Calif. **Underwriter**—Eastman Dillon, Union Securities & 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 Virginia Corp.
Feb. 12 filed 1,154,730 shares of class B common stock (par $1), being 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. This offer will expire on April 6, unless extended. Statement effective March 20.

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.
Feb. 27 filed $21,203,200 of 20-year 4% convertible subordinated debentures due 1979 being offered initially for subscription by common stockholders of record on or about March 24, 1959, on the basis of $100 principal amount of debentures for each 25 shares of common stock held; rights to expire on April 10, 1959. **Price**—At par (flat). **Proceeds** — For general corporate purposes, including additional working capital and future capital expenditures. **Underwriter** — Eastman Dillon, Union Securities & Co., New York.

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.

Frito Co. (4/21)
March 25 filed 200,000 shares of common stock (par $2.50), of which 140,000 shares are for the account of selling stockholders and 60,000 shares for company's account. **Price**—To be supplied by amendment. **Proceeds** —For working capital and general corporate purposes. **Underwriters**—White, Weld & Co., New York; and Dittmar & Co., San Antonio, Texas.

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) or May 13 at Room 654, 101 Indiana Ave., N. W., Washington 25, D. C., but bidding has been postponed.

General Builders Corp., New York
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 & Electronics Corp. (4/20)**
March 31 filed 800,000 shares of common stock. **Price**—To be supplied by amendment. **Proceeds** — For general corporate purposes. **Office**—New York, N. Y. **Underwriters** — Paine, Webber, Jackson & Curtis; Stone & Webster Securities Corp.; and Mitchum, Jones & Templeton.

● **Glickman Corp.**
March 13 filed 3,357,700 shares of common stock. **Price**—$10 per share. **Proceeds** — For properties, furniture, fixture and leasehold improvements and other expenses. **Office**—565 Fifth Ave., New York, N. Y. **Underwriter**—Bache & Co., New York, N. Y.

Godfrey Co., Milwaukee, Wis.
March 23 filed 100,000 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—To provide inventory and working capital for four new supermarkets in the amount of some $309,400, and to provide fixtures and equipment with respect thereto in the amount of $635,000; some $30,000 will be used to provide equipment and improvements for Crestwood Bakery, a subsidiary; and the balance will be used for investments in controlling stock in retailer-franchised Sentry Markets and in interim investments in sites and developments prior to resale. **Office**—4160 North Port Washington Rd., Milwaukee, Wis. **Underwriter** — Taylor, Rogers & Tracy, Inc., Chicago, Ill.

● **Gold Seal Products Corp. (4/13-17)**
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.

● **Graham-Paige Corp. (4/7-8)**
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.

Grant (W. T.) Co. (4/8)
March 19 filed 320,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—For additional working capital requirements, including those resulting from further store expansion. **Underwriter**—Lehman Brothers, New York.

● **Gray Drug Stores, Inc.**
March 6 filed $2,313,500 of convertible debentures due 1974, being offered for subscription by common stockholders of record March 27, 1959, on the basis of $100 of debentures for each seven shares held; rights to expire on April 14. **Price**—At par. **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 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 All American Markets, Inc. (4/21-23)**
March 17 filed 300,000 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—For advance rental payments, purchase of inventories and working capital. **Business**—Operates eight super markets. **Office**—7814 East Firestone Blvd., Downey, Calif. **Underwriter**—J. Barth & Co., San Francisco, Calif.

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. (4/6-10)
March 11 filed 46,200 shares of common stock (par $4), 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.

Hawaiian Electric Co., Ltd. (4/8)
March 16 filed $10,000,000 of first mortgage bonds, series K, due March 15, 1989. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for construction program. **Underwriters**—Dillon, Read & Co. Inc., New York; and Dean Witter & Co., San Francisco, Calif.

Heartland Development Corp.
Oct. 23 (letter of notification) 22,820 shares of non-voting convertible preference stock (par $12) to be offered for subscription by stockholders on the basis of one share of convertible preference stock for each 10 shares of common stock held on or about Nov. 1, 1958. Stockholders will have 45 days in which to exercise the rights. **Price** — At par. **Proceeds** — To repay debts, acquisition of investments, and for general purposes. **Address**—P. O. Box-348, Albany, N. Y. **Underwriter**—None.

Heliogen Products, Inc.
Oct. 22 (letter of notification) 28,800 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—For payment of past due accounts and loans and general working capital. **Office** — 35-10 Astoria Blvd., L. I. C. 3, N. Y. **Underwriter**—Albion Securities Co., Suite 1512, 11 Broadway, New York 4, N. Y.

Hermetic Seal Corp. (4/8-9)
March 9 (letter of notification) 100,000 shares of class A common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—For payment of the balance of owed moneys to creditors; to equip a plant in the Midwest area; for a modern research development laboratory and working capital. **Office**—744 Broad St., Newark, N. J. **Underwriter**—Amos Treat & Co., Inc., New York.

Hickerson Bros. Truck Co., Inc.
March 11 (letter of notification) 285,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To pay existing liabilities; for additional equipment; and for working capital. **Office**—East Tenth Street, P. O. Box 68, Great Bend, Kan. **Underwriter**—Birkenmayer & Co., Denver, Colo.

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.**
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. **Offering**—Postponed indefinitely.

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 being 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. Statement effective March 10.

★ **Huyck (F. C.) & Sons**
March 26 (letter of notification) 8,000 shares of common stock (par $5) to be offered to eligible employees, pursuant to an Employees' Stock Purchase Plan dated May 20, 1955 (as amended March 6, 1959). **Price**—$33.50 per share. **Proceeds**—For general corporate purposes. **Office**—Rensselaer, N. Y. **Underwriter**—None.

Imperial Growth Fund, Inc.
March 2 filed 600,000 shares of common stock. **Price**—At market. **Proceeds** — For investment. **Office** — 60 Marquette Ave., Minneapolis, Minn. **Underwriter** — Minneapolis Associates, Inc., Minneapolis, Minn.

★ **Incorporated Investors, Boston, Mass.**
March 27 filed (by amendment) an additional 3,000,000 shares of common stock. **Price**—At market. **Proceeds**—For investment.

● **Indiana Steel Products Co. (4/6-10)**
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. **Price** — To be supplied by amendment. **Proceeds**—For construction, machinery and equipment, and to provide additional funds for working capital and other corporate purposes. **Office**—405 Elm St., Valparaiso, Ind. **Underwriter**—Kalman & Co., Inc., St. Paul, Minn.

Industrial Minerals Corp., Washington, D. C.
July 24 filed 600,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—To develop and operate graphite and mica properties in Alabama. **Underwriters**—Dearborn & Co. and Carr-Rigdom & Co., both of Washington, D. C., on a best efforts basis. Statement effective Nov. 18.

Inter-Mountain Telephone Co.
March 5 filed 399,000 shares of voting common stock being 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**—At par ($10 per share). **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. **Offering**—Indefinitely postponed.

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 Planning Corp. of America**
March 27 filed (by amendment) an additional $21,000,000 Systematic and Single Payment Plans. **Proceeds**—For investment.

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.

★ **Keystone Custodian Funds, Inc.**
March 27 filed 90,600 shares of class A common stock, of which 37,600 shares are to be offered from time to time by the Fund, pursuant to the terms of its Employees Stock Option Plan, and the remaining 53,000 shares will be sold for the account of a selling stockholder. **Price**—To be supplied by amendment. **Proceeds**—To selling stockholder. **Underwriter**—Clark, Dodge & Co., New York.

★ **Kimball Mines, Inc.**
March 23 (letter of notification) 100,000 shares of non-assessable capital stock (par 10 cents). **Price**—25 cents per share. **Proceeds**—For mining expenses. **Office**—E. 1214 Nora Avenue, Spokane, Wash. **Underwriter**—None.

Kratter Corp., New York
March 16 filed 2,719,950 shares of class A stock and 300,000 shares of class B stock, of which a maximum of 2,457,450 shares of class A stock are to be offered in exchange for units in certain limited partnerships. Com-

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pany sold on March 14 a total of 250,000 class A shares at $10 per share, and on March 4 a total of 300,000 class B shares at $1 per share to certain persons; the remaining 12,500 class A shares are to be issued to Cinaba, Ltd. **Office**—521 Fifth Avenue, New York, N. Y. **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.

★ **Lithium Corp. of America**
March 31 filed 50,484 shares of common stock, of which 18,984 shares were sold to the underwriters in February, 1959. **Price**—At prevailing market price on the American Stock Exchange at time of offering. **Proceeds** — For working capital. **Office** — Minneapolis, Minn. **Underwriters**—Bear, Stearns & Co. and John H. Kaplan & Co.

Little (J. J.) & Ives Co. (4/15-16)
March 18 filed 250,000 shares of common stock (par 50 cents). **Price**—$3.50 per share. **Proceeds**—For additional working capital to be used principally in producing The American Oxford Encyclopedia. **Underwriter**—Shields & Co., New York.

● **Lockwood, Kessler & Bartlett Inc.**
March 25 filed 150,000 shares of class A stock, of which 100,230 shares are to be offered for the account of the company and 49,770 for account of selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Office**—Syosset, Long Island, N. Y. **Underwriter** — Francis I. du Pont & Co., New York. **Offering**—Expected at end of April.

Lorain Telephone Co.
Feb. 11 (letter of notification) 1,562 shares of common stock (no par) to be offered for subscription by stockholders at the rate of one new share for approximately each 75.1729 shares held at the close of business on March 17, 1959; rights to expire on May 15, 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 in Room 2033, Two Rector St., New York, N. Y.

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.

★ **Mary Carter Paint Co.**
March 30 (letter of notification) 37,500 shares of common stock (par $1) of which 25,000 shares are being offered by the company, out of authorized but unissued stock, and 12,500 shares are being offered by John F. Crosby, Spring Lake, N. J. **Price**—$8 per share. **Proceeds** —For payment of outstanding loans and working capital, and to selling stockholder. **Office**—Gunn Highway at Henderson Rd., Tampa 7, Fla. **Underwriter**—W. W. Schroeder & Co., New York 5, N. Y.

★ **Meadow Brook Club**
March 26 (letter of notification) 400 certificates of beneficial interest (stated value $500 each) to be offered to members of the club. **Price**—At par ($500 per unit). **Proceeds**—For construction of a permanent clubhouse, etc. **Office**—Westbury, N. Y. **Underwriter**—None.

Mergenthaler Linotype Co., Brooklyn, N. Y. (4/7)
March 17 filed 116,541 shares of capital stock, to be offered for subscription by stockholders at the rate of one new share for each four shares held of record April 6, 1959; rights to expire on April 24 (with an oversubscription privilege). An additional 29,900 shares are being or will be offered pursuant to the company's Employee Stock Option Plan. **Price**—To be supplied by amendment. **Proceeds**—To be added to the general funds of the company and be used for corporate purposes. **Underwriter**—None.

Midwest Technical Development Corp.
March 17 filed 400,000 shares of common stock. **Price**—$3.75 per share. **Proceeds**—For general corporate purposes. **Office**—1404 Northwestern Bank Bldg., Minneapolis, Minn. **Underwriter**—None.

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.

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.

★ **Moog Servocontrols, Inc. (4/20-24)**
March 30 filed 130,000 shares of common stock, of which 70,000 shares are being sold by certain selling stockholders and 60,000 shares by company (10,000 shares to employees and 50,000 shares to public). **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Office**—East Aurora (Buffalo), N. Y. **Underwriters** —Kidder, Peabody & Co., New York; and Blunt Ellis & Simmons, Chicago, Ill.

★ **National Life & Casualty Insurance Co.**
March 25 filed 250,000 shares of common capital stock to be offered to holders of certain of company's life insurance policies issued on or prior to Dec. 31, 1955, and to certain employees. **Price**—$4.44 per share. **Proceeds**—To increase capital and surplus. **Office** — 2300 North Central Ave., Phoenix, Ariz. **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, which expires April 6, 1959, has been declared effective. **Dealer-Managers** — Cruttenden, Podesta & Co., Cantor, Fitzgerald & Co., Inc., and Westheimer & Co.

Natural Gas Pipeline Co. of America (4/9)
March 18 filed $20,000,000 of first mortgage pipeline bonds due 1979. **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, to pay outstanding bank loans. **Underwriters**—Dillon, Read & Co. Inc. and Halsey, Stuart & Co. Inc., both of New York.

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.

New York Shipbuilding Corp.
March 20 filed 83,334 shares of common stock, to be offered in exchange for common stock of Higgins, Inc., at the rate of one share of New York Shipbuilding common for each 24 shares of Higgins common.

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.

Oil, Gas & Minerals, Inc.
Nov. 16 (letter of notification) 116,000 shares of common stock (par 35 cents). **Price**—$1 per share. **Proceeds**—For development of oil and gas properties. **Office**—513 International Trade Mart, New Orleans 12, La. **Underwriter**—Assets Investment Co., Inc., New Orleans, La.

Oppenheimer Fund, Inc.
Dec. 5 filed 100,000 shares of capital stock. **Price**—At market (about $10 per share). **Proceeds**—For investment. **Office**—25 Broad St., New York. **Underwriter**—Oppenheimer & Co., New York.

★ **Organics, Inc.**
March 20 (letter of notification) 150,000 shares of common stock (par $1). **Price**—$1.25 per share. **Proceeds**—To pay outstanding debt and for additional working capital. **Office** — 1221 Mile High Center, Denver 2, Colo. **Underwriter**—None.

★ **Ozark Air Lines, Inc. (4/14)**
March 24 (letter of notification) 59,825 shares of general common stock (par $1) to be offered for subscription by holders of class A and class B common stock and/or class B common stock evidenced by a voting trust certificate, one share of general common stock for each 20 shares of class A and class B common stock of record April 14, 1959. **Price**—$4.25 per share. **Proceeds** —To purchase additional flight and ground equipment and for working capital. **Address**—P. O. Box 6007, Lambert Field, St. Louis 21, Mo. **Underwriter**—None, but Newhard, Cook and Co. and Yates, Heitner & Woods, both of St. Louis, Mo., offered to purchase the unsubscribed shares.

Paramount Mutual Fund, Inc.
Jan. 2 filed 300,000 shares of capital stock. **Price**—Minimum purchase of shares is $2,500. **Proceeds**—For investment. **Office**—404 North Roxbury Drive, Beverly Hills Calif. **Underwriter**—Paramount Mutual Fund Management Co

Peckman Plan Fund, Inc., Pasadena, Calif.
May 19 filed 20,000 shares of common stock (par $1) **Price**—At market. **Proceeds**—For investment. **Underwriter**—Investors Investments Corp., Pasadena, Calif.

★ **Penn-Texas Corp., New York City**
March 31 filed 1,500,000 shares of common stock to be offered for subscription by common stockholders at rate of one new share for each four shares held. **Price**—To be supplied by amendment. **Proceeds** — To purchase additional stock of Fairbanks, Morse & Co. and for repayment of loans. **Underwriter**—Bear, Stearns & Co., New York.

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.

★ **Permachem Corp., New York**
March 31 filed 2,041,331 shares of class A common stock (par 10 cents) and 1,917 shares of class B common stock (par 10 cents). This covers the transfer of certain shares pursuant to option agreements. **Price** — At over-the-counter market prices. **Underwriter**—None.

Peruvian Oils & Minerals, Ltd.
March 12 filed 400,000 shares of capital stock. **Price**—At the prevailing market. **Proceeds**—To selling stockholders. **Office** — 85 Richmond Street West, Toronto, Ont., Canada. **Underwriter**—None.

★ **Philco Corp. (4/16)**
March 26 filed $20,000,000 of convertible subordinated debentures due April 15, 1984. **Price**—To be supplied by amendment. **Proceeds**—For capital expenditures and general corporate purposes. **Underwriter**—Smith, Barney & Co., New York.

★ **Producers Fire & Casualty Co., Mesa, Ariz.**
March 31 filed 400,000 shares of common stock to be offered for subscription by holders of stock purchase rights acquired in connection with life insurance policies issued by Dependable Life Insurance Co. and to certain agents and brokers of Producers Fire & Casualty Co. **Price**—$5 per share. **Proceeds**—For working capital. **Underwriter**—None.

Prudential Enterprises, Inc.
Jan. 15 (letter of notification) 200,000 shares of common stock (par one cent) of which 170,000 shares are to be sold by the company and 30,000 shares by a selling stockholder. **Price** — $1.50 per share. **Proceeds** — For general expansion and working capital. **Office**—1108 16th Street, N.W., Washington 6, D. C. **Underwriter**—John C. Kahn Co., Washington, D. C.

★ **Public Service Co. of Colorado (4/28)**
March 26 filed $20,000,000 of first mortgage bonds due 1989. **Proceeds**—For construction program. **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 up to 11 a.m. (EDT) on April 28.

★ **Purepac Corp., New York**
March 31 filed 260,000 shares of common stock (par five cents). **Price**—$3 per share. **Proceeds**—To repay loans and for general corporate purposes. **Underwriter**—Richard Bruce & Co. Inc.

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.

★ **Reiter-Foster Oil Corp.**
March 30 filed $1,500,000 of 6% convertible debentures due 1969, to be offered for subscription by common stockholders at the rate of $100 principal amount of debentures for each 300 common shares held. **Price**—To be supplied by amendment. **Proceeds**—To pay debt and for development of present properties and acquisition and development of additional oil and gas properties. **Underwriter**—Emanuel Deetjen & Co., New York.

★ **Republic Foil Inc. (4/20)**
March 26 filed 70,196 shares of common stock, to be offered for subscription by holders of outstanding shares upon the basis of one new share for each three shares held on or about April 20, 1959; rights to expire on or about May 4. **Price**—To be supplied by amendment. **Proceeds**—For property and equipment, to retire bank

loans, and for working capital. **Office**—55 Triangle St., Danbury, Conn. **Underwriter**—Laird & Co., Corp., Wilmington, Del.

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.

● Ritter Finance Co. (4/8)
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. (4/8)
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.

★ Roanoke Gas Co.
March 19 (letter of notification) 17,732 shares of common stock (par $5) to be offered for subscription by common stockholders on the basis of one share for each seven shares held (with an oversubscription privilege); rights to expire on May 15, 1959. **Price**—$16.75 per share. **Proceeds**—To repay short-term bank loan and for installation and construction of additional mains for the purpose of extending distribution facilities. **Office**—123 Church Avenue, Roanoke, Va. **Underwriter**—None.

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. Regis Paper Co.
March 27 filed 58,000 shares of common stock (par $5) to be offered in exchange for outstanding common stock of Cupples-Hesse Corp. on the basis of .644 of a share of St. Regis common for each share of Cupples common. St. Regis will declare the exchange offer effective if 100% of the outstanding shares of Cupples stock is deposited in exchange, and may elect to do so if a lesser percent, but not less than 80%, is deposited.

★ Santa's Village, Skyforest, Calif.
March 27 filed $800,000 of 6% convertible subordinated sinking fund debentures due 1974. **Price**—At 100% of principal amount. **Proceeds** — For completion of East Dundee Village (a new amusement park near Chicago); and for working capital and other corporate purposes. **Underwriter**—None.

Schjeldahl (G. T.) Co.
March 23 filed 42,500 shares of common stock, which are to be offered and sold first to present stockholders at the rate of one new share for each eight shares held on April 1, 1959. **Price**—$10 per share. **Proceeds**—For increased plant facilities, for purchase of equipment, working capital and other corporate purposes. **Office**—202 South Division St., Northfield, Minn. **Underwriter**—Craig-Hallum, Inc., Minneapolis, Minn.

● Scranton Spring Brook Water Service Co.
April 1, 1934 with common stock warrants to purchase 80,000 shares of common stocks being offered in units of 80,000 shares of common stock) being offered in units of $200 of debentures and warrants for the purchase of two shares of stock for subscription by common stockholders at the rate of one unit for each 25 shares of stock held on March 30, 1959; rights to expire April 15. **Price**—$200 per unit. **Proceeds**—To repay bank loans. **Underwriter**—Allen & Co., New York.

★ Seaboard Plywood & Lumber Corp. (5/15)
March 27 filed 150,000 shares of common stock. **Price**—$3 per share. **Proceeds**—For expansion of present product lines and acquisition of new related lines. **Office**—17 Bridge St., Watertown, Mass. **Underwriter**—Peter Morgan & Co., New York.

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.

SIMCA Societe Anonyme, of France (4/13)
March 24 filed 1,000,000 shares of capital stock, par value 5,000 French francs (U. S. $10.12) per share, and equivalent 2,000,000 American shares representing such 1,000,000 capital shares (two American shares represent one capital share). The company proposes to offer holders of its American shares on April 13, 1959, and holders of its capital shares in the United States, its territories and possessions, the right to subcribe for one additional American Share for each American Share held, or one additional Capital Share for each Capital Share held (with an additional subscription privilege). **Price**—To be supplied by amendment. **Proceeds**—To be added to the general funds of the company and used for general corporate purposes. **Underwriter**—None.

★ Sinclair Oil Corp.
March 27 filed $16,000,000 of participations in the company's Employees' Savings Plan, together with 200,000 shares of common stock which may be acquired pursuant thereto.

★ Sip'N Snack Shoppes, Inc., Philadelphia, Pa.
March 31 filed 200,000 shares of common stock. **Price**—$2 per share. **Proceeds**—To pay loans and for new equipment. **Underwriter**—Sano & Co., New York.

Southern Union Gas Co. (4/10)
March 19 filed 442,731 shares of cumulative convertible second preferred stock to be offered for subscription by common stockholders of record April 10, 1959, on the basis of one share of preferred for each five common shares held; rights to expire on May 1. **Price**—At par ($25 per share). **Proceeds**—To repay bank loans and for construction program. **Underwriters**—Snow, Sweeney & Co., Inc., and A. C. Allyn & Co., Inc., both of New York.

Southwestern Electric Service Co.
March 3 (letter of notification) 14,126 shares of common stock (par $1) being offered for subscription by stockholders of record March 16, 1959 on the basis of one new share for each 30 shares now held; rights to expire on April 3. **Price**—$16 per share (estimated). **Proceeds**—For construction purposes. **Office**—1012 Mercantile National Bank Building, Dallas, Texas. **Underwriter**—None.

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 - William Process to beneficiate manganese ores. **Underwriter**—Southwest Shares, Inc., Austin, Texas.

★ Super-Sol Ltd.
March 25 filed 250,000 shares of common stock. **Price**—At par (19,800 Israeli pounds—equivalent to $11 per share in U. S. funds), payable up to 90% in State of Israel Independence Issue and Development Issue Bonds, and the balance in cash. **Proceeds**—For expansion program. **Office** — 79 Ben Yehuda St., Tel Aviv, Israel. **Underwriter**—American Israel Basic Economy Co., New York, N. Y.

Tennessee Gas Transmission Co. (4/7)
March 18 filed 440,000 shares of cumulative convertible second preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—To be used in part to retire the company's outstanding short-term notes issued under the company's revolving Credit Agreement, the proceeds from which were used in the expansion of the company's properties; and the balance will be added to the general funds of the company and be used for further expansion of properties. **Underwriters**—Stone & Webster Securities Corp. and White, Weld & Co., both of New York.

★ Texas Eastern Transmission Corp. (4/9)
March 26 filed $45,000,000 of first mortgage pipe line bonds due 1979. **Price**—To be supplied by amendment. **Proceeds** — For construction program. **Underwriter** — Dillon, Read & Co. Inc., New York.

● Texfel Petroleum Corp.
March 19 filed 550,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For repayment of the company's 5% notes held by an American bank, and the balance will be added to its general funds and will be used in connection with its various operations, and for general corporate purposes, including payment of purchase obligations on certain properties, and for the purchase of warehouse inventories. **Office**—Republic National Bank Bldg., Dallas, Texas. **Underwriters**—Bache & Co. and Allen & Co., both of New York. **Offering**—Date indefinite.

★ Thermo Plastics Corp.
March 26 filed 468,500 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For purchase of necessary capital equipment and to increase working capital. **Office**—1626 Hertford Rd., Charlotte, N. C. **Underwriter**—Interstate Securities Corp., Charlotte, N. C.

● Thorncliffe Park Ltd.
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**—$1,000 per unit, plus accrued interest on the debentures. **Proceeds**—For repayment of a loan; to retire all of the company's current bank loans; and the balance for workig capital and general corporate purposes. **Address**—Postal Station R, Toronto, Ont., Canada. **Underwriter**—Bache & Co., New York. **Offering**—Expected this week.

Transcon Petroleum & Development Corp., Mangum, Okla.
March 20 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For development of oil properties. **Underwriter**—First Investment Planning Co., Washington, D. C.

★ Union Carbide Corp.
March 27 filed $30,000,000 of participations in the Savings Plan for Employees of Union Carbide and its U. S. subsidiaries, together with 50,000 shares of Union Carbide capital stock which may be acquired pursuant thereto.

★ United Gas Corp.
March 26 filed $12,600,000 of participations in the Employees Stock Purchase Plan of United Gas Corp., United Gas Pipeline Co., and Union Producing Co., together with 300,000 shares of United Gas common stock which may be acquired pursuant to the plan.

★ United Improvement & Investment Corp.
March 25 filed 1,238,994 shares of common stock (par $2.60), of which 809,195 shares are to be offered in exchange for outstanding stock of Lawyers Mortgage & Title Co. on the basis of one share of United for each four shares of Lawyers before its recent one-for-ten reserve split, or 2½ shares of United for each share of Lawyers after such split. Lawyers' stockholders may round out their allocation to the next full share by purchasing not more than ¾ of a share at $1.25 for each ¼ share needed. In addition, a stockholder who accepts United's offer will have privileges to subscribe to 242,299 additional shares at $5 per share, on a one-for-four basis. The company also proposes to offer 187,500 shares in exchange for all the outstanding common stocks of Margate Homes, Inc., Broward Engineering Co., and Margate Construction Co., certain outstanding debt obligations of Margate Homes, Inc., and $62,500 in cash. **Proceeds**—For working capital and general corporate purposes. **Office**—25 West 43rd St., New York, N. Y. **Underwriter**—Allen & Co., New York, for 242,299 shares of common stock.

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 (with an oversubscription privilege). The record date will be the fourth business day following the effective date of the registration statement and the subscription period will be approximately 20 days. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriter**—None.

Western Massachusetts Companies (4/3)
March 13 filed 177,626 shares of common stock (par 50 cents), of which 161,626 shares are to be offered for subscription by common stockholders of record April 3, 1959, on the basis of one new share for each 15 shares then held; rights to expire on April 21. Employees will be offered the privilege of subscribing for 16,000 shares up to 3:30 p.m. (EST) on April 16. **Price**—To be supplied by amendment. **Proceeds**—To be loaned to a subsidiary, Western Massachusetts Electric Co., which will be used to reduce its short-term bank borrowings, and for its construction program. **Underwriters**—The First Boston Corp. and White, Weld & Co., both of New York.

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.

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.; Blyth & Co., Inc. and Lehman Brothers (jointly). **Bids**—Expected to be received up to 10:30 a.m. (CST) on April 15.

★ Wometco Enterprises, Inc. (4/20-24)
March 27 filed 325,000 shares of class A common stock, of which 290,000 shares are to be offered to public and 35,000 shares to officers and employees of the company. **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Business**—Operates motion picture theatres, and television and radio stations. **Office**—306 North Miami Ave., Miami, Fla. **Underwriter**—Lee Higginson Corp., New York.

Wyoming Corp.
Nov. 17 filed 1,449,307 shares of common stock. Of these shares 1,199,307 are subject to partially completed subscriptions at $2, $3.33 and $4 per share; and the additional 250,000 shares are to be offered initially to shareholders of record Nov. 1, 1958, in the ratio of one new share for each 2.33 shares held on that date. **Price**—$4 per share. **Proceeds**—$300,000 will be used for payments on contract to purchase shares of International Fidelity Insurance Co.; $325,000 for capitalization of a fire insurance company; $500,000 for capitalization of a title insurance company; $500,000 for additional capital contribution to Great Plains Development Co.; and $300,000 as an additional capital contribution to Great Plains Mortgage Co. **Office**—319 E. "A" St., Casper, Wyo. **Underwriter**—None.

Prospective Offerings

Alabama Power Co. (4/30)
Dec. 10 it was announced that the company plans the issue and sale of $20,000,000 of 30-year first mortgage bonds. **Proceeds** — For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Eastman Dillon, Union Securities & Co., Equitable Securities Corp. and Drexel & Co. (jointly); Harriman Ripley & Co., Inc. and Goldman, Sachs & Co. (jointly); Morgan Stanley & Co.; Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); The First Boston Corp. **Registration**—Planned for April 3. **Bids**—Expected to be received on April 30.

Arkansas Western Gas Co. (5/1)
March 16 it was reported that company plans issuance and sale of $1,000,000 of convertible subordinated debentures. **Proceeds**—Together with other funds, will be used to retire about $550,000 of bank loans and for expansion program. **Underwriters**—Snow, Sweeney & Co. Inc., and A. C. Allyn & Co., Inc., both of New York. **Registration**—Expected end of March.

★ Bank of Commerce, Washington, D. C. (5/29)
Feb. 26 stockholders of the Bank approved the sale of 2,000 shares of capital stock (par $100) to holders of record May 29, 1959, on the basis of one new share for each three shares held; rights to expire on June 30. **Price**—$150 per share. **Proceeds**—To increase capital and surplus.

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★ **Central Illinois Light Co. (5/12)**
March 31 the company filed an application with the Illinois Commerce Commission for authority to issue $10,038,700 convertible debentures due 1974, to be offered to common stockholders of record on or about May 12 on the basis of $100 principal amount of debentures for each 22 of common held. **Proceeds** — For construction program. **Underwriter**—Union Securities Co. (now Eastman Dillon, Union Securities & Co.) handled previous equity financing. **Registration**—Expected the latter part of April.

Consolidated Edison Co. of N. Y. Inc. (5/26)
March 9 it was reported that the company plans to issue and sell $50,000,000 to $60,000,000 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 up to 11 a.m. (EDT) on May 26.

Consolidated Natural Gas Co. (5/21)
March 18 the directors approved a plan to offer stockholders on or about May 21 the right to subscribe for 621,256 additional shares of capital stock on the basis of one new share for each 10 shares held; rights to expire on or about June 10. **Price**—To be below the market price prevailing at the time of the offering. **Proceeds** — For construction program. **Underwriter**—None.

Consolidated Natural Gas Co.
March 18, James Comerford, President, announced that, in addition to the proposed stock offering to stockholders, the company plans this year to issue and sell publicly $20,000,000 of debentures. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. and The First Boston Corp. (jointly); White, Weld & Co. and Paine, Webber, Jackson & Curtis (jointly).

★ **Di-Noc Chemical Arts, Inc. (4/28)**
March 31 it was reported that the company plans issue and sale of $947,200 5½% convertible subordinated debentures due 1971, to be offered for subscription by common stockholders of record about April 28, 1959, on the basis of $20 principal amount of debentures for each six shares of stock held; rights to expire on May 13. **Underwriter**—Blair & Co., Inc., New York. **Registration**—Expected on April 3.

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. (EDT) 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. (EDT) 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 25 shares held as of May 11, 1959 (with an oversubscription privilege); 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.

★ **Electronic Mechanical Specialty Co. (Calif.)**
March 31 it was reported that the company is planning an offering of about 100,000 shares of common stock. **Underwriter** — Myron A. Lomasney & Co., New York. **Registration** — Via Regulation "A," around April 15. **Offering**—Expected early part of May.

★ **First National Trust & Savings Bank of San Diego, Calif. (4/21)**
March 27 it was announced that Bank plans to offer to its stockholders of record April 21, 1959 the right to subscribe on or before May 11, 1959 for 105,000 additional shares of capital stock on the basis of one new share for each nine shares held (following proposed two-for-one stock split). **Underwriters**—Dean Witter & Co.; Blyth & Co., Inc.; William R. Staats & Co.; Eastman Dillon, Union Securities & Co.; and Dewar & Co.

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.

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.

Idaho Power Co. (5/13)
March 16 it was reported that the company plans to issue and sell $15,000,000 of first mortgage bonds. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc., Lazard Freres & Co. and The First Boston Corp. (jointly); Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co. (jointly); Merrill Lynch, Pierce, Fenner & Smith, Inc.; Equitable Securities Corp.; Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Bids**—Expected to be received up to 11 a.m. (EDT) on May 13.

★ **Idaho Power Co.**
March 31 it was reported that the company plans an offering of about 150,000 shares of common stock (par $10). **Proceeds**—For construction program. Underwriters—May be Blyth & Co. Inc., Lazard Freres & Co., Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Smith, Inc., all of New York.

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.

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., A. G. Becker & Co., Inc., and Kidder, Peabody & Co., all 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.

Norfolk & Western Ry. (4/2)
Bids will be received up to noon (EST) on April 2 in Philadelphia, Pa., for the purchase from the company of $7,350,000 series G equipment trust certificates due semi-annually from Oct. 1, 1959 to April 1, 1974, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

● **Northern Illinois Gas Co. (6/23)**
March 25, Marvin Chandler, President, announced company plans issue and sale of $20,000,000 25-year first mortgage bonds. **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. **Bids**—Tentatively planned to be received on June 23. **Registration**—Expected at end of May.

● **Northern States Power Co. (Minn.)**
March 31 it was reported that the company has revised its financing plans, and is considering the offering and sale of $10,000,000 of new preferred stock. **Proceeds**—To be used to repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding: Blyth & Co., Inc. and The First Boston Corp. (jointly); Lehman Brothers and Riter & Co. (jointly); Merrill Lynch, Pierce, Fenner & Smith, Inc.; Harriman Ripley & Co. Inc., and Eastman Dillon, Union Securities & Co. (jointly); Kuhn, Loeb & Co.; Smith, Barney & Co.

● **Northern States Power Co. (Minn.)**
March 31 it was reported that the company also is considering offering about 714,000 additional shares of common stock for subscription by common stockholders on the basis of one new share for each 20 shares held. **Proceeds** — To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Lehman Brothers and Riter & Co. (jointly); The First Boston Corp., Blyth & Co., Inc. and Kuhn, Loeb & Co. (jointly); White, Weld & Co. and Glore, Forgan & Co. (jointly); Merrill Lynch, Pierce, Fenner & Smith Inc. **Offering**—Expected sometime during August.

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 Electric & Gas Co. (6/2)
Jan. 30 it was reported that the company plans sale of $80,000,000 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.

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 Nevada Power Co. (5/11)
March 17 it was announced that the company plans to issue and sell $5,500,000 of first mortgage bonds. **Proceeds**—Together with other funds, will be used to repay temporary bank loans, and to refund the slightly less than $4,000,000 of series "C" 5½% mortgage bonds due 1986. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc., Hornblower & Weeks and William R. Staats & Co. (jointly); White, Weld & Co.; Merrill Lynch, Pierce, Fenner & Smith Inc. **Bids**—Expected to be received up to 9 a.m. (PST) on or about May 11 in the offices of O'Melveny & Myers, Room 900, 432 South Spring Street, Los Angeles 13, Calif.

Southern Nevada Power Co. (4/28)
March 17 it was announced that the company plans early registration of $1,500,000 of preferred stock. **Proceeds**—To repay temporary bank loans. **Underwriters**—May be Hornblower & Weeks, New York; William R. Staats & Co., Los Angeles, Calif.; and First California Co., San Francisco, Calif.

Southwestern Electric Power Co. (5/12)
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 up to 11:30 a.m. (EDT) on May 12.

Union Bank, Los Angeles, Calif.
March 19 this bank offered 70,028 additional shares of capital stock (par $10) to its stockholders of record March 18, 1959, on the basis of one new share for each 12 shares then held; rights to expire on April 8. **Price**—$59.50 per share. **Proceeds**—to increase capital and surplus. **Underwriters**—Blyth & Co., Inc., and Stern, Frank, Meyer & Fox, both of Los Angeles, Calif.

Union Electric Co. (Mo.)
Feb. 23, J. W. McAfee, President, stated that the company plans to sell about $30,000,000 of additional common stock later this year through rights to common stockholders. **Proceeds**—For expansion program. **Underwriter**—May be determined by competitive bidding. Probable bidders: Lehman Brothers; White, Weld & Co., and Shields & Co. (jointly); Merrill Lynch, Pierce, Fenner & Smith, Inc. **Offering**—Expected toward the end of the second or third quarter of 1959.

Virginia Electric & Power Co. (6/2)
Feb. 21 it was announced that the company plans to offer an additional 710,000 shares of common stock to be offered for subscription by stockholders of record on or about June 2, 1959, on the basis of one new share for each 20 shares then held. **Proceeds** — For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Merrill Lynch, Pierce, Fenner & Smith, Inc.; Stone & Webster Securities Corp. **Bids**—Expected to be received on June 2.

West Penn Power Co. (5/25)
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.

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)	April 5	§93.7	*92.9	90.3	48.6
Equivalent to—					
Steel ingots and castings (net tons)	April 5	§2,653,000	*2,631,000	2,556,000	1,312,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Mar. 20	7,202,870	*7,154,520	7,208,320	6,262,885
Crude runs to stills—daily average (bbls.)	Mar. 20	¶8,082,000	8,283,000	8,052,000	7,316,000
Gasoline output (bbls.)	Mar. 20	28,592,000	*28,432,000	27,963,000	24,997,000
Kerosene output (bbls.)	Mar. 20	1,902,000	2,315,000	2,784,000	2,352,000
Distillate fuel oil output (bbls.)	Mar. 20	14,507,000	14,189,000	15,584,000	11,587,000
Residual fuel oil output (bbls.)	Mar. 20	7,239,000	7,334,000	7,162,000	7,197,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Mar. 20	212,139,000	210,290,000	204,987,000	216,907,000
Kerosene (bbls.) at	Mar. 20	18,333,000	18,988,000	19,648,000	17,178,000
Distillate fuel oil (bbls.) at	Mar. 20	77,194,000	78,876,600	84,021,000	78,449,000
Residual fuel oil (bbls.) at	Mar. 20	55,082,000	55,010,000	55,530,000	55,013,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Mar. 21	603,178	595,302	583,181	532,997
Revenue freight received from connections (no. of cars)	Mar. 21	569,071	564,102	555,129	515,046
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Mar. 26	$355,400,000	$393,700,000	$285,660,000	$441,190,000
Private construction	Mar. 26	179,900,000	225,300,000	176,172,000	196,086,000
Public construction	Mar. 26	175,500,000	168,400,000	109,488,000	245,104,000
State and municipal	Mar. 26	135,000,000	129,400,000	85,211,000	190,240,000
Federal	Mar. 26	40,500,000	39,000,000	24,237,000	54,864,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Mar. 21	7,695,000	7,625,000	8,055,000	7,596,000
Pennsylvania anthracite (tons)	Mar. 21	386,000	374,000	390,000	328,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Mar. 21	137	124	109	117
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Mar. 28	12,709,000	12,900,000	12,972,000	11,645,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Mar. 26	297	292	296	327
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Mar. 24	6.196c	6.196c	6.196c	5.967c
Pig iron (per gross ton)	Mar. 24	$66.41	$66.41	$66.41	$66.49
Scrap steel (per gross ton)	Mar. 24	$40.50	$40.83	$43.17	$35.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Mar. 25	31.200c	31.350c	29.675c	24.225c
Export refinery at	Mar. 25	30.150c	31.300c	29.300c	21.825c
Lead (New York) at	Mar. 25	11.500c	11.500c	11.000c	13.000c
Lead (St. Louis) at	Mar. 25	11.300c	11.300c	10.800c	12.800c
‡Zinc (delivered) at	Mar. 25	11.500c	11.500c	11.500c	10.500c
Zinc (East St. Louis) at	Mar. 25	11.000c	11.000c	11.000c	10.000c
Aluminum (primary pig, 99.5%) at	Mar. 25	24.700c	24.700c	24.700c	26.000c
Straits tin (New York) at	Mar. 25	102.250c	103.375c	104.750c	93.625c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Mar. 31	85.40	85.63	86.63	95.63
Average corporate	Mar. 31	90.06	90.06	90.20	95.47
Aaa	Mar. 31	93.82	93.97	94.41	101.80
Aa	Mar. 31	92.20	92.35	92.93	99.52
A	Mar. 31	90.06	90.06	90.34	95.47
Baa	Mar. 31	84.55	84.43	83.79	86.24
Railroad Group	Mar. 31	88.54	88.54	89.09	91.34
Public Utilities Group	Mar. 31	89.78	89.78	89.78	97.16
Industrials Group	Mar. 31	91.77	92.06	91.77	98.25
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Mar. 31	3.92	3.89	3.76	2.87
Average corporate	Mar. 31	4.41	4.41	4.40	4.04
Aaa	Mar. 31	4.15	4.14	4.11	3.64
Aa	Mar. 31	4.26	4.25	4.21	3.78
A	Mar. 31	4.41	4.41	4.39	4.04
Baa	Mar. 31	4.82	4.83	4.88	4.69
Railroad Group	Mar. 31	4.52	4.52	4.48	4.32
Public Utilities Group	Mar. 31	4.43	4.43	4.43	3.93
Industrials Group	Mar. 31	4.29	4.27	4.29	3.86
MOODY'S COMMODITY INDEX	Mar. 31	390.6	388.8	383.2	395.6
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Mar. 21	279,776	305,979	297,549	239,605
Production (tons)	Mar. 21	306,218	307,440	304,774	273,800
Percentage of activity	Mar. 21	94	93	94	88
Unfilled orders (tons) at end of period	Mar. 21	444,024	470,191	400,485	359,226
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Mar. 27	110.76	110.58	114.72	109.88
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS					
Transactions of specialists in stocks in which registered—					
Total purchases	Mar. 4	3,242,110	2,312,580	2,230,050	1,338,670
Short sales	Mar. 4	628,060	467,780	347,000	250,750
Other sales	Mar. 4	2,584,620	1,990,660	1,961,170	1,028,180
Total sales	Mar. 4	3,212,680	2,458,440	2,308,170	1,278,930
Other transactions initiated on the floor—					
Total purchases	Mar. 4	555,610	450,620	501,330	336,260
Short sales	Mar. 4	44,900	65,700	56,400	35,000
Other sales	Mar. 4	492,050	413,720	430,690	299,360
Total sales	Mar. 4	536,950	479,420	487,090	334,360
Other transactions initiated off the floor—					
Total purchases	Mar. 4	894,279	587,170	729,705	456,204
Short sales	Mar. 4	135,130	128,670	111,420	131,100
Other sales	Mar. 4	924,700	690,395	793,972	570,596
Total sales					
Total round-lot transactions for account of members—	Mar. 4	1,059,830	819,065	905,392	701,696
Total purchases	Mar. 4	4,691,999	3,350,370	3,461,585	2,131,134
Short sales	Mar. 4	808,090	662,150	514,820	416,850
Other sales	Mar. 4	4,001,370	3,094,775	3,185,832	1,898,136
Total sales	Mar. 4	4,809,460	3,756,925	3,700,652	2,314,986
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE—SECUURITIES EXCHANGE COMMISSION					
Odd-lot sales by dealers (customers' purchases)—†					
Number of shares	Mar. 4	2,313,987	1,855,697	1,786,795	1,117,796
Dollar value	Mar. 4	$118,922,621	$97,385,106	$87,528,880	$50,083,429
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Mar. 4	2,117,527	1,643,766	1,549,251	920,451
Customers' short sales	Mar. 4	9,755	11,127	7,604	15,145
Customers' other sales	Mar. 4	2,107,772	1,632,639	1,541,647	905,306
Dollar value	Mar. 4	$108,954,498	$84,969,399	$76,215,124	$39,627,658
Round-lot sales by dealers—					
Number of shares—Total sales	Mar. 4	562,140	429,040	410,740	235,870
Short sales	Mar. 4	------	------	------	------
Other sales	Mar. 4	562,140	429,0[illegible]	410,740	235,870
Round-lot purchases by dealers—					
Number of shares	Mar. 4	784,900	627,700	640,390	472,980
TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION FOR ACCOUNT OF MEMBERS (SHARES):					
Total round-lot sales—					
Short sales	Mar. 4	903,300	831,480	640,590	736,690
Other sales	Mar. 4	20,969,810	16,482,230	16,807,450	10,232,890
Total sales	Mar. 4	21,873,110	17,373,710	17,448,040	10,969,580
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Mar. 24	119.3	119.4	119.1	119.8
Farm products	Mar. 24	90.3	*90.8	89.9	100.4
Processed foods	Mar. 24	107.0	107.2	107.2	110.7
Meats	Mar. 24	98.6	99.0	98.2	106.8
All commodities other than farm and foods	Mar. 24	127.8	127.8	127.5	125.9

*Revised figure. ¶Includes 817,000 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
AMERICAN GAS ASSOCIATION—For month of January:			
Total gas sales (M therms)	10,016,900	8,709,000	8,798,800
Natural gas sales (M therms)	9,658,500	8,423,900	8,483,300
Manufactured gas sales (M therms)	29,300	21,300	25,300
Mixed gas sales (M therms)	329,100	263,800	290,200
AMERICAN RAILWAY CAR INSTITUTE— Month of February:			
Orders for new freight cars	1,806	4,007	287
New freight cars delivered	2,486	1,940	5,316
Backlog of cars on order and undelivered (end of month)	28,789	29,470	43,750
AMERICAN TRUCKING ASSOCIATION, INC.—			
Intercity general freight transported by 382 carriers (in tons)	5,371,121	5,231,965	4,808,961
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR—Month of February (in millions):			
Total new construction	$3,475	$3,674	$3,106
Private construction	2,500	2,618	2,270
Residential buildings (nonfarm)	1,369	1,448	1,078
New dwelling units	1,070	1,150	810
Additions and alterations	245	243	219
Nonhousekeeping	54	55	49
Nonresidential buildings	638	660	705
Industrial	167	173	252
Commercial	262	268	258
Office buildings and warehouses	148	153	161
Stores, restaurants, and garages	114	115	97
Other nonresidential buildings	209	219	195
Religious	70	73	64
Educational	44	47	42
Hospitals and institutional	47	48	50
Social and recreational	34	35	25
Miscellaneous	14	16	14
Farm construction	101	98	104
Public utilities	380	398	372
Railroad	20	23	21
Telephone and telegraph	64	68	71
Other public utilities	296	307	280
All other private	12	14	11
Public construction	975	1,056	836
Residential buildings	92	91	56
Nonresidential buildings	322	356	312
Industrial	27	28	28
Educational	197	223	201
Hospital and institutional	29	30	24
Administrative and service	39	42	30
Other nonresidential buildings	30	33	29
Military facilities	98	105	73
Highways	265	285	220
Sewer and water systems	96	105	91
Sewer	60	66	54
Water	36	39	37
Public service enterprises	25	28	21
Conservation and development	63	71	56
All other public	14	15	7
BUSINESS FAILURES—DUN & BRADSTREET, INC.—Month of February:			
Manufacturing number	207	215	208
Wholesale number	104	132	112
Retail number	582	642	662
Construction number	164	188	177
Commercial service number	104	96	79
Total number	1,161	1,273	1,238
Manufacturers' liabilities	$17,444,000	$17,062,000	$24,331,000
Wholesale liabilities	7,363,000	8,472,000	5,870,000
Retail liabilities	22,327,000	33,197,000	23,038,000
Construction liabilities	6,911,000	8,274,000	8,747,000
Commercial service liabilities	4,547,000	6,559,000	3,309,000
Total liabilities	$58,592,000	$73,564,000	$65,295,000
COAL EXPORTS (BUREAU OF MINES)— Month of January:			
U. S. exports of Pennsylvania anthracite (net tons)	180,942	192,485	225,193
To North and Central America (net tons)	162,532	155,248	92,434
To Europe (net tons)	17,970	37,237	126,426
To Asia (net tons)	------	------	5,495
To South America (net tons)	------	------	18
Undesignated	440	------	820
COPPER INSTITUTE—For month of February:			
Copper production in U. S. A.—			
Crude (tons of 2,000 pounds)	101,895	*106,826	93,029
Refined (tons of 2,000 pounds)	142,235	137,361	128,299
Deliveries to fabricators—			
In U. S. A. (tons of 2,000 pounds)	120,134	114,425	93,784
Refined copper stocks at end of period (tons of 2,000 pounds)	85,523	80,780	201,223
INDUSTRIAL PRODUCTION—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—1947-49 = 100—Month of Feb.:			
Seasonally adjusted	244	143	130
Unadjusted	145	142	131
INTERSTATE COMMERCE COMMISSION—			
Index of Railway Employment at middle of February (1947-49 = 100)	63.0	62.3	66.8
MOTOR VEHICLE FACTORY SALES FROM PLANTS IN U. S.—AUTOMOBILE MANUFACTURERS' ASSN.—Month of February:			
Total number of vehicles	579,415	644,810	466,141
Number of passenger cars	479,097	546,320	392,472
Number of motor trucks	100,158	98,315	73,359
Number of motor coaches	160	175	310
PORTLAND CEMENT (BUREAU OF MINES)— Month of January:			
Production (barrels)	18,486,000	23,590,000	18,230,000
Shipments from mills (barrels)	14,322,000	16,623,000	13,593,000
Stocks (at end of month—barrels)	34,798,000	*30,762,000	33,235,000
Capacity used (per cent)	55	70	59
RUBBER MANUFACTURERS ASSOCIATION, INC.—Month of January:			
Passenger Tires (Number of)—			
Shipments	8,715,742	7,739,376	7,264,236
Production	8,858,782	8,046,197	6,740,163
Inventory	17,997,577	*17,817,687	19,298,504
Truck and Bus Tires (Number of)—			
Shipments	1,090,063	1,152,767	1,007,180
Production	1,324,927	1,329,978	1,073,926
Inventory	3,401,446	3,170,719	3,470,460
Tractor Implement Tires (Number of)—			
Shipments	343,906	257,666	341,838
Production	377,026	351,785	275,693
Inventory	953,677	*921,895	785,287
Passenger Motorcycle, Truck and Bus Inner Tubes (Number of)—			
Shipments	4,800,057	3,410,974	4,308,703
Production	3,805,739	3,490,958	3,343,650
Inventory	7,536,106	*8,616,988	6,699,558
Tread Rubber (Camelback)—			
Shipments (pounds)	38,224,000	45,200,000	34,670,000
Production (pounds)	42,232,000	43,638,000	34,608,000
Inventory (pounds)	31,652,000	27,550,000	24,252,000

McQuay Common Stock Offered to Investors

Loewi & Co. Inc., Milwaukee, headed an investment banking group which on March 31 publicly offered 50,000 shares of McQuay, Inc. common stock (par $1) at $11.50 per share.

The net proceeds to the company are estimated at $514,885. The company proposes to use approximately $235,000 of such net proceeds to pay the expense of constructing an addition to its plant at Faribault, Minn., of approximately 40,000 square feet to replace warehouse space in Faribault now under short-term leases to the company and to add some additional manufacturing space. The balance of such proceeds will be added to the company's general working capital.

With Bache & Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Stanley W. Grossman is with Bache & Co., National City East Sixth Building.

Two With Murch & Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Peggy S. Kidd and Joseph P. Linder are now with Murch & Co., Inc., Hanna Building, members of the New York Stock Exchange.

Mutual Funds

By ROBERT R. RICH

F I F Reports Record 12 Months Assets Gain

The $56,658,317 increase in total net assets of Financial Industrial Fund, Inc. during the 12-month period ended Feb. 28, 1959, was the largest increase during any 12-month period in the Fund's history, according to an announcement made by Pres. Charles F. Smith. The 93rd FIF Quarterly Report shows total net assets at the end of the Feb. quarter to be $135,903,380, another quarterly record. The corresponding figure one year ago was $79,-245,063.

During the 3-month quarterly period ended Feb. 28, 1959, total assets increased $16,950,333. This gain of over 14% resulted principally from increased values of the Fund's investment holdings.

Financial Industrial Fund, a mutual investment fund located in Denver and now in its 24th year of operation, made additions to its investment portfolio during the quarter through substantial purchase of shares in Jones & Laughlin Steel Company, Philips Lamp, Southern Company, Standard Oil of Indiana, Sunray Mid-Continent Oil Company, and Tennessee Gas Transmission Co.

Companies eliminated during the quarter as investment holdings were American Natural Gas, American Metal Climax, Inc., Burroughs Corporation, Kroger Company, and Parke, Davis & Co.

As of Feb. 28, 1959, FIF held investments in over 140 companies in 22 major industrial classifications. Largest individual company holdings were in American Telephone and Telegraph Co., Charles Pfizer & Company, and Monsanto Chemical Co. The four largest industry holdings were Chemicals (12.41%), Utilities (11.32%), Oils (9.33%), and Electronics (8.70%).

Investment income dividends to FIF shareholders during the last 12 months have amounted to over $3 million, an amount greater than that paid in any preceding 12-month period.

New Jersey Fund Shares Marketed

A total of 200,000 shares of $1 par value capital stock of New Jersey Investing Fund, Inc. are currently being offered by Spear, Leeds & Kellogg, New York, investment adviser, distributor and broker for the fund. The stock, priced at $10 per share, is being offered only in the states of New York and New Jersey.

New Jersey Investing Fund, incorporated under New York state laws on Oct. 17, 1958, is an open-end diversified management investment company. Its primary purpose is to provide an opportunity for small investors to obtain the advantages of a diversified portfolio and professional supervision of their investments.

Authorized capitalization of the fund consists entirely of 500,000 shares of capital stock, $1 par value.

It is expected that shares of New Jersey Investing Fund will be offered on a continuous basis through the fund's distributors.

With Bond & Share Co.

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif. — Randolph R. Myers, Jr., is now with Bond & Share Co., 16 North Marengo Street.

T V-Electronics Fund Shares on Belgium Exchs.

Chester D. Tripp, President of Television-Electronics Fund, Inc., first and largest mutual fund concentrating its investments in the broad field of electronics, announced that the shares of this Chicago-based fund have been listed on the Brussels Bourse and on the Antwerp Stock Exchange, in Belgium. The Fund's shares have been listed on the Amsterdam (Holland) Exchange since August, 1951.

Canada General Share Value Shows 39% Gain in a Year

Canada General Fund Limited, a mutual fund investing in the securities of Canadian business corporations, achieved all-time highs in per share value and total net assets at the end of the second quarter of its present fiscal year.

William F. Shelley, President of the large U. S.-sponsored mutual fund, told shareholders that:

Net asset value of the fund's shares increased more than 39% to $15.03 from $10.78 a year ago, and $14.03 at the end of the previous quarter on Nov. 30.

Total net assets rose sharply to $98,933,788 from $70,195,430 at the end of the corresponding period a year ago. This represents an increase of 41%. Three months earlier, the fund had assets of $91,060,283.

Net investment income for the quarter amounted to approximately eight cents per share. In accordance with the policy of the fund, these earnings were retained for reinvestment rather than distributed to shareholders in the form of taxable dividends.

The Canadian business recovery, the fund's quarterly report noted, continues at a healthy pace. "The index of industrial production is estimated to have increased to about 156 in January from 154.4 in December 1958 and 148.6 a year earlier.

"New residential construction is in the forefront of recovery with the latest index figure moving to 149 from 124 at the same time last year. Other business indices show a continuation of the upward trend in the first quarter.

"Stock prices, which in general have been somewhat slow to reflect the business and earnings improvement, have nevertheless registered a good gain from an average level of 121 last February to 151 for February of this year."

Changes in portfolio for the last three months ended Feb. 28, 1959 include new additions in Banque Canadienne Nationale; Canadian Breweries Ltd.; Eddy Paper Co. Ltd.; Massey-Ferguson Ltd.; and Montreal Trust Co. Increases in common for this same period were made in Bailey Selburn Oil & Gas, "A"; Bank of Nova Scotia; Calgary & Edmonton Corp.; Canadian Bank of Commerce; Canadian Industries Ltd.; Canadian Oil Companies, Ltd.; Dominion Tar & Chemical Co., Ltd.; Great Lakes Power Corp., Imperial Investment Corp. "A"; Interprovincial Pipe Line Co.; Quebec Natural Gas Corp., Quebec Power Co., Texaco Canada Ltd.; Toronto-Dominion Bank and United Fuel Investments, Ltd. "B." Eliminated from the common stock portfolio were Eddy Paper Co. Ltd. "A"; Gypsum, Lime and Alabastine; North Ontario Natural Gas and Teck-Hughes Gold Mines Ltd.

MIGS Continues to Set New Records

Massachusetts Investors Growth Stock Fund reports that on Feb. 28 the fund had the highest total assets and net asset value per share for any quarter end in its history.

Total net assets on Feb. 28 were $241,649,766, a gain of 78% over the $135,672,666 a year earlier. Net asset value per share on Feb. 28 was $13.08 which, together with a capital gain distribution of 11 cents per share in December, 1958, totals $13.19, compared with $9.05 on Feb. 28 a year ago, a gain of 45%.

Shareholders at the quarter end numbered 69,435, a 25% increase over the 55,631 a year ago. Shares outstanding totaled 18,473,316, compared with 14,996,469. Both the number of shareholders and shares outstanding were also record highs.

In the three months ended Feb. 23, the fund made new investments in Philips Lamps Works, Schering Corporation, Texas Natural Gasoline Corp. and Upjohn Company. It increased holdings in 13 other companies. In the same period the fund eliminated holdings in High Voltage Engineering and McGraw-Edison and reduced its investment in Allegheny Ludlum Steel and Mead Johnson.

The report notes that the fund's state of incorporation has been changed to Massachusetts from Delaware, as previously approved by shareholders. The change is expected to result in annual savings in operating expenses and does not affect the objectives or character of the fund in any way, the report states.

Broad Street Has "Performorama" For Dealer Use

A "Performorama" — a new pocket-sized handbook setting forth performance figures for a wide variety of assumed investments in each of the Broad Street Group of Mutual Funds—is now available to investment dealers and their representatives through Broad Street Sales Corporation, national distributor of shares of Broad Street Investing Corporation, National Investors Corporation and Whitehall Fund, Inc. according to Milton Fox-Martin, President of Broad Street Sales.

The 20-page, handy booklet presents concise illustrations of assumed lump sum investments of $10,000 in each of the mutual funds in the Broad Street Group for 10-year, 15-year, 20-year and 25-year periods with dividends and distributions from gain taken in cash—with dividends taken in cash and distributions from gain taken in shares—and with dividends reinvested and distributions from gain taken in shares.

The "Performorama," which contains more than 5,000 facts and figures, also gives performance results for assumed Accumulation Plan investments for various periods in Broad Street Investing, National Investors and Whitehall Fund.

Copley Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

COLORADO, SPRINGS, Colo.—John E. Wengrovias has been added to the staff of Copley and Company, Independence Building.

Wedbush Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—James E. Harris, Jr., has been added to the staff of Wedbush & Co., Playa del Rey.

Our Reporter's Report

The general situation in the investment market underwent little change in the course of the past week. Institutions remained pretty much aloof, presumably satisfied to watch and wait for the market to give a more definite cue to its near-term trend.

For a time it looked as though buying interest was developing in volume sufficient to clear away recent new corporate offerings. But then demand faded and even the Ohio Edison issue, which had shown much promise at the outset, cooled out.

Inflation or stability continues to be the question at the moment. And just now even the stock market is a bit strained looking with considerable heaviness the rule. But the uncertainty over the basic outlook is strong enough to make investors keep an eye glued on equities to the detriment of fixed term obligations.

And from the growing outpouring of stock capital operations it appears that corporations are willing to turn to equities for their needs where the situation is attractive enough to assure investor interest.

This goes for the utilities which have been the prime borrowers in the money market over a long period. By raising capital through the sale of equities they are naturally able to improve their stock to debt ratios.

Made to Order

An industrial issue is a bit of a rarity these days, so much so that when a good name comes along interest runs high. That was reportedly the case in the instance of Armco Steel Corp.'s $75 million of 25-year, 4.35% sinking fund debentures.

Dealers reported a brisk demand for this particular offering when it came to market priced at 100 to return 4.35% yield to the buyer. Proceeds are designed to help defray cost of additions, improvements and replacements.

Debt Offerings Slow

Next week's roster of debt offerings is light, the largest being Natural Gas Pipe Line Co. of America's $20 million of bonds, slated for marketing on Thursday. On Wednesday, Hawaiian Electric Co. Ltd., has $10 million bonds on tap, while W. T. Grant will be offering 320,000 shares of common stock.

The week's biggest undertaking is Tennessee Gas Transmission Co.'s $40 million of preferred stock, due out on Tuesday.

Southern Union Gas Co. rounds out the week with a scheduled offering of $11,068,275 preferred stock on Friday.

Ford Secondary

The market place looked with more than usual interest on the current secondary offering of 2,000,000 shares of Ford Motor Co. common for the account of The Ford Foundation. The latter sold 10.2 million shares initially in January, 1956, at $64.50 a share to set a record for secondary stock operations.

The current offering, priced at $56.50 a share, was oversubscribed.

With Wagenseller & Durst

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—David R. Nielsen is now connected with Wagenseller & Durst, Inc., 626 South Spring Street, members of the Pacific Coast Stock Exchange

Continued from page 3

Chemical Industry Prospects

per share compared with full year profits of $3.41; Diamond Alkali's fourth quarter earnings rate was about $3.50 per share compared with $2.32 for the full year. Koppers Company's fourth quarter annualized earnings approximated $3.60 per share compared with reported recurrent profits of $2.30 per share; Rohm & Haas $17 versus $13.05; Union Carbide $5.50 versus $4.15. Indications of first quarter 1959 results further confirm this contention. Hercules Powder estimates that its earnings will be 56c against 38c in the like period last year, a gain of 47%; Monsanto Chemical has reported preliminary earnings of about 52c versus 27c, a gain of 92%; Hooker about 45c versus 27c; Allied Chemical's results could equal $1.05-$1.10 a share versus 68c; du Pont could show earnings in the $2 area versus $1.51 last year, and Union Carbide probably around $1.25 compared with 76c last year.

Now turning to the price of individual chemicals, attention is directed to the fact that the wholesale price index of chemicals and allied products has not recorded any particular gain since 1951, and, in fact, very little since 1947. On the other hand, metal products, paper, rubber, to name a few industries as well as the combined index of all commodities have registered sharp increases since 1951, even though many of these industries have not continually operated at capacity during this period. This is, perhaps, one reason why chemical profits have not expanded as rapidly in recent years, as say, 10-20 years ago. I find increasing trade talk to the effect that: if the cyclical industries can defy the laws of supply and demand and raise prices while operating at less than capacity rates, then the chemical industry probably could do likewise. While there were price reductions in such items as phthalic anhydride, polyethylene, polypropylene, and styrene earlier this year, chemical price advances should be more prevalent in 1959-60 than experienced in 1958. This would seem especially true for certain basic chemicals which have been in relatively short supply in various areas over the last six months to a year despite the general business recession; these chemicals might include chlorine, caustic soda and soda ash, formaldehyde, sulphuric and other heavy acids, oxygen, and other gases, etc.

Intensive Research

Current appraisal of the chemical industry must also give consideration to continuing and intensive research efforts. Total research and development expenditures for chemicals and allied industries reached a new high last year. Manpower devoted to research today is 2½-3 times greater than 20 years ago. Evidence of success in these efforts cannot be always determined from statistics. But, again using random picked companies, it is interesting to note that probably 40% of Minnesota Mining & Manufacturing's sales are from products that have come on the market in the last 10 years; about 30-35% of Carbide's sales are from products offered in the last 10-15 years; and about 25-30% of du Pont's recent sales were from products developed in the last 10 years. Last year alone, du Pont offered some 35 different new products ranging from Fiber "K," an experimental synthetic elastomer textile fiber, to a monosodium glutamate, a flavor enhancer for food. The industry is replete with evidence of recent new product developments in such fields as synthetic fibers, plastics, high temperature metals, food additives, high energy fuels, etc. These developments were probably started some five-seven years ago, and just recently have begun to bear fruit. Assuming continued expansion of the research effort, there is no doubt but that a new flow of scientific achievement will be forthcoming to make the industry evidence dynamic growth in the 1960's.

Based on a recent survey, it would appear that the chemical industry will probably spend somewhat less for the new plant this year than the $1.8 billion, estimated by the Manufacturing Chemists' Association, used last year. This Association has just released its results of an annual construction survey which showed that about $1.1 billion will be spent for projects now underway. This sharp year-to-year decrease in capital expenditures was ascribed to construction cut-backs made during the recession months of 1957-58. A portion of the current expenditures will be used for the modernization of existing equipment although management still recognizes the long-term growth potential of the industry. Present capacity for practically all chemicals is far from adequate for 1965-70 demand. Based on the lower anticipated new expansion for 1959, start up expenses should be reduced for many of the larger manufacturers. These expenses are not normally released, but companies just completing major expansion like Allied Chemical, American Cyanamid, and Olin-Mathieson, etc. should witness a sharp contraction this year.

Dramatic Profit Gain

Therefore, I believe the factors which began to influence operations favorably during the last six months of 1958 and the first part of this year should continue, and should permit rather dramatic year to year profit gains for most companies. More specifically, industry spokesmen are now contemplating about an 8-10% rise in volume this year over the $23.2 billion of last year. These sales, when coupled with improved efficiency could permit, pretax margins to reach an average of 18% compared with 15% last year and therefore lead to an approximate 33% increase in net profits for 1959 for the industry.

From a somewhat longer term approach—and here I am assuming installed and scheduled plant facilities will be operated at maximum efficient rate in a period of good general business over the next few years — substantial profit gains for most companies compared with last year are indicated. The projected profit increase would seem to me to compare favorably with other growth industries. Without going into boring statistical details, I have calculated that earnings for Allied Chemical, Diamond Alkali, Hooker and Rohm & Haas could probably double in this period, and those of Atlas Powder, Dow, Hercules Powder, Spencer Chemical and Stauffer could probably range upwards of 70% over 1958. While the multipliers now being accorded many of the chemical shares are historically high, there appears to be considerable room for market appreciation as the near- and intermediate-term profits come closer to reality.

It would appear to me that Allied Chemical, Atlas Powder and Stauffer Chemical appear relatively attractive in their respective quality groups and for one that is a sort of special situation with many chemical aspects, General Aniline & Film appears quite interesting.

Allied Chemical Corp.

Allied Chemical is the third largest chemical company and a leading producer of basic industrial chemicals. Any price increase in the heavy chemicals will naturally benefit Allied to a relatively high degree. In addition, to the cyclical rebound which is now taking place, progress has been made in reducing or eliminating some of the loss areas, such as nylon, corpolection polyethelene, etc., which should help 1959 earnings materially. It is not unreasonable to anticipate sales in the neighborhood of $700 million compared with last year's $636 million. On this volume of business, share earnings of upward of $4.75 are not unrealistic compared with $3.41 in 1958, a gain of about 40%. Giving consideration to the new areas of research emphasis, such as plastics, fluorine, high energy fuels and synthetic fibers, I calculate that this company's earnings potential in the next few years, using a maximum efficient rate of presently installed and scheduled plant, is in the area of $7.25-$7.50 per share. Based on the present price of 104, the stock is selling 22 times estimated 1959 net earnings and about 10 times 1959 cash earnings.

Atlas Powder Company

The significant investment aspect of Atlas seems to me is the change in fundamental position from one where explosives dominated sales to one where high margined specialty chemicals will be the most important part of the company. This change is not as yet apparent but the new management, instituted a few years ago, is believed to have a goal of a 60-40 relationship between industrial chemicals and explosives. The expansion of the chemical division has been helped somewhat in the last few years by two acquisitions — (1) Thermoflow, manufactures a line of specialty polyester molding compounds which command favorable margins even though the normal line of polyester compounds is quite competitive, (2) the Aquaness division at Houston, Texas, offers a line of chemical specialties for oil well drilling, corrosion inhibitors, and other products for the petroleum industry. In addition, the company maintains a strong fundamental position in Manitol and Sorbitol, which have growing applications as humectants, surfectants, and emulsifiers, used by the textile, paper, soap, low calorie beverage and pharmaceutical industries. Darco activated carbons are the largest part of chemical operation used in deodorizing and decolorizing in the sugar refining and dry cleaning industries. I visualize earnings of this company in the early 1960's exceeding the $6 a share area compared with last year's $3.80 and estimated $4.25 for 1959. The stock is selling about 18 times and 9 times, respectively, estimated 1959 net and cash earnings.

Stauffer Chemical Company

Stauffer Chemical, over the last few years, has made spectacular progress. In my opinion, Stauffer's management represents one of the best in the industry. It appears to be one of the most agile and still cost-conscious of companies that I have studied. In addition to a good "bread and butter" chemical business, its growth potentials are being expanded almost constantly. Whereas a year or two ago, high temperature metals, high temperature fuels and agricultural specialities would be primary growth areas of the company, it now appears that we can add plastics, ethical drugs and several other high profit growth areas to its bailiwick. Announcement of a stock split was recently made, but based on present shares outstanding, it would seem to me that earnings in the $4.75 per share area, can be anticipated for 1959 against last year's $4.01. A possible breakthrough of high energy fuels in the relatively near future would suggest that my longer range estimate, made several weeks ago, of around $6.50 on present shares outstanding, could be on the low side. As many of you probably has seen in the press, Stauffer will soon have a pilot plant in operation which will break the price of boron based chemical fuels down to the $1.00 per pound area, a very substantial reduction from present indicated prices.

General Aniline & Film Corp.

One last company that I think is a special situation but still quite attractive is General Aniline & Film. This company is composed of three divisions—chemical and dyestuffs, Ozalid and the Ansco division. Chemical and dyestuffs contribute about $60 million to sales, the Ansco division another $55-$60 million and the Ozalid around $20-$25 million. As you all know, over 90% of this stock is currently held by the Custodian of Alien Property but I anticipate public auction of this stock could be imminent. Last week, the International Court of Justice at the Hague rejected a Swiss application for a ruling against the United States which seems to clear away another of the legal obstacles which has held up public sale of the shares held by the Custodian. I feel that the earning power of this company once its out of the so-called gold fish bowl of government control will be substantially higher than witnessed in recent years, and even at the present time. Earnings in 1957 were equal to $6.75 per share and I estimate last year's earnings, subject to year end audit, were around $7.20. **On these earnings, the fourth quarter 1958 profit rate approximated $12 a share, and I estimate that there has been a year to year improvement in earnings in the first part of this year. The stock now sells over 300, but the company is now better integrated than ever before, has built up a good research group in all three areas of interest and, without government control, could witness still further market appreciation over the longer term.**

DIVIDEND NOTICES

EARNINGS STATEMENTS

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — The Small Business Administration, created in 1953 and established as a permanent agency, has its share of critics. Some members of Congress feel that the agency which is expanding like some other departments of the Federal Government, is a bit New Dealish.

Nevertheless, it has more boosters on Capitol Hill than critics, or else it would not be growing and expanding its scope of activities with the blessing of Congress.

One of the most interesting functions SBA has thus far undertaken is the current pioneering effort in the financing of small business enterprises through creation of privately-owned and privately-operated small business investment companies.

Wendell B. Barnes, Administrator of the Small Business Administration, expresses optimism over the Investment Act. Lack of capital has retarded growth of many small businesses. Whether this handicap can be overcome to a certain degree, through this law, remains to be determined.

The agency so far has licensed only two small business investment companies since its creation last August. This may be "par," but it appears a bit slow. The licenses were issued to the First Midwest Small Business Investment Company, Minneapolis, Minn., and the Citizens and Southern Small Business Investment Company, Atlanta, Ga.

The Minneapolis company was organized with initial capitalization of $315,000 owned by 25 stockholders, including 5% owned by the Northwestern National Bank of Minneapolis. The company proposes to operate not only in Minnesota, but Wisconsin, North Dakota and South Dakota.

The Atlanta small business company has an initial capitalization of $325,000, all of it owned by the Citizens and Southern National Bank of Atlanta. The company—no government funds are involved—plans to establish branch offices over Georgia. The company also plans to raise capital funds to $500,000 through the sale of stock.

Sparkman Enthusiastic

Tax benefits provided under terms of the act are likely to result in more and more companies being organized. Just how the whole plan works out after a few years will be interesting to watch. Under terms of the Investment Act licensed companies like the Atlanta and Minneapolis companies will make loans and purchase debentures issued by small business outfits.

Senator John J. Sparkman, Democrat of Alabama, member of the Senate Banking and Currency Committee, and one of the staunchest supporters of the Small Business Administration, is enthusiastic over the prospects of the Investment Act. He believes that the private investment companies will provide needed funds for sound financing and provide money to create new small businesses, expand existing ones, and provide for development of new products.

Under terms of the act an original investor in a little business may deduct stock losses. A taxpayer also has the option of paying the estate tax up to a 10-year period, providing the estate is tied up principally in the small business. A small business also is permitted to go back three years on new operating losses, and a 20% write-off is authorized of the cost of depreciable, tangible property the first year that it is acquired.

$300,000 Minimum Capital

Investment companies licensed must have a minimum of $300,000 paid-in capital and surplus, but SBA can provide up to $150,000 for such purpose. Furthermore, SBA can lend companies up to 50% of their capital and surplus.

Besides the financial assistance, license companies are exempt from the provision in the Investment Act of 1940 which requires 300% asset coverage after borrowings and are eligible for Security Exchange Commission discretionary exemptions.

Investors in licensed small business investment companies are entitled to an ordinary, rather than capital, deduction for any losses resulting from such investment. The companies themselves receive a similar tax deduction for any loss on the convertible debentures or stock of small business concerns.

An investment company must, if possible, obtain its charter in the state of its domicile, if possible. However, the Small Business Administration can grant charter.

The SBA is insisting that private funds must be employed in the program, but Congress has made available $250,000,000 of Federal funds as loans to licensed small business investment companies.

The law provides that grants up to $40,000 to state agencies and public and private educational institutions for research into problems of small business.

Definition of Small Business

Incidentally, the question of what is a small business has been debated pro and con for years. Under the Investment Act a small business is defined broadly as one that is independently owned and operated. A manufacturing concern carries a "small" label if it employs 250 or fewer persons, and large if it employs more than 1,000 persons.

The interest rate on subordinated debentures and other obligations or loans of small business investment companies, purchased or made by the agency, will be 5% a year. The rate may be adjusted periodically. Maturities of subordinated debentures bought by the Small Business Administration will be set by the agency not in excess of 20 years.

The operations of a small business investment company, may be undertaken, wherever practicable, in cooperation with banks or other financial institutions. Any servicing or investigation required for loans or acquisitions of securities of the investment companies may be handled through banks or other financial institutions on a fee basis. An investment company may receive fees for services rendered to banks or other financial institutions.

Administrator Barnes says the small business investment companies may make use of the advisory services of the Federal Reserve System and the Department of Commerce, which are also available and useful to industrial and commercial businesses. Any Federal Reserve Bank is authorized to act as a depository or fiscal agent for any investment company.

51 Proposed Companies

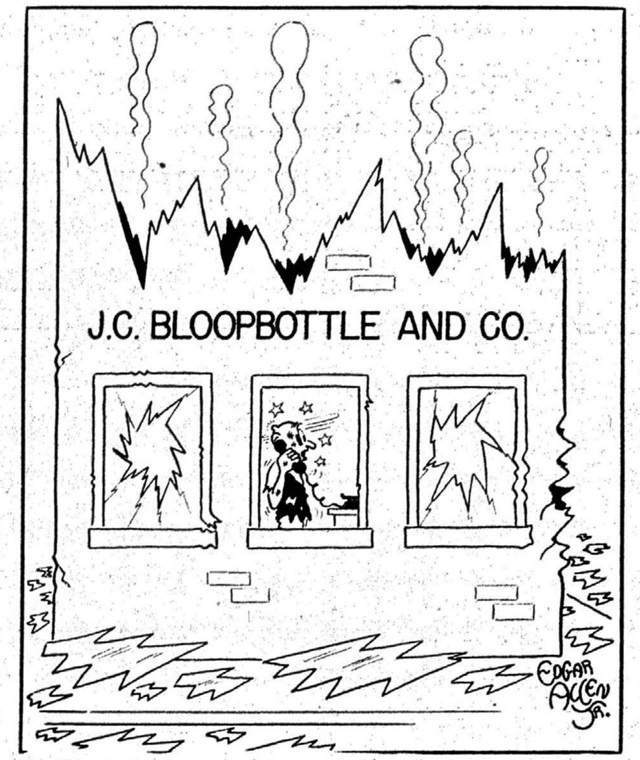
Thus far 51 proposals for the formation of investment companies have been submitted to SBA. Some of them of course will not meet the regulations set forth. On the other hand the agency has given approval to 17 companies to start incorporating and naming their board of directors, or if they have already incorporated, proceed to amend their charters to comply with SBA regulations. They may also proceed to raise their capital funds.

"The review staff has completed their review, on more than half of all proposals submitted to date," Mr. Barnes said recently. "Several applications have been returned to the proposers for more complete compliance with regulations, but only one has so far been rejected. However, rejection does not prevent an applicant from reapplying when he can meet our requirements."

It could be the Small Business Administration in the years ahead could become a very large Federal business for small business. Activities of the agency appear to be increasing. For instance in the last six months of the 1959 calendar year the agency approved a record number of loans—a total of 2,628 for a total of $119,700,000.

[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



"Hello, J. C.—you know that rainy day you were saving for?—well—"

COMING EVENTS

In Investment Field

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 15, 1959 (Baltimore, Md.)
Baltimore Security Traders Association 24th annual Spring outing at Country Club of Maryland.

May 15-17, 1959 (Los Angeles, Calif.)
Security Traders Association of Los Angeles summer party at the Biltmore, Palm Springs.

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

May 25-26, 1959 (Milwaukee, Wis.)
Association of Stock Exchange Firms Board of Governors meeting at the Pfister Hotel.

June 5-7, 1959 (San Francisco, Calif.)
San Francisco Security Traders Association at the Santa Rosa Flamingo Motel, Santa Rosa, Calif.

June 11, 1959 (Boston, Mass.)
Boston Securities Traders Association summer outing at the Salem Country Club.

June 12, 1959 (New York City)
Municipal Bond Club of New York Summer outing at Westchester Country Club.

June 12, 1959 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia Summer outing at the Overbrook Country Club.

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

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.