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EDITORIAL

As We See It

"Despite the ballyhoo that accompanied recent announcement (by the government) of unemployment figures, the hard fact remains that unemployment in March was higher than in any other March since the end of World War II, except a year ago when we were in the depths of the recession.

"The drop in unemployment was mostly seasonal. There is no appreciable improvement in the overall picture. Certainly, well-staged propaganda announcements will not solve the problem or bring relief to the 4,360,000 unemployed workers and their families.

"Unemployment is a problem of people, men, women and children rather than a mere statistic."

With these words, George Meany, one of the big labor union bosses, in effect, opened the firing upon the occasion of the AFL-CIO Washington unemployment demonstration which, it is understood, Mr. Meany did not want in the first place. The verbal barrages which Mr. Meany thus opened really got under way the next day, at which time it was the aim of the union representatives present, or at least their leaders, to make it appear that the plight of the unemployed in this country was a direct consequence of faulty national economic policies, including, of course, any and all efforts to balance the Federal budget. A few members of the Democratic party in Congress added their voice to the denunciation of the President and his party.

Responsible for What They Excoriate

The show was, of course, staged by men who have to bear a major share of the responsibility

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Government's Role in Nuclear Power Development

By JOHN A. McCONE*
Chairman, United States Atomic Energy Commission

Country's atomic energy executive administrator is convinced atomic power will be competitive in the United States at an earlier date than some think. Quite aware of the need for this power, Mr. McCone lists five objectives to which there is broad agreement; presents an inventory of progress to date; and discusses such future problems as the feasibility of building prototypes instead of large plants and the imperative need to be highly selective as to particular plant concepts industry and government should support. The AEC head pledges every encouragement to industry and sees as the final goal the building of plants without government assistance.

There is a challenge now at hand. I speak of our nation's atomic power program. This challenge must be met by all of the power industry, both public and private, and by the Federal Government as well.

John A. McCone

I am for putting the shoulder to the wheel and making progress towards the goal of competitive nuclear power as rapidly as possible. We have a hard and expensive road ahead of us. At this point I am encouraged by the outlook and later on I will explain why.

We must all work for a common objective. This is a development job; and now, when we are struggling to formulate rapid and sensible developmental programs, doctrinaire arguments about public versus private power may well jeopardize our progress. Some day this may become an issue—it need not be an issue in the atomic power business now or for years to come. Therefore, speaking for the Atomic

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*An address by Mr. McCone before the 27th Annual Convention of Edison Electric Institute, New Orleans, La., April 7, 1959.

Status of Atomic Power And a Look at the Future

By ELMER L. LINDSETH*
President, The Cleveland Electric Illuminating Co. and Chairman, E.E.I. Committee on Atomic Power

Mr. Lindseth reports vigorous progress and further expansion by private utilities toward achieving economical atomic power during 1958 and indicates extent and approximate time the AEC will predominate in reactor development in reviewing some of the clarification that has taken place as to the respective roles of government and industry in nuclear power progress. The Cleveland utility head emphasizes there is no need for governmental furtherance of public power, atomic or conventional—particularly if we are to achieve feasible nuclear power in next 10 years, and provides extensive data on the industry's nuclear power investments and projects.

During the past year, the industry and the nation continued a vigorous, expanding program of nuclear power development, aimed at making nuclear energy a practical, economic source of electric power.

Elmer Lindseth

On the technological front, our industry program continued to show substantial progress and further expansion. Within government, there began to take shape long range national objectives for nuclear power development and certain steps in a technical program to achieve these objectives. Also emerging was some clarification of the respective roles of government and industry in the future course of nuclear power development.

Today, three nuclear power projects in which electric utilities are participants are in operation; 10 utility-sponsored projects are under construction or in various design stages;

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*An address by Mr. Lindseth before the 27th Annual Convention of the Edison Electric Institute, New Orleans, La., April 7, 1959.

PICTURES IN THIS ISSUE—Candid photos during the course of the three-day 24th Annual Convention of the Texas Group of the Investment Bankers Association of America appear in SECTION TWO of today's issue.

The Security I Like Best

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

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

This Week's Forum Participants and Their Selections

CHARLES T. GREENE
Research Dept.,
Amos Treat & Co., Inc., N. Y. City

Telechrome Manufacturing Corp.

Before setting forth in detail why I like the stock of Telechrome Manufacturing Corp. I should like to indulge in a few general observations. Under date of March 19, 1959, the "Chronicle" devoted considerable space to the Electronics Industry. The future of the industry in the lead off article by the President of a Mutual Fund specializing in electronic stocks, was captioned—"The Sky Does Not Limit the Future of Electronics." This, I take it, is not merely a manner of speaking; but a recognition of the present developing phase of the industry in the exploration of the limitless vastness of interplanetary space.


Charles T. Greene

Man, for thousands of years, in his search for "The Why and the Wherefore" of existence has been pushing the frontiers of space further and further outward from his original earth-bound position, but in many areas of thought has not yet adjusted himself to the far-reaching possibilities in nuclear science, currently being intensively explored.

This leads to my first general observation that most of us fail to relate the present depreciation in the buying power of our earth-bound currency and certain historic ratios, as the measure of the value of a security, to the greatly enlarged sphere of man's speculation and achievement in the realm of Scientific Research.

Secondly, to give a couple of concrete instances, I call to mind that "in the old days," the stock market was considered to be high if the general ratio of selling price to earnings rose to or above 17. I recall, of course, that certain technical stocks, like General Electric, whose slogan is aptly appropriate in this particular—"At General Electric, Research is Our Most Important Product"—could sell at twice the ratio of the average without throwing us into a panic because of the apparent inflation.

Thirdly, assuming that the buying power of our dollar now is only 42 cents instead of 100 cents, is it not reasonable to make some adjustment in our ideas as to what constitutes a present compatible relation of market price to net earnings? A suggested multiplier could be 2½ which would indicate an average price-times-earnings ratio of 20 to better-than-40-odd.

Fourthly, we come to "Book Value." Many an investor "fights shy" of venturing his money in a concern with a relatively low book value. Conceded that many financial statements now show, in a supplemental note, or computation of capital and surplus, the actual appropriations from cash flow retained in the business, yet this measure, in dollars and cents, does not give adequate recognition to the fact that, while "Research Is Our Most Important Product" to allude again to the General Electric slogan, it is a product primarily not for sale; but it, too, is retained in the business.

Fifthly, while it is generally recognized that our Federal and state tax laws accord preferable treatment to capital gains over dividends, many fail to appreciate that lack of dividend payment or nominal dividend payments, in the case of electronic stocks, are actually points in their favor.

Finally, it seems reasonable to me to stretch out our notions of the probable duration of a bull swing, and contrariwise of a downswing in the speculative markets. It is of significance to me that the electric utility industry, for instance, has plans for new construction and capital needs running into the 1970's. If we start with a date in 1946, and use our suggested multiplier, we come up with 1970-1972 as a possible termination of the present bull swing in the market.

What About Telechrome Manufacturing?

The Company was organized in 1950 under the name of Telechrome Inc. Originally, it was designed chiefly as a research and development organization in the field of electronics, offering its engineering services as consultants and specialists in the field of color television. As a result of this work, the Company has developed more than 300 separate items in the electronic field. Many of these had or have special uses and have been manufactured only in small volume; but as the company grew, it has been able to expand its manufacturing and sales activities, and now has a list of a hundred or more products used in industry, communications and allied branches of science.

As its name implies, the company's initial interest was associated with the development of color in television. Today, whenever a critic in the field of television refers to a strikingly important "spectacular" he usually remarks that those few who are fortunate enough to have sets capable of receiving the program in color have a decided "edge" over those who are limited to black and white reception. The inference, then, is that the spread of television in color is still in its infancy.

The outstanding rote that Telechrome Manufacturing plays in the development of television "in living color" is revealed in the record of the years 1953 and 1954. It was then believed that a widespread substitution of color television was imminent, and, in reflection thereof, sales of Television in 1954 rose to $1,116,338.42 from $221,370.43 in 1953. But this movement virtually died aborning. It reveals, however, the outstanding role that Telechome Manufacturing is still able to play once the movement from "black and white" reception is started toward "color" reception in earnest.

While still retaining its position of primacy in television, the Company has broadened the field of its interests and earning power to include the broad field of electronics. With the number of TV viewers few who have receivers capable of presenting pictures in "living color," the sales of the company as most recently reported have overtaken those reported for the abortive year 1954.

According to the latest report available to us, sales are running at the rate of $1,600,000 to $1,800,000 for the year to end this coming June 30. But due to increased operating costs, per share earnings may not be in excess of those reported for the past fiscal year—$1.06 per class A stock; but at that, the net carried down is likely to be not less than 10% of sales, a rather extra-ordinary achievement.

A Major Step Forward Impending

Plans have been formulated for a further significant expansion, and will require during the coming year or so the raising of an additional million to a million and a half of new capital. The capitalization of the company is divided between class A stock which is entitled to a non cumulative dividend of 30 cents per share in any fiscal year before any dividends are paid on the class B stock, and class B stock, the majority of which is owned by management. The latter have the privilege of converting (subsequent to April 15, 1957) into class A stock, share for share.

Assuming that there will be 198,800 shares of class A outstanding or eligible to be outstanding by the time the new capital becomes available, and assuming that said new capital will be as productive of profit as that now represented by the net worth, we can calculate net, per class A stock, ranging from $2 to $2.70 per share.

The stock was originally underwritten in March, 1956, at $3 per share and is currently quoted in the Over-the-Counter Market at approximately 30-31. Thus, at present market value, the stock seems to be forecasting, in a modest way, an increase in earnings as indicated at about a 10 to 1 ratio. If my premises are sound, a suggested further advance in the market value of Telechome to the 40 level appears reasonable.

JAMES A. GRAHAM
President, Palo Alto Research
Palo Alto, Calif.

Great Northern Paper Co.

This Company offers an intriguing investment value at a time when values in the stock market are becoming increasingly difficult to find. For example, the common shares are now trading around 50 on the New York Stock Exchange, down from a 1956 high of 108½. Yet earning power—which was temporarily depressed last year—is scheduled to rebound sharply this year and should rise impressively during the early 1960's as increased efficiency is reflected in higher net income.


James A. Graham

Moreover, Great Northern's vast timber holdings provide an ideal inflation hedge. Unlike oil, ores, etc., timber is the only natural resource that automatically replaces itself. To quote an unofficial company slogan: "After 60 years of cutting, we still, have more wood than we started with." Moreover, this timber increases in value with every passing year.

All told, Great Northern owns 2,131,000 acres of timber or more than 10% of the entire State of Maine. Since there are only 1,039,000 common shares outstanding, the owner of one share in effect owns 2.05 acres of timberland worth—the writer estimates—at least $100. Where else can

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Bases for Successful Future Electric Utility Financing

By DR. HERBERT B. DORAU*

Professor of Economics, Chairman of Department of Public Utilities and Transportation, New York University

Dr. Dorau applies the perception of an economist into an examination of the credit soundness of, and stockholder's equity in, the electric utility industry. Contrary to what most people take for granted, the economist finds that the industry's ability to command capital on favorable terms for its tremendous future capital needs has been jeopardized. Concerned about this, Dr. Dorau outlines certain requisites for the recovery and maintenance of the utility industry's credit which includes a more realistic financial accounting and regulatory policy. He compares common stocks of Moody's 125 industrials and 24 public utilities to show that the investor in the latter has not fared as well as he thinks. Taking note of the current level of stock prices, Dr. Dorau avers now is the time for the industry to raise equity capital against the day when it may be needed if not now.

That the electric utility industry, which has come to be "America's number one corporate credit," should be sufficiently concerned about its capacity to command capital to make the question the subject of formal discussion on an occasion of this character would seem at first to be somewhat anomalous. Yet the healthiest are often most concerned about their health and the best students seem in my experience most concerned about their examinations. Maybe that is why the superior are superior and probably why intelligent apprehension is essential to remaining superior.

Herbert P. Dorau

In this instance of an economic "look and see", we might ask whether we are, or ought to be, intelligently concerned as to:

(1) Whether we are in fact as good as the investor thinks we are; whether we in fact deserve the adulation of the capital markets.

(2) Whether we can or will be able to live up to the reputation now enjoyed and meet the great expectations which investors have built up.

(3) Whether there are developments external to the industry and its investor relations which in spite of all the excellence of financial reputation may make the obtainment of the capital requirements of the future difficult.

(4) Or perhaps whether, in view of indicated changes in (a) the pattern of capital costs and (b) the composition and structure of the market for utility securities, some basic changes in utility corporate financial policy are not clearly required.

So, possibly the subject we have been asked to discuss is not as simple as it might appear and the answers far from obvious.

The future availability of capital is obviously important at all times to a highly capitalistic industry. And "capitalistic" is not, may I assure you, a naughty twelve letter word. It only means that the capital factor of production is relatively important in the electric utility industry and that it is necessary to raise and employ $4.00 of capital to do $1.00 of business in revenue earned. For the benefit of those who may differ with my ratios I would digress to explain that for these as well as other purposes, the assets generated by depreciation reservations of revenues are just as much capital employed to produce service as assets reflecting funds from other sources even though under bookkeeping regulation as practiced in many jurisdictions, such assets are not allowed to earn a return and thus contribute by so much less to the revenue of the enterprise. And now since this aspect of the basis of income and credit of the industry has been raised somewhat early in our discussion we might as well finish it here and now by noting that as the depreciation reserves and the assets generated by such reservations increase, the economic burden of the management responsibility and the assumption of all the risks associated with the active use of the assets reflected by depreciation reserves will become an increasing disadvantage to the equity investment; will further raise the "all expense ratio," increase "leverage above the line" and make for greater income volatility. For an excellent paper on this basic principle I would refer to the Panel Discussion of "The Treatment of Accelerated Depreciation for Rate Making Purposes" presented by Commissioner Krueger of the Ohio Public Utilities Commission at the NARUC 70th Annual Convention, 1958.

Risks of Leverage

It would seem most elementary that the equity capital should be allowed to keep what it earns by taking the risks of leverage in capital employment. When such leverage income results from the use of investor debt capital, the principle is generally respected

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*An address by Mr. Dorau before the 27th Annual Convention of the Edison Electric Institute, New Orleans, La., April 8, 1959.

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Observations . . .

By A. WILFRED MAY

NEW LOOK AT THE FUND'S PORTFOLIO POLICIES

With the stock market having finally become stalled in the Blue Chip area, reconsideration of the investment companies' portfolio policy is in order. This is particularly prompted by reason of impact of their portfolio operations on the name stocks, the opportunity for new conclusions regarding their performance record, and the question of the wisdom of diversification.

A. Wilfred May

During most past periods the performance record of the common stock funds, calculated according to the changes in their assets' value compared with the fluctuations in the un-managed and "un-thinking" averages, has been somewhat poorer than "par for the course." In the year 1958, however, the comparable funds slightly out-performed the leading averages.

Any one feeling that this implies a slur on the funds' justification for existence, should realize that in actual practice the ordinary investor acting for himself also usually will not do as well as the "blind" averages.

What are the reasons for the negative comparative results? Partly, they manifest the general difficulty of market *timing*, even by the top experts. (As a matter of fact, a study of fund managements has shown that those whose policy calls for a minimum amount of timing got better results than the more active timers.) And lately many of the funds have been penalized by 20-to-25% concentration in the oil industry. For the petroleum stocks, following unfavorable supply conditions and nasty foreign expropriation trends, have been staging a special bear market of their own.

The Diversification Question

As we have noted, the comparative record thus opens up anew the controversial place for diversification. The strongest argument for putting your eggs in *one* basket generally is that the investor finds it too difficult to watch a lot of baskets (that is, to watch a large number of issues).* But this disadvantage of risk-spreading is uniquely and effectively eliminated in the case of the funds, whose justification is based on full-time portfolio management effort.

Affirmatively, diversification with its spreading of risk, and embracing of expertly discovered values, rather than efforts at timing the fluctuations within the name stocks, is a basic reason for the funds' existence. Adding to the disadvantage of concentration is the negligible income yield on the name stocks — now averaging about 3.2%, which expenses would further reduce to a mere 2.7% to the fund shareholder.

The surpassing of the Dow-Jones Industrials by the more voluminous averages empirically substantiates the diversification principle. Perhaps the funds should diversify even more than they do.

If one argues for Blue Chip concentration and at the same time feels that an individual does not or cannot permanently sleep in those issues, he is logically forced to the conclusion of advocating a return to the fixed trust specializing in those issues. Popular in Britain and here in the nineteen twenties, they maintained permanently, and without management discretion, holding of specified issues.

While such Blue Chip fixed trust technique would offer a realistic compromise, it would be inconsistent with the basic objectives of the entire investment company movement. To this observer the funds' best course lies in constant diversification, despite occasional superior appreciation by the Blue Chips. In meeting the practical criteria of yield and asset values, diversification should in the long run pay off. The addict to name stocks can always add them to the self-managed portion of his portfolio.

Diversification can also be avoided by the investor through his use of one of the funds specializing in a single industry. Such a non-diversified unit might be used in combination with an already diversified list; perhaps by way of adding a stake in a new industry (as "electronics").

Proposed Regulatory Changes

The SEC's pending proposals for changes in the statutes governing the investment companies and advisers, previously cited in this column, together with the record bull market render particularly timely public consideration and discussion of the industry's past record and future prospects. Recognizing the practical limits of government regulation as an absolute guaranty of good practice in any financial area, it is our considered opinion that a generally good job has been done by the Federal authorities in combination with the NASD and the industry. Whatever abuses remain stem mainly from the areas of hard-to-control retail salesmanship and the uneducatable public buyer.

The frequent distribution price arrangement under which the price of the *load* (selling commission) is reduced in proportion to the increased size of the order, constitutes one feature which seems objectionable. This cut-rate price afforded to the big buyer is condoned by the SEC as well as the industry by analogy with general merchandising practice, in which the housewife can often buy a dozen 10-cent oranges for an even dollar. But this analogy seems invalid to this observer. The differential created in fund purchases discriminates against an entire *category* of buyers measured by their lack of wealth — and is inconsistent with the basic purposes of the SEC which is committed to protect the small investor.

*As spelled out in "How to Make Money Make More Money" (chapter 18) by Henry Gellerman, Crowell, N. Y., 1957.

Merrill Lynch to Elect Officers

On April 23rd, J. Byran Grubbs and Julius H. Sedlmayr will become Vice-Presidents of Merrill Lynch, Pierce, Fenner & Smith Incorporated, 70 Pine Street, New York City, members of the New York Stock Exchange. Mr. Grubbs will make his headquarters in the firm's Houston office in the Gulf Building, of which he is Manager.

On the same date, Carmin C. Saccardi will become cashier of the firm.

Saunders, Cameron New Firm Name

TORONTO, Canada—The business formerly carried on by E. M. Saunders Limited, 55 Yonge St., effective March 31 has become known as Saunders, Cameron Limited. E. M. Saunders and A. H. Cameron are principals.

Peter S. Crysdale is now manager of the firm's trading department.

UN Ambassador Lodge To Address Bond Club

Henry Cabot Lodge, United States Representative to the United Nations, will address The Bond Club of New York at a luncheon meeting today, April 16 at the Bankers Club, according to an announcement by Harold H. Cook, Bond Club President. Mr. Lodge will talk on "America's Investment in Freedom."

Quinn & Co. to Admit New Partners

ALBUQUERQUE, N. Mex.—On May 1st, Quinn & Co., 200 Second Street, N. W., members of the New York Stock Exchange, will admit Frank Quinn, Lawrence D. Tiedebohl and Verne C. Beale to partnership in the firm.

Kidder, Peabody Branch

SAN MATEO, Calif. — Kidder, Peabody & Co. has opened a branch office at 420 South Ellsworth Avenue under the direction of James T. Love. Mr. Love formerly conducted his own investment business, James Love & Co., in San Mateo.

The State of Trade and Industry

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

Joseph F. Finnegan, Director of the Federal Mediation and Conciliation Service, says that 1959 is "rapidly shaping up into a pretty rough bargaining period."

In an exclusive interview with "The Iron Age," national metalworking weekly, Mr. Finnegan reports that pending mediation assignments are now 62% higher than in 1958.

He points out that there are 150 major collective bargaining agreements covering 4.5 million workers up for negotiation this year.

"Each of these has its own peculiar problems and the least likely trouble area might blossom into a real donneybrook," the mediation chief declares.

Commenting on a changing pattern in union demands, Mr. Finnegan remarks that "in today's bargaining, money is only indirectly the principal issue."

"Especially in these periods of substantial unemployment, unions are faced with heavy demands for security," he says. "Consequently, the bargaining pattern is reflected in supplementary unemployment benefits, pensions, health and welfare, severance pay, shorter work week and other protective fringes."

Nevertheless, he predicts that direct wage increases this year will not be far from last year's median wage increase of around 8 to 10¢ per hour.

Commenting on the government's position in the forthcoming steel negotiations, Mr. Finnegan told "The Iron Age": "The government isn't prepared to issue any ultimatums. Our role, if it is necessary to have one, will be that of impartial mediator."

He concedes that "both sides are loaded for bear," but predicts that "a mutually satisfactory agreement will come out of conscientious bargaining."

"Steel negotiators on both sides of the table represent some of the most skilled and mature bargainers in the business," he says. "These people are well aware of the complexities of their industry and the economy as a whole."

On the question of whether skilled workers are "the forgotten men in labor negotiations," Mr. Finnegan points out that pressure from the skilled worker is resulting in special bargaining units.

"This has tended to make bargaining much more complex, and if these demands continue, the skilled worker will emerge in a new light," he says.

He points out that automation and productivity are "closely related to many of the issues that crop up in negotiations" and predicts they will "probably continue to play an important role at the bargaining table."

Mr. Finnegan was appointed to the sensitive position as Director, Federal Mediation and Conciliation Service, by President Eisenhower in 1955. In private life he was a New York attorney specializing in labor and trial work.

Business enters the second quarter with the outlook bright after a first period of quite satisfactory sales and profits, says Edwin B. Moran, Executive Vice-President, National Association of Credit Management, in the Association's Monthly Business Letter. He sees a brisk tempo for the Fall.

Attributing the noteworthy gains in the hard goods industries largely to hedging against anticipated strikes and price rises, Mr. Moran notes that both management and labor groups are wooing public opinion, in the general concern over the coming crisis.

The economist doubts much effect on management-labor relations from either President Eisenhower's urging of "statesmanship" in the forthcoming negotiations or Labor Secretary Mitchell's cautioning that "the public is sitting at the bargaining table" this year to oppose a wage settlement that would cause inflationary price increases.

"Our free economy," the analyst points out, "has become for the vast majority of Americans the very engine of individual affluence," and "the essence of our free economy is the market, which imposes definite limits."

Declaring that ours is rapidly becoming a "high-cost country," with our economic and technological advantages lessening, Mr. Moran warns:

"Increasingly, our goods are being priced out of both foreign and domestic markets. As our prices rise, our markets become open targets for imports. It isn't consoling that imports of foreign manufactured goods have almost doubled in the last three years," while "we experienced in the last year a $3 billion decline in exports and a substantial outflow of gold."

Fewer opportunities and lower living standards are the prospect he sees as other countries with much lower wages improve

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The Market Outlook

By PHILIP J. FITZGERALD
Dean Witter & Co., San Francisco, Calif.

In assessing the variety of factors entering into the 1959 market outlook, Mr. FitzGerald calls attention to high price of even the best of stocks. Before pointing out seven categories of investment opportunities that appear rewarding at present, the Wall Street partner indicates how far D-J industrials would have to go in order to provide the safe yields about 4½% and more found in bonds at present.

The 1958 - 1959 stock market boom is essentially a perfect example of the classical theory of inflation—too many dollars chasing too few units.

Philip J. FitzGerald

Until something happens to alter this relationship, the market appears to be headed higher, but a growing number of investors are apt to find out some years hence that their commitments have not proven to be very rewarding.

Supply

Our tax policies have critically limited the potential supply of stocks since—

(1) The 52% corporate income tax makes it far more expensive to sell new stock than to finance with bonds since interest is a legal expense; and

(2) The 25% capital gains tax presently costs investors between one-fifth and one-sixth of today's market prices if they sell shares of most of the best known companies bought prior to 1950.

Demand

The basis for the extraordinary demand for equities lies in the vast savings which our postwar prosperity has developed. The stock market boom of the 1950's differs from past booms in that the bulk of buying is well informed and paid for in cash. This is in sharp contrast to the in-and-out margin trading of the 1920's.

The biggest buyers are institutions led by the tremendous postwar expansion of pension funds and mutual funds. The institutional appetite for stocks is also reflected in accelerated buying by life insurance companies, private trusts, profit sharing funds and endowment funds. Pension funds now have resources in excess of $36 billion, over $20 billion of which are administered on a basis which permits purchase of equities. Adminstered funds hold stock which cost over $5 billion and can be expected to invest at least $1.5 billion of new money in 1959. Stock purchases are practically assured since policy calls for the placing of around one-third of new funds in equities and since they buy these equities on a dollar averaging basis, high prices are not a deterrent.

Mutual funds have resources above $13 billion and in January, had net receipts of close to $150 million of new money. Today's purchasers of mutual fund shares want to own stocks. They turn to mutual funds only to have the benefit of professional selection. Therefore, mutual funds can be expected to continue their purchases as long as new funds pour into their treasuries.

The demand for equities will probably continue as long as investors continue their unbounded faith in research and the earning powers of expanding companies to (a) outpace rising operating costs; and (b) expand faster than the buying power of the dollar declines.

Too High

With so many factors acting to push stocks still higher, many stocks already appear to be discounting the future to such an extent that it will take a considerable number of years for them to provide rewarding dividend yields.

A review of the subsequent record shows that at their 1929 highs purchase of even the finest companies has proved unrewarding. At their 1929 highs, Radio, Alcoa, and Union Carbide averaged to sell at 55 times their New Era record earning power. Forgetting the depression and the dismal experience of the 1930's, it is interesting to note that, corrected for capital changes, present dividend payments provide a yield of only 3% on the 1929 purchase price. The records of these three companies are typical of the records of most other New Era blue chips and it is hard to think of any three companies which have had a better industrial record over the past generation or better prospects for the generation ahead.

Although it sold at only 19 times its 1929 earning power, it took the Dow Jones Industrial Average 26 years to get back to its New Era high. This record shows clearly that even the best stocks can be priced too high to be rewarding to investors even if they were blessed with patience and longevity.

Too Low

At other times stocks sell at levels which are bound to make them inherently cheap. The year 1948 was such a period. Investors worried so about a depression that did not happen that the market appraised—

(1) The 30 great leaders which make up the Dow Jones Industrial Average at only eight times their earnings; and

(2) Six outstanding research leaders included in our Research Index, at nine times their earnings.

These six research leaders are IBM, Minnesota Mining & Manufacturing, Minneapolis-Honeywell, Alcoa, Addressograph and Dow Chemical.

Although quality corporate bonds provided yields or 3% or less, the Dow Jones Industrial Index provided a dividend yield of 6% and our Research Index a yield of 4%. Current dividends being paid provide yields of over 10% on the 1948 purchase prices of both indices, their purchases having been very rewarding to investors over the past 12 years.

Rate of Growth

To judge how big a premium investors can afford to pay, it is necessary to arrive at some idea of the probable economic growth which can be expected. Since the decade between the business peaks of 1948 and 1957 is the most prosperous on record, it can serve to indicate the speed with which the economy and the earning power of great companies can be expected to grow under most favorable conditions. In that decade:

(1) Industrial production rose by 38%;

(2) Gross National Product rose from just under $260 billion to over $440 billion; and

(3) The dollar lost 19c of its buying power.

To achieve such a rate of growth our economy had to be stimulated by extraordinary spending for Korea, the Cold War and our vast International Aid programs. During this period—

(1) The Dow Jones Industrials increased profits from $24 to $36 or by 50% while their prices more than tripled; and

(2) The Research Index increased its profits from $1.63 to $3.46 or by 112% while their prices rose nearly tenfold.

The 1957 Setback

This record period of prosperity was interrupted by the 1957-1958 business correction which centered around an inventory crisis brought on by the Defense Department's extraordinary retrenchment policy. That the setback was contained as an inventory correction rather than a depression was due to the fact that ultimate consumption of goods was maintained. Contributing to this phenomenon was—

(1) The Federal Reserve's easy money policy which relieved credit pressure;

(2) The Defense Department's reversal of its drastic economy policy by placing over $5 billion of new orders that had been held up; and

(3) Governmental deficits which added buying power to the spending stream including (a) the $13 billion deficit of the Federal Government; and (b) the fact that States spent over $22 billion as compared to revenues of only $14 billion.

When business turned up in the spend of 1958, it ushered in one of the fastest recoveries ever witnessed. This spring the pace of business is being further accelerated by the reaccumulation of inventories to protect fabricators from the danger of strikes in the steel and other major industries in which labor contracts will be up for negotiation next summer.

The 1958 Advance

The market advance since the sudden shift in business has not only reflected the shift but the fact that—

(1) Sellers prior to and during the business correction sold with the intention of repurchasing equities; while

(2) Buyers bought for the long pull, creating a veritable investment vacuum on the upside.

The result has been that the 1958 market scored the greatest and broadest gain on record, with total value of all stocks listed on the New York Stock Exchange rising by $81 billion, all but 22 of the 1,050 most active issues registered advances.

1959

Based on first quarter results, it is probable that in 1959—

(1) Industrial production will top 1957 by around 10%;

(2) The Gross National Product will rise to over $465 billion; and

(3) The dollar may suffer a further slight loss in its buying power.

The Dow Jones Industrials which sells at $613, sells for approximately 16 times 1959 estimated earning power of $38 and its present dividend payments provide a yield of about 3.3%.

Our Research Index sells at $177. This is about 44 times estimated earnings of those six great companies and their dividends provide a yield of only about .9%.

Today, quality bonds provide safe yields of 4½% and more. Based upon the rate of gain scored between 1948 and 1957 it would take—

(1) The Dow Jones Industrials seven years for dividends to increase sufficiently to provide a 4½% yield on the current average purchase price; and according to

(2) Our Research Index about 15 years even though they are expected to expand at a rate that is three times faster.

Investment Opportunities

Among the areas where rewarding investment opportunities appear to exist at present are.

(1) Industries like banking, utilities and merchandising, which appears to enjoy prospects of record earning powers both this year and next but which are not selling at unusual investment premiums;

(2) Industries which will be particularly benefitted by the 50% boost in our teen-age population between 1958 and 1965, including prepared foods; soft drinks, confections and tobacco; textiles; and school books and school equipment;

(3) Industries which are emerging from their individual cyclical troughs due to overproduction in the 1955-1956 period and which should see earning power building up steadily over the next two years, including auto and accessories; home appliances; and construction equipment;

(4) Meat packing which appears to have entered upon one of its favorable cycles when consumers' purchasing power is high and the cost of cattle and hogs are trending down;

(5) Industries which are heavily committed to research. Since metallurgy promises to be the research feature of the 1960's, the leading metallurgicals can be expected to grow far faster than the economy. In the popular area of missiles and electronics, investors can make better buys in the larger established companies like North American and Lockheed than in the more romantic specialties;

(6) Industries possessed of large raw material resources which are the only real hedge against long range inflation, but which have been out of favor in the past several years because of the pressure of temporary overproduction, including oils; papers and timbers; and nonferrous metals; and

(7) Pacific Coast companies whose markets are expanding at a rate far faster than the nation as a whole.

An Investment Manager Looks At the Economic Outlook

By PERRY S. BOWER*
Vice-President and Treasurer, Great-West Life, Manitoba, Canada

Speaking from an investment manager's point of view, Mr. Bower explains why he discerns in the next 18 months a measure of tension and apprehension that has not prevailed since the early 1930's. He notes the upward push affecting the short- and long-term interest rates, and anticipates narrowing gap between government rates and all others as they both rise which he expects would at first adversely affect housing and municipals rather than corporate borrowers. He observes that this expansion period is much less liquid than previous postwar periods; hopes rising interest rates will not choke off developments important to economic stability—such as housing; and assumes the upward basic secular trend will now and then suffer from interruptions.

In retrospect, it is now obvious that the business recession terminated about the end of the first quarter of 1958. By the end of the third quarter, there were unmistakable signs of a return to the upward trend which has, in fact, continued with so little interruption since the end of the war. By the end of last September, the rate of the Gross National Product was at an all-time high and by the end of 1958 it reached $10 billion above the peak of mid-1957.


P. S. Bower

While the decline in investment by business and the liquidation of inventories were the main contributing factors in the 1957-58 recession, the recovery can be ascribed to a combination of increases in consumer purchases, the end of inventory liquidation, strong governmental spending, and heavy housing construction volume.

The outlook for 1959 is that most major sectors of the economy will continue moving upwards. The one possible exception that can be observed at the moment is in housing and, while even this sector opened strongly this year, it is expected that rising interest rates and tighter money may slow it down somewhat in the latter half. Gross National Product, which reached $455 billion at the end of 1958, may achieve a rate of $480 billion by the end of 1959.

The portents of these figures are important to the institutional investor. While we may observe that the first stages of the recovery from the 1958 low likely are now behind us, we are also forcibly aware that our economies are already well into a period of tight money with strong indications that this tendency is likely to continue if not tighten further.

The Dangerous Point of Inflation

It may also be observed that the recent recession has tended to increase productivity per worker. Further, there is some measure of unused capacity in the major areas of our national production. There is also a somewhat disconcerting measure of unemployment. All of these should portend lower, rather than higher, rates of interest. However, as the year progresses, it is not unlikely that our excess productive capacity will be more fully used and unemployment shrink. At that point, the danger of the inflationary aspects of our economy will become more apparent. Current Federal Reserve policy, with its effect on the interest rate structure, must be taken as, in fact, already anticipating this.

For, as productive capacity begins to be used up, producers will begin to think about (if they are not already doing so) enlarging their capacities. Likewise, they will begin looking (if they are not already looking) towards ways and means of raising necessary additional capital funds. In addition, the situation may be aggravated by the return, which we must now expect, to business policies involving inventory accumulations. Money is already tight. How much tighter is it likely to be if these additional demands begin to materialize in the months ahead?

It will be recalled that ever since it became apparent that recovery was under way, the Federal Reserve has followed a policy, as it calls it, of "leaning against the wind." This policy has resulted in a tight excess reserve picture, so that commercial banks generally have had to liquidate government bonds to meet the increasing accommodation sought by their regular business borrowers. This has been the picture since the middle of last fall. Now that inventory liquidation begins to give way to inventory accumulation, business will either have to sell some of its holdings of short-term governments purchased last year, and/or seek accommodation at the lending windows of its banking connections. If the Federal Reserve continues its present restrictive practices, then these events are likely to see additional selling of governments by banks as well as business, as conditions continue to improve which seems to be the general expectation.

A continuation of current Federal Reserve policy, with the development of circumstances I have just mentioned, could put additional strains on the price structure of the bond market. Into this scene there must, however, be introduced the disquieting aspect of further federal deficits, combined with the obviously increasing reluctance of bond buyers to jump into a financial sea as disturbed and as unfathomable as this one appears to be at the moment.

Ominous Debt Management Problem

In fact, the whole picture with respect to future government financing is not without ominous implications. Many of you, I am sure, plot the probable financing requirements of the Federal Government in a more precise manner than do I. If you have any quarrel with my projections for the balance of the current year, of roughly $10 to $11 billion of cash offerings and $13 billion or so of refundings, you will at least agree that the requirements are going to be large. This stems partly from the heavy reliance, in last year's Treasury financing, on maturities of one year or less, and the need to finance a seasonal deficit for the last half of the current year of the order of $6 to $7 billion.

From the pattern of the financing announced in the latter part of March, it seems clear that the Treasury is still determined to try to lengthen the debt and will take advantage of every opportunity it can. This can hardly be regarded as bullish for the market on medium and longer-term government bonds. Consequently, pressures on long-term interest rates, for this reason alone, would seem to have an upward bias.

In the short end, conditions may be expected to be even more unsettled unless the Federal Reserve is prepared to countenance a fairly marked increase in the money supply. The capacity of the non-bank sector of the economy to absorb short-dated Treasury issues, which has been so marked in the past several months, has probably run its course. Certainly, this will prove true if the business recovery carries forward into a period of active inventory accumulation by corporations. Buying of treasuries is likely to give way to liquidation which, when added to the Treasury's cash needs, may well impose a real strain on the banks. Under conditions such as these, any basic movement of interest rates at the short end may be expected also to be in an upward direction.

From the investment manager's point of view, the next 18 months are, therefore, probably charged with a measure of tension and apprehension that has not prevailed since the early 1930's.

Hopes We Support Sound Policies

On the one hand lies the path of, perhaps, much higher interest rates and the accompanying political repercussions and demands that the Federal Reserve must not be permitted to force upon the economy the product of so increasing a burden.

On the other hand lies the alternative—the relatively easy, but disastrous, path of inflation. I am sure I voice the hope of every life insurance officer in both our countries that our people will have the will and the fortitude to support and to sustain those forces which are directing their efforts towards sound currency policies, and that we will be willing to pay the costs that such policies demand of us, rather than succumb to the siren call of inflation.

In the next 12 months, the struggle between inflationary and anti-inflationary forces is almost certain to increase. Federal Reserve policy, which at the moment may appear to many people to be too tight, could seem insupportable if business conditions improve rapidly.

The effect on interest rates, particularly on government securities, is likely to be more dramatic than on the interest structure in other sectors of the economy, with the gap between government rates and all others tending to narrow, and both, perhaps, continuing to rise. It is this distinct possibility which gives rise to the feeling that the volume of new housing starts may turn down later on in the year. It is also true that other aspects of the economy may be adversely affected, but corporate borrowers are not likely to be affected as unfavorably as early, perhaps, as the housing industry or the municipalities.

Threshold of the 1960s

We are now on the threshold of the 1960s — that magical perio which holds so much speculation and interest in the contemplation of many of our forecasters. It is the period when it is expected the so-called war babies will begin to make their biggest impact upon our economies in their demands for higher education, housing, automobiles and, generally, consumer capital goods of all kinds.

Barring another war, there seems to be little reason to discount such enthusiasm, although even the most incorrigible optimist will concede the possibility of recurring corrective periods. Every analysis and forecast suggests, therefore, increasing pressure on our capital resources as the next few years progress. Industrial needs alone could be tremendous. Nor is the insatiable appetite of government, quasi-government, and municipal spenders likely to grow less. In fact, municipal capital expenditures have hardly, even now, kept up with the accelerating speed of technological and social developments. It is difficult to believe that these groups will need less, rather than much more, in the future.

The recovery, which started in the spring of 1958 it is held, may well continue, therefore, with minor interruptions into the 1960s.

Notes Less Liquidity

I have already suggested that the conditions under which the economy embarked upon this latest upward surge are substantially different to those of other expansive periods of recent post-war years. In simple terms, the whole financial structure is much less liquid. This is obvious in the current level of interest rates and the structure of bank portfolios.

In essence, unless the banking system acquires additional resources in the form of further reserves from the Fed., it would seem logical to assume that decreasing liquidity will tend to create additional pressures on the interest rate structure in the ensuing months.

A decline from the current level of interest rates seems highly improbable. While this fact may offer a measure of satisfaction to investment officers, it must also give rise to some concern as to whether further rises will begin to choke off elements of economic development important to stability in the overall economy, such as housing.

Secular Trend

To the investment officer and the actuary it must appear, at the moment, that the rise in interest rates generally, which began about 1947, must still continue for some time. No trend, it is true, will continue without spasmodic interruptions, but the basic secular trend, barring the use of most dangerous and artificial devices to correct it, seems basically upwards, certainly for the next twelve months.

Forecasting the probable trend of the stock market, particularly over relatively short periods of time, is not a block upon which I propose to lay my neck. I think it is generally felt that at present levels the quotations are generously discounting a fairly optimistic level of corporate earnings over the year, as well as something for the general conviction that inflation has not yet been brought to an end. Nevertheless, those forecasters who, five years ago, gleefully forecast 600 by 1960 are equally enthusiastic in predicting 1000 for the Dow-Jones averages by 1965.

For myself, all I can say is that I do not think the days of the American economy are over. The possibilities under the free enterprise system, under stable democratic conditions, are inexhaustible and the horizons unlimited. Further, if we were to lack confidence in ourselves and the great convictions which have sustained us in the past, there is no sure haven to which, as investors, we could run and protect adequately the funds entrusted to our care. In the direction of our inherited confidence, the future beckons with as much promise and hope as has ever been accorded the human heart. Surely, our investment policies should continue to be predicated upon a generous participation in the inevitability of an expanding future.

*From a talk by Mr. Bower before the Regional Meeting of the American Life Convention, Houston, Texas, April 2, 1959.

Wagner, Stott Co. To Admit Partners

Wagner, Stott & Co., 20 Broad Street, New York City, members of the New York Stock Exchange, on May 1st, will admit W. Wilson Holden, Joseph P. Shea, and John F. Horn to general partnership, and J. Marshall Booker to limited partnership in the firm. All are members of the New York Stock Exchange.

With Southern Investment

(Special to THE FINANCIAL CHRONICLE)

KINSTON, N. C.—Thomas W. Dickens is now with Southern Investment Co., Inc., Barbre-Askew Finance Co. Building.

Erwin Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

DURHAM, N. C.—Leighton E. Johnson has been added to the staff of Erwin & Co., Inc., Trust Building.

Joins J. Sturgis May

(Special to THE FINANCIAL CHRONICLE)

HIGH POINT, N. C.—Cornelius K. Rand has joined the staff of J. Sturgis May & Co., Security National Bank Building.

New Issue

$60,161,000

Commonwealth of Massachusetts

3½% Bonds

Dated February 1, 1959 Due February 1, as shown

Principal and semi-annual interest (February 1 and August 1) payable at Bankers Trust Company, New York, N. Y., at The First National Bank of Boston, Boston, Mass. or at The First National Bank of Chicago, Chicago, Ill. Coupon bonds in the denomination of $1,000., exchangeable for fully registered bonds in multiples of $1,000. but not interchangeable.

Interest Exempt from Federal and Massachusetts Income Taxes under present laws

Legal Investment, in our opinion, for Savings Banks and Trust Funds in New York, Massachusetts and certain other States and for Savings Banks in Connecticut

These bonds, to be issued for Capital Outlay, Veterans' Services Loan, Highway Improvement, Drainage and Flood Control, Sewerage and Water purposes, in the opinion of the Attorney General will constitute direct general obligations of the Commonwealth of Massachusetts for the payment of which the full faith and credit of the Commonwealth will be pledged and for such purpose the Commonwealth will have power to levy unlimited taxes on all the taxable property therein.

AMOUNTS, MATURITIES AND PRICES

(Accrued interest to be added)

Amount	Due	To Yield	Amount	Due	To Yield or Price	Amount	Due	To Yield or Price	Amount	Due	To Yield
$2,649,000	1960	2.00%	$2,499,000	1973	3.30%	$739,000	1985	100	$129,000	1997	3.65%
2,649,000	1961	2.20	2,499,000	1974	3.30	739,000	1986	100	129,000	1998	3.65
2,649,000	1962	2.40	2,499,000	1975	3.35	739,000	1987	3.55%	129,000	1999	3.65
2,649,000	1963	2.60	2,499,000	1976	3.35	739,000	1988	3.55	29,000	2000	3.65
2,524,000	1964	2.70	2,499,000	1977	3.40	688,000	1989	3.55	29,000	2001	3.65
2,524,000	1965	2.80	2,499,000	1978	3.40	214,000	1990	3.55	29,000	2002	3.65
2,524,000	1966	2.90	2,500,000	1979	3.40	214,000	1991	3.60	29,000	2003	3.65
2,524,000	1967	3.00	740,000	1980	3.45	214,000	1992	3.60	29,000	2004	3.65
2,524,000	1968	3.05	739,000	1981	3.45	214,000	1993	3.60	29,000	2005	3.65
2,524,000	1969	3.10	739,000	1982	3.45	214,000	1994	3.60	29,000	2006	3.65
2,499,000	1970	3.15	739,000	1983	100	214,000	1995	3.60	29,000	2007	3.65
2,499,000	1971	3.20	739,000	1984	100	129,000	1996	3.65	29,000	2008	3.65
2,499,000	1972	3.25							29,000	2009	3.65

These bonds will be initially issued by the Commonwealth of Massachusetts at not less than their par value, and a taxable gain may accrue on bonds purchased at a discount. Investors are required under existing regulations to amortize any premium paid thereon.

When, as and if issued and received by us and subject to approval of legality by the Attorney General of the Commonwealth of Massachusetts.

Bankers Trust Company — The Chase Manhattan Bank — The First National City Bank of New York — The First National Bank of Chicago — Lehman Brothers — The First Boston Corporation — Halsey, Stuart & Co. Inc. — Phelps, Fenn & Co.

Chemical Corn Exchange Bank — Guaranty Trust Company of New York — Blyth & Co., Inc. — Harriman Ripley & Co. Incorporated — Smith, Barney & Co. — Salomon Bros. & Hutzler — Goldman, Sachs & Co. — Harris Trust and Savings Bank

Continental Illinois National Bank and Trust Company of Chicago — The Northern Trust Company — C. J. Devine & Co. — Eastman Dillon, Union Securities & Co. — Glore, Forgan & Co. — Kidder, Peabody & Co.

Drexel & Co. — Merrill Lynch, Pierce, Fenner & Smith Incorporated — White, Weld & Co. — The Philadelphia National Bank — R. W. Pressprich & Co. — L. F. Rothschild & Co. — Blair & Co. Incorporated — The First National Bank of Boston

Mercantile Trust Company — Seattle-First National Bank — Ladenburg, Thalmann & Co. — Bear, Stearns & Co. — Carl M. Loeb, Rhoades & Co. — F. S. Moseley & Co. — Shields & Company

Stone & Webster Securities Corporation — Paine, Webber, Jackson & Curtis — The First National Bank of Oregon — The Boatmen's National Bank of St. Louis — A. C. Allyn and Company Incorporated — Equitable Securities Corporation

B. J. Van Ingen & Co. Inc. — G. H. Walker & Co. — Hornblower & Weeks — Hemphill, Noyes & Co. — Dean Witter & Co. — Barr Brothers & Co. — Coffin & Burr Incorporated — Dick & Merle-Smith — Adams, McEntee & Co., Inc.

Bache & Co. — Baxter & Company — Francis I. duPont & Co. — A. G. Becker & Co. Incorporated — Hallgarten & Co. — J. C. Bradford & Co. — Braun, Bosworth & Co. Incorporated — Geo. B. Gibbons & Company Incorporated — Kean, Taylor & Co.

Alex. Brown & Sons — First of Michigan Corporation — Clark, Dodge & Co. — Dominick & Dominick — Stroud & Company Incorporated — Estabrook & Co. — Ira Haupt & Co. — Schoellkopf, Hutton & Pomeroy, Inc.

Hayden, Stone & Co. — Hirsch & Co. — Laidlaw & Co. — W. H. Morton & Co. Incorporated — W. E. Hutton & Co. — The Marine Trust Company of Western New York — Laurence M. Marks & Co. — Reynolds & Co. — R. S. Dickson & Company Incorporated

Roosevelt & Cross Incorporated — Shearson, Hammill & Co. — Harkness & Hill Incorporated — City National Bank & Trust Co. Kansas City, Mo. — F. S. Smithers & Co. — Weeden & Co. Incorporated — Tucker, Anthony & R. L. Day — Commerce Trust Company Kansas City, Mo.

Wood, Struthers & Co. — Gregory & Sons — The Ohio Company — Bacon, Stevenson & Co. — Wm. E. Pollock & Co., Inc. — Fitzpatrick, Sullivan & Co. — E. F. Hutton & Company — J. A. Hogle & Co.

Chas. E. Weigold & Co. Incorporated — Bacon, Whipple & Co. — Robert W. Baird & Co. Incorporated — Baker, Watts & Co. — William Blair & Company — R. H. Moulton & Company — Branch Banking & Trust Co. Wilson, N. C.

Laird, Bissell & Meeds — Eldredge & Co. Incorporated — Bartow Leeds & Co. — King, Quirk & Co. Incorporated — Rand & Co. — Townsend, Dabney and Tyson — Spencer Trask & Co. — Fidelity Union Trust Company Newark

National State Bank Newark — Blunt Ellis & Simmons — Courts & Co. — Tripp & Co., Inc. — First Southwest Company — McCormick & Co. — A. M. Kidder & Co., Inc.

Rockland-Atlas National Bank of Boston — R. D. White & Company — Wood, Gundy & Co., Inc. — Third National Bank in Nashville — Wachovia Bank and Trust Company Winston-Salem — Robert Winthrop & Co. — J. R. Williston & Beane

Arthur L. Wright & Co., Inc. — George P. Fogg & Co. — Chace, Whiteside & Winslow, Inc. — Lyons & Shafto Incorporated — Clayton Securities Corporation — Loker, Sparrow & Co. — White & Company

April 15, 1959. Statements herein, while not guaranteed, are based upon information which we believe to be reliable.

Dealer-Broker Investment Recommendations & Literature

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

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

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

Electric Utilities—List of issues which the firm considers interesting for growth—Carl M. Loeb, Rhoades & Co., 42 Wall Street, New York 5, N. Y.

Green Light for the Railroads—Study of the outlook—Edwards & Hanly, 100 North Franklin Street, Hempstead, N. Y.

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

Inside Story of Outside Help—Booklet on services offered—Ebasco Services Incorporated, Dept. V, 2 Rector Street, New York 6, N. Y.

Investment Facts—Tabulation of 334 common stocks listed on New York Stock Exchange which have paid quarterly cash dividends from 20 to 95 years—New York Stock Exchange, 11 Wall Street, New York 5, N. Y.

Japanese Construction & Engineering—Analysis with particular reference to **Taisei Construction Co., Ohbayashi-Gumi Ltd.** and **Nippon Hodo**—The Daiwa Securities Co. Ltd., 8, 2-Chome Otemachi, Chiyoda-Ku, Tokyo, Japan.

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.**

Leading New York City Banks—Comparison as of March 31—A. M. Kidder & Co., Inc., 1 Wall Street, New York 5, N. Y.

New York City Bank Stocks—Comparison and analysis for first quarter of 1959—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y. Also available is a study of the economy at the first quarter's end.

Opportunities Abroad—Bulletin on **British American Tobacco Co., Canadian Pacific Railway Co., Electrical & Musical Industries Co., Massey Ferguson, Ltd.** and **Shell Transport & Trading Co.**—Bache & Co., 36 Wall Street, 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.

Treasure Chest in the Growing West—Brochure giving details on industrial opportunities in the area served—Utah Power & Light Co., W. A. Huckins, Dept. 15, Salt Lake City, Utah.

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Abbott Laboratories—Analysis—Glore, Forgan & Co., 40 Wall Street, New York 5, N. Y.

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

American Hardware Corp. — Survey — Abraham & Co., 120 Broadway, New York 5, N. Y. Also in the same circular are surveys of **Canadian Pacific Railway** and **Champion Spark Plug Company.**

American Pipe & Construction Company—Analysis—Hill Richards & Co., 621 South Spring Street, Los Angeles 14, Calif.

American Steel Foundries — Bulletin — Halle & Stieglitz, 52 Wall Street, New York 5, N. Y.

American Telephone & Telegraph Company—Report—David J. Greene and Company, 72 Wall Street, New York 5, N. Y.

American Telephone & Telegraph Company—Report—Reynolds & Co., 120 Broadway, New York 5, N. Y. Also available are reports on **Industrial Acceptance Corp.** and **Dorr Oliver Inc.**

Arundel Corporation—Report—The Milwaukee Company, 207 East Michigan Street, Milwaukee 2, Wis. Also available is a study of **Wisconsin Municipal Bonds** with tax-free yield and a report on **Siemens & Halske A. G.**

Beecham Group Ltd., A. D. R.—Review—Alfred L. Vanden Broeck & Co., 55 Liberty Street, New York 5, N. Y.

Bergstrom Paper Company — Analysis — A. G. Becker & Co. Incorporated, 60 Broadway, New York 4, N. Y.

Botany Mills, Inc.—Analysis—H. Hentz & Co., 72 Wall Street, New York 5, N. Y.

Budd Co.—Memorandum—Blair & Co., Incorporated, 20 Broad Street, New York 5, N. Y.

California Water & Telephone Company — Annual report — California Water & Telephone Company, 300 Montgomery Street, San Francisco 4, Calif.

Consolidated Foods Corporation—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Continental Commercial Corp.—Memorandum—Moore, Leonard & Lynch, Union Trust Building, Pittsburgh 19, Pa. Also available is a memorandum on **Diebold, Inc.**

Cooper Jarrett—Analysis—Weingarten & Company, 551 Fifth Avenue, New York 17, N. Y.

Eastern Shopping Centers, Food Fair Properties and Wrigley Properties — Comparative report — Darius Incorporated, 90 Broad Street, New York 4, N. Y.

Evans Products Company—Analysis—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y. Also available are reviews of **Pepsi-Cola, Radio Corporation of America, Standard Railway Equipment Manufacturing Co., American Tobacco, Sealed Power Corporation, Niagara Mohawk** and **Acme Steel.**

Evans Products Company — Report — Thomson & McKinnon, 2 Broadway, New York 4, N. Y. Also available is a report on **Atlantic Coast Line Railroad.**

Fannie May as a Trust Investment—Reprint of an article—New York Hanseatic Corporation, 120 Broadway, New York 5, New York.

Filtrol Corp.—Data—du Pont, Homsey & Company, 31 Milk Street, Boston 9, Mass. Also in the same circular are data on **Yale & Towne, Joy Manufacturing** and **Kelsey Hayes.**

Garrett Corp.—Analysis—Newburger, Loeb & Co., 15 Broad Street, New York 5, N. Y.

Gulf Oil Corporation—Annual report—Gulf Oil Corporation, Room 1300, P. O. Box 1166, Pittsburgh 30, Pa.

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

Howe Sound—Memorandum—Woodcock, Hess, Moyer & Co. Inc., 123 South Broad Street, Philadelphia 9, Pa.

Interstate Bakeries Corp.—Memorandum—Bateman, Eichler & Co., 453 South Spring Street, Los Angeles 13, Calif.

Iowa Public Service Co.—Memorandum—A. C. Allyn & Co., 122 South La Salle Street, Chicago 3, Ill.

Kerr-McGee Oil Industries, Inc.—Analysis—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y.

Lanier Aircraft Corp.—Reprint from Flight Magazine describing Stol Paraplane—B. S. Lichtenstein & Company, 99 Wall Street, New York 5, N. Y.

Long Point Gas & Oil Limited—Report—Doherty Roadhouse & Co., 335 Bay Street, Toronto, Ont., Canada.

Macco Corporation—Analysis—Leason & Co., Inc., 39 South La Salle Street, Chicago 3, Ill. Also available is a report on **Norris Thermador Corporation.**

McDonnell Aircraft Corporation — Report — A. G. Edwards & Sons, 409 North Eighth Street, St. Louis 1, Mo. Also available is a report on **Dictaphone Corp.**

Oklahoma Gas and Electric Company—Annual report—Oklahoma Gas and Electric Company, 321 North Harvey, Oklahoma City 1, Okla.

Olin Mathieson Chemical Corporation—Analysis—Sprayregen & Co., 26 Broadway, New York 4, N. Y.

Pan American Sulphur Company—Bulletin—De Witt Conklin Organization, 120 Broadway, New York 5, N. Y.

Pan American World Airways, Inc.—Analysis—Purcell & Co., 50 Broadway, New York 4, N. Y.

Ryan Aeronautical Co.—Report—Dean Witter & Co., 45 Montgomery Street, San Francisco 6, Calif.

St. Regis Corporation—Data—M. J. Reiter Company, 60 Wall Street, New York 5, N. Y.

Southwestern Electric Service Company — Annual report — Southwestern Electric Service Company, Mercantile Building, Dallas, Texas.

Square D Company—Report—Schweickart & Co., 29 Broadway, New York 6, N. Y.

Union Trust Life Insurance Co.—Analysis—Loewi & Co. Incorporated, 225 East Mason Street, Milwaukee 2, Wis.

Washington Steel Corp. — Memorandum — Singer, Deane & Scribner, Union Trust Building, Pittsburgh 19, Pa.

COMING EVENTS

In Investment Field

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 14-15, 1959, (Nashville, Tenn.)
Security Dealers of Nashville Annual party at Hillwood Country Club and Belle Mead Country Club.

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 8-11, 1959 (Alberta, Canada)
Investment Dealers' Association of Canada annual convention at Banff Springs Hotel.

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).

Consumer Attitudes and Instalment Credit

By PROFESSOR GEORGE KATONA*
Program Director, Survey Research Center
University of Michigan, Ann Arbor, Mich.

Country's foremost expert on consumer buying plans states that instalment credit is not the economic motor responsible for expansion or contraction of purchases. Dr. Katona's paper, covering the function performed by instalment credit in our economy, also surveys: (1) some economic beliefs held by people; (2) question as to whether consumer wants have become satiated; and (3) whether government should regulate consumer instalment credit. Dr. Katona avers you cannot blame the 1958 decline on the extent of consumer debt nor claim there was an insufficiency of purchasing power. Recovery depends not only on plentiful credit, he says, but also on optimistic expectations regarding personal financial prospects; course of the economy, and assortment and pricing of goods. He sees some improvement in optimism but finds the present attitude towards prices to be unfavorable.

In order to understand the function of instalment credit in today's American society, it is necessary to study instalment buying in a broad perspective. I shall begin by asking the following question: What are the major factors which have characterized the American economy during the past 15 years? These were prosperous years, even though occasionally interrupted by recessions. In describing them, I shall try to summarize the underlying attitudes of the American people, rather than present any of the well known statistics about the increase in GNP, production, or retail sales. Detailed personal interviews with representative samples of the American population, carried out by the Survey Research Center several times each year, disclosed certain major features which characterized the climate during the decade following World War II.

George Katona

No Fear of Depression

First, people believe that a severe depression no longer threatens us. They are convinced that the great depression of the 30's and years of stagnation with high levels of unemployment cannot recur again. "We have learned how to avoid a depression," they say. They do not think that it was the war, or the large expenditures on rearmament in the post-war years, which brought about high production and good times. On the contrary, the majority of people associate international conflict with danger and high taxes, and believe that it is detrimental to good times, which mean to them a rising standard of living.

How depressions can be avoided is far from clear to most people, but they have faith in the government's ability to do so and also have confidence in business policies. Most people believe that today competitive American business is interested in high levels of production and in mass distribution of improved consumer goods.

Second, overwhelmingly people have been confident and optimistic regarding their personal financial prospects. During World War II most families accumulated some liquid assets, and after the war they became accustomed to steady increases in incomes. The belief became prevalent that income could not go down and over a span of several years must go up.

Of course, inflation did take place during the past 15 years. But people do not view their higher incomes as the result of, or a compensation for, higher prices. Most people think that their rising incomes represent what is due them. They consider inflation an unfavorable development because it detracts from the enjoyment of the fruits of their labor.

Finally, confidence in personal financial progress and trust that there will be no depression have made for concern with the good things of life. Striving for higher living standards is expressed in desires for better housing, better transportation, more comfort in housekeeping and for a variety of cherished leisure-time activities which cost a great deal of money. Young Americans decided to marry early, to have several children in the early years of marriage, to bring up their children in nice neighborhoods, and to have a variety of expensive durable goods at the same time.

Doing the Impossible

Two major questions arise. First, how was it possible for millions and millions of families to have accomplished all this? Secondly, having accomplished much —that is, having bought houses, cars, TV sets, refrigerators, washing machines, etc.—did the American families become saturated?

As to the first question: It seems that not only do expenditures depend on income, but income also depends on consumer needs. Needing and wanting expensive things, people have worked hard for higher incomes. Millions of husbands have held second jobs, and millions of wives have returned to work after their children grew up.

Most importantly, however, instalment buying has helped. Buying on instalment has become increasingly popular. Some older people still have misgivings about being in debt or are concerned with the cost of borrowing. But most younger people maintain that things should be paid for while using them.

Instalment buying is particularly frequent in certain stages of the life cycle. Among younger, middle-income families with children, 70 to 80% were found to have had instalment debt in the years 1954-57. In addition, instalment buying is associated with an upward trend in income. Year after year we find that more of the families who had an income increase and more of the families who expected an income increase had instalment debt than families with stable income or unchanged income expectations. In the 30's, economists theorized that there ought to be a fairly long time lag in the adjustment of consumer expenditures to income increases. Not so in the 50's! When income went up, and even earlier when income was expected to go up, people hastened to acquire goods which make for a better living standard. What they expect to make in the future, rather than what they make today, is used as the basis for calculating how large monthly payments they could afford to make.

Are Consumers Wants Saturated?

But this process cannot go on, this is how some experts argue. They say that the American people have over-bought and are over-burdened. Being saturated, they will be interested in saving rather than spending, and the economic climate during the next ten years will differ from that of the past ten years. Let us study this argument.

Simple biological needs — hunger, thirst—are saturated by being gratified. But regarding social needs, a different situation may prevail. The more we achieve, the more we want. Levels of aspiration rise with accomplishment. This has been the case over the past 15 years. American families, having bought a new house and a variety of durable goods, felt the need for still better housing and more and better durable goods.

Studies carried out in the spring of 1958, during the worst months of the recession, indicated that there was no depletion of consumer wants. At a time when the frequency of buying plans, especially for automobiles, was very low, people in general expressed similar desires and needs as in previous prosperous years. (This was true even regarding automobiles; especially desires for a second car were widespread.)

Can't Blame 1958 Decline on Credit

Nor can the 1958 decline in purchases of customer durables be explained by arguing that the American people had been over-burdened by debt. The debt-income ratio, which rose greatly in 1955, did not increase further in 1956 and 1957, and declined in 1958. Finally, the well known fact that national income was fairly stable from the fall of 1957 to the fall of 1958 contradicts the notion that the recession of 1958 could be attributed to insufficient purchasing power. How can we then account for the sharp decline in consumer demand for durable goods, and how can we understand it in view of the theory of levels of aspiration?

We raise our sights only when we are confident and optimistic. When we are pessimistic, insecure, or doubtful about the future, we lower our sights. Saturation is an attitude. Failure and frustration make for a feeling of saturation, and pessimism for a postponement of satisfying our needs.

In 1957 and 1958, optimistic views and feelings gave way to a notion of uncertainty and caution. People became convinced that times were not good for buying automobiles and durable goods. Resentment of high prices, coupled with doubts and worries about employment and prospects, made for a sharp deterioration in short-term expectations But instalment credit cannot be blamed for the recession; and the previous large-scale purchases, made possible by instalment credit, are likewise not responsible for the downturn.

Credit Is Not the Economic Motor

In order to have full recovery —which has not yet taken place in consumer durable goods — and in order to resume the growth of our economy, we need easy access to plentiful credit; but it alone does not suffice. We need optimistic expectations regarding personal financial prospects and the course of the economy, as well as a positive evaluation of buying conditions resulting from the belief that the right assortment of goods is available at the "right" prices. In one respect—optimism or pessimism—there has been improvement over the last few months even though the scars of the recession of 1958 are far from healed. In the other respect—attitudes toward prices—the situation is far from favorable; many people have been disappointed that the recession and the considerable unemployment were associated with a rising price trend.

Instalment debt is too high and burdensome when incomes fall—we should remember that millions of families suffered a decline in income in 1958—and when prospects are not good. Instalment debt is not too high and stimulates purchases when people have confidence in the future and are optimistic. Instalment credit represents a necessary method for satisfying needs, but it is not the motor responsible for expansion or contraction of purchases. Instalment credit need not be regulated by the government; most of the time, most people exercise self-regulation by calculating the monthly charges they can afford in relation to their prospects as they see them.

*An address by Dr. Katona before the National Instalment Credit Conference, sponsored by the American Bankers Association, Chicago, Ill., March 10, 1959.

Harriman Ripley New San Francisco Branch

SAN FRANCISCO, Calif.—Harriman Ripley & Co. Incorporated, underwriters and distributors of investment securities, have announced the opening of an office at 1428 Russ Building, under the management of Charles W. Cobb, Vice-President.

Associated with Mr. Cobb in the management of the new office are Philip G. Turner and Paul W. Cowan.

Headquarters of Harriman Ripley & Co. Incorporated are located at 63 Wall Street, New York, and branch offices, in addition to San Francisco, are in Boston, Philadelphia, Chicago, Cleveland, Detroit and Reading, Pa.

From Washington Ahead of the News

By CARLISLE BARGERON

Believe it or not, but the cost of operating the government's farm program next year, that is the fiscal year beginning July 1, will be $6½ billion, yet the estimated net income of all farmers is estimated at a little more than $13 billion. That can by no means be called a very sound proposition. We would be better off if we got rid of all our farms and bought all our foodstuffs and fibers from abroad.

Carlisle Bargeron

Despite this sorry situation, Congress has shown no disposition thus far to do anything about it. Secretary Benson has asked for a few million more to take more land out of production by putting it in the soil conservation reserve, and authority to reduce the price supports to as much as 60%.

The Secretary made a valiant fight of over two years to get support prices down from a rigid 90% of parity to a flexible scale. With this formula, he has succeeded in bringing all prices down but he hasn't proved his point that this would be beneficial. The surplus is still growing.

Senator Capehart, Republican of Indiana, has taken the bit by the teeth and the indications are that hair will fly the latter part of this week. He intends to introduce a bill which would freeze the surplus, allowing only so much of it to be released as that bartered and given away overseas under Public Law 480, and that which is given away to needy cases in this country. Then, he would in effect, raise the parity price to 90% and take 50,000,000 more acres out of cultivation and put in conservation storage. This, he believes, along with his bill to greatly increase the appropriation for research into industrial uses of farm products, would in a few years bring production and demand into balance. At that time, he foresees the government could drop all price supports and get clean out of the farm business.

The Senator points out that the visible supply of wheat today is 1,500,000,000 bushels while the government owns all but 254,000,000 bushels. This, he says, is ridiculous and proves that something is radically wrong with the farm program. In fact, President Eisenhower in his message to Congress on agriculture, sad flatly the present program was not working. However, he suggested no particular remedy, beyond asking that a new formula for fixing support prices be authorized by which Benson could lower supports to 60% of parity. This is one reason why Congress has shown a complete apathy towards his recommendations and as of this writing has no intention of trying to formulate any new farm legislation. The Democrats, who are in control of both Houses of Congress, apparently are inclined to let the Republicans stew in their own juice.

Benson has already taken 23,000,000 acres out of cultivation under the conservation reserve program by which farmers are paid all the way from $8 an acre to $20 for taking their acreage out of production. Capehart would raise this amount to 73,000,000 acres. There are some 390,000,000 tillable acres in the country.

Since the government first intervened in the affairs of the farm in 1933 the government has spent $30,000,000,000 trying to stabilize farm prices, $15,000,000,000 of which has been spent in the past six years.

It has made a shambles out of a tremendous structure whose efficiency has attracted the envy of the whole world.

A long time argument between Benson and his critics was whether higher price supports didn't increase production. Benson has contended that they did. His critics hold to the contrary. A study shows that Benson is wrong, the critics right. With low parity prices next year's production of corn is expected to be the largest on record.

The record shows that when farmers are prosperous they are liable to take it easy, not putting so much fertilizer into their land because after all land has only so much fertility and in good times the farmer is inclined to preserve it. When prices are low, and the farmer is having a harder time of it, he wants to get all out of his land that is possible.

Capehart's bill will at least awaken a dormant subject.

S. G. Eisenstadt V.-P. Of Moroney, Beissner

HOUSTON, Tex. — Samuel G. Eisenstadt, a veteran of more than 30 years in the investment banking field, has joined Moroney, Beissner & Co., Bank of the Southwest Building, as Vice-President.

Sam Eisenstadt

Robert E. Moroney and Henry M. Beissner, senior officers of the 40-year-old Houston investment firm, said Mr. Eisenstadt's background would be utilized primarily in sales, syndication, security analysis and new financing by corporations.

Mr. Eisenstadt received a B.S. degree from Northwestern University, School of Commerce, in 1927. He has been on "La Salle Street" in Chicago since that time. Prior to joining Moroney, Beissner & Co., he was a general partner of Strauss, Blosser & McDowell in Chicago, where he was in charge of the statistical and research departments. His duties included the planning and preparation of investment portfolios and the supervision of client accounts, including those of individuals, banks, and other institutions. He also had responsibility for investigating, buying and processing underwritings and private placements.

Emanuel, Deetjen to Admit New Partners

Emanuel, Deetjen & Co., 120 Broadway, New York City, members of the New York Stock Exchange, on May 1st, will admit Claude de Saint-Phalle and Hugh P. Guiler to partnership in the firm. Mr. de Saint-Phalle is in charge of the firm's foreign department.

Powell & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

FAYETTEVILLE, N. C.—Russell S. Carter is now with Powell & Company, Inc., 120 Anderson Street.

Public Utility Securities

By OWEN ELY

Outlook for Electric Utilities Remains Favorable

The electric utilities did surprisingly well last year considering the recession in the first half. Following are some comparisons for all Class A and B privately owned utilities:

	Percentage Increases 1957-8	1956-7
Number of Customers	2.0%	2.4%
Kwh Sales—		
Residential	8.1	9.5
Commercial	6.7	8.2
Industrial	*2.0	2.6
Total	2.0	4.4
Revenues	4.8	6.6
Net Income	7.4	5.3

*Decrease.

Why were the utilities able to show a larger increase in net income in 1958 despite a smaller increase in sales? Some of the reasons are as follows: (1) Fuel costs in 1958 were 3% less than in 1957, largely because of better hydro conditions; if fuel costs had increased in proportion to sales, net income would have increased only about one-third as much or 2.4%. (2) A number of companies received rate increases and there was a slight gain in industrial revenues (despite the dip in kwh. sales) due to protective rate features. (3) Salaries and wages increased only 4.9% vs. 7.3% in 1957, possibly due to smaller wage increases. (4) While interest charges were up 16% due to higher money rates much of this was offset by an increase in the bookkeeping credit "Interest Charged to Construction"; without the $40 million estimated increase in this credit, along with the fuel cost adjustment mentioned above, net income would have shown a slight decline instead of a 7.4% gain.

Thus the excellent showing made last year depended mainly on two favorable factors — good weather and favorable accounting adjustments. But this year the outlook for a gain of perhaps 10% in net income seems based on a more solid foundation of improving industrial sales. In the week ended April 4, U. S. electric output showed a gain of 11.4% over last year compared with weekly gains ranging between 9% and 10% in March. Companies with heavy industrial business were the principal gainers, though some others also had surprising increases in the April 4 week:

Arizona Public Service	27%
American Electric Power	18
Central & South West	19
Cleveland Electric	25
Consumers Power	23
Detroit Edison	30
Florida P. & L.	25
Gulf States Utilities	24
Northern Indiana P. S.	30
Ohio Edison	24
Pacific Gas & Electric	21
Southwestern Public Service	33
West Penn Electric	21

Industry figures for revenues and earnings in 1959 to date are not yet available, but the reports of net income for the month of February published by a few companies show excellent gains. It appears likely that percentage gains in the first quarter will be the largest for 1959, the same as anticipated for industrial companies. A study of available forecasts by individual companies for the year 1959 (which are no longer released as freely as in former years because of SEC restrictions) indicate a probable average increase of 8-10% in share earnings, despite the probability that the two favorable factors which accounted for last year's gain in U. S. net will probably not be so beneficial this year.

The long-term outlook by the industry continues bright, although, of course it will remain subject (in less degree than more cyclical industries) to changing business conditions and to the possibility that a "real" depression or a world war may develop in the 1960s. A point to keep in mind in this connection is that regulatory agencies are notoriously fickle in their reasoning and are frequently subject to political pressures, so that rate increases are usually more difficult to obtain during depressions — when they are needed the worst. However, barring such adverse developments, electric utilities are favored over most other growth industries because they have "two wings to fly on"—they benefit by both the increase in population and by the regularly increasing use of the product.

The rapid increase in the birth rate in the postwar period means a mushrooming population for at least the next few years. In 20 years from now it is estimated that population may have increased 100 million, with 24 million new households. The average worker may then use nearly three times the present amount of electricity, due to mechanization and automation. Air-conditioning and "climate control" will be used throughout industry. Ultrasonics, generated by electricity, will have taken over some jobs. Electric cars are now making a quick comeback—the new cars will be "plugged in" to any outlet over night to recharge batteries. In future homes windows and doors will be opened by pushbutton, it is said, and household chores will be speeded up by electronics — so that the average residence may use nearly three times as much electricity as at present, and if heated and cooled by electricity—eight or ten times as much.

One of the biggest present load builders is electric heating, which serves as a seasonal offset to summer air-conditioning. Some companies such as Commonwealth Edison have put into effect new low rates to stimulate heating by electricity, and that company's heating installations increased last year from 138 to 839 with an additional 561 in process. American Electric Power at the end of 1958 had 14,266 electrically heated homes, an increase of 37% over 1957. Florida Power Corp. remained the leader as to customers using heat pumps for combined heating and cooling, reporting 2,283 such units on its lines.

Gains in operating efficiency continue. Philadelphia Electric expects some of its new generating units to use only 64/100 pound of coal to produce one kwh., although the U. S. average in 1957 was 93/100 and in 1925 more than two pounds were required. Mainly by using bigger units with higher temperatures and pressures the industry is still stepping up average efficiency. In the transmission field gains are being made by reducing line losses and by use of extra-high-tension lines. Not only are power pools being extended for greater use of most efficient equipment, but utilities are combining to build bigger units for joint use. They are also rapidly stepping up the use of computers to handle engineering problems, load dispatching for maximum efficiency, customer billing, etc. Thus subject to the limiting factors of bad weather, bad regulation and bad business (and barring a devastating World War), the outlook for the industry remains rosy.

Theodore Tsolainos To Admit E. S. Wilson

Theodore Tsolainos & Co., 44 Wall Street, New York City, members of the New York Stock Exchange, on May 1st, will admit Edward S. Wilson to partnership.

Outlook for Banking and Credit In the Second Half of 1959

By S. CLARK BEISE*

President, Bank of America, National Trust and Savings Association, San Francisco, Calif.

In examining the principal components of demand for bank credit during the second half of 1959, Mr. Beise expects: (1) moderately restrictive Federal Reserve policy will lessen —but not stop—availability of credit; (2) a modest increase in interest rates; (3) major pressure on credit to come from rising public sector's credit needs; and (4) substantial pick up in short—but not long—term credit needs of business. Moreover, the banker suspects there will be a moderate rise in consumer durable goods credit and a vigorous demand for mortgage credit, and that this will be accompanied by lower rate of personal saving.

The basic factors influencing the supply of and demand for credit during the second half of 1959 is, of course, the heart of the outlook for banking.

S. C. Beise

The upturn in the nation's economy which began last summer has continued at a good pace, and a continued and sustained rise in over-all economic activity is in prospect for the remainder of the year.

There are, however, a number of question marks which must be resolved before we can expect the economy to attain the high level of which it is capable.

Positive and Negative Economic Effects

The principal factor which is exerting a moderating effect is the remaining large reservoir of unemployed manpower and equipment.

While this pool of unemployment currently is acting as a drag on the consumer and business buying, the record of past recoveries in the postwar era suggests that employment ordinarily responds slowly in the early stage of recovery and does not regain or exceed its previous level until production is well past its earlier peak.

However, from the standpoint of national income accounting, this "negative" factor appears to be far outweighed by strong upward pressures arising from both the private and public sectors of the economy.

It is characteristic of the recovery phase of the cycle that expanding sectors of the economy increase their credit demands. They do this to extend their operations in anticipation of a rising demand for their products. Business borrows to finance inventory accumulation and also borrows to finance plant and equipment expansion.

Large scale plant expansion was a principal characteristic of the 1955-56 boom. So far in the current recovery, expenditures of this type have been at a more modest level.

Consumers, encouraged by the prospect of rising income, increase their borrowing to finance acquisition of durable goods as well as housing. Usually they also reduce their rate of saving or draw on accumulated savings so as to increase their consumption. Government at all levels tends to be pressed into deficit-financed capital expenditures programs — for highways and schools—in addition to heavier defense and administrative outlays.

It is this general situation which characterizes our economy at the present time — rising levels of expenditure in both the private and the public sectors—and which is likely to generate larger demands for credit as the year progresses.

It is this structure—as well as the magnitude — of the current recovery which has generated some fear of inflation and which has posed a very difficult problem for the monetary authorities.

Two-Fold Monetary Problem

The prospect is that the Federal Reserve will continue to be faced with this difficulty during the remainder of the year.

The problem is two-fold.

Acting directly through the commercial banks, the Federal Reserve must see to it that the private sector of the economy has sufficient liquidity to complete the recovery, without allowing speculative excesses to develop. At the same time, the Federal Reserve must see to it that the huge requirements of the Treasury are accommodated.

Treasury Debt Pressures on Credit

The task of both the debt managers and money managers this year already has been formidable —and the magnitude of the task which lies ahead can be appreciated from the fact that the Treasury will be faced with the maturing of more than $30 billion in debt between now and year end —apart from regular roll-overs of Treasury bills. In addition, the Treasury normally runs a deficit during the latter half of the year due to the seasonal nature of taxes.

As a consequence of all of these factors, Treasury debt management operations will put considerable presure on the credit resources of the nation during the last six months of this year.

The Federal sector is one of the critical areas providing an impetus to the upturn. However, much of the Federal spending which was compensatory or "stabilizing" during the recession has lost this characteristic. It now represents a net addition to the recovery-induced rise in private spending and adds to the inflationary potential which so concerns the Federal authorities.

Divergent Private Business Credit Needs

To turn to the private business area, divergent demands for credit are evident.

On the one hand, the long-term credit needs of business are likely to remain below the record-high levels of the last two years.

One reason for this is the generally lower level of plant and equipment outlays. These outlays may rise very moderately during the remainder of the year — but should be adequately covered by rising profits and depreciation allowances.

Another reason that long-term capital needs may not rise much during the remainder of the year is that business is not funding short-term debt as it did during the easy-money period of early 1958.

In contrast, the short-term credit requirements of business are likely to rise very substantially as the year progresses. The reason for this is related to the sharp turn-around in inventory policy — one of the principal sources of strength in the recovery.

To touch upon this point briefly: Inventory - sales ratios have improved considerably as the result of a sharp reduction in stocks during 1958, which was followed by a more recent healthy increase in sales. Consequently, substantial inventory rebuilding —reinforced by seasonal factors—is expected during the last half of 1959.

As the restocking gathers momentum, the short-term credit demands of business also will rise —and, as the year progresses—business firms are likely to turn increasingly and directly to banks.

Impetus to the recovery is also provided by the sustained rise in spending in what we might call the "non-cyclical" areas — consumer nondurables and services; and state and local government expenditures. These sectors — which together represent two-thirds of the national product—exhibited a steady rise even during the sharpest postwar recession, and a continued rise is expected during the remainder of the year.

State and Local Bank Credit Demand

With regard to state and local government spending, commitments and expenditures continue to rise faster than income. This suggests the probability of some additional debt extensions as the year progresses.

Commercial banks have provided a large part of the market for local government securities—and the continuance of budgetary problems at the state and local government level very likely will result in additional demand for bank credit accommodation.

Housing and Mortgage Market

There remains for our consideration the credit outlook in two of the most important parts of the private economy. One is housing and the related mortgage market. The other area is consumer expenditures on durables and consumer instalment credit.

A continuing high level of residential construction activity — about $19 billion for the year as a whole—is the current prospect.

Generally speaking, a satisfactory balance between overall supply and demand forces in the long-term capital market should continue to provide an adequate flow of credit into the housing market. At the same time, government-backed housing programs and pegged financing may suffer from the competitive attractiveness of other types of mortgage financing.

Congress currently is considering changes in the housing law which would permit more competitive yields being earned in government guaranteed programs. It is still too early, however, to tell what the final outcome will be.

The demand for consumer instalment credit is much improved over last year. A strong rise in personal incomes, together with a small improvement in consumer liquidity in recent months, should further enhance consumer's ability to incur additional debt. In addition, a high rate of new home construction will have a favorable impact upon instalment debt extensions for furniture and appliances.

On balance, about a $2.5-$3 billion rise in instalment credit outstanding should be realized for the year, given an expected strong seasonal upturn during the last half.

To sum up, the demand for credit during the last half of 1959 would appear as follows:

Sums Up Credit Picture

The long-term credit needs of business are not likely to experience much of an increase due to the continued lag in plant and equipment spending—reflecting a fairly high degree of idle capacity.

In contrast, business short-term credit needs are likely to increase substantially with a recovery-reinforced, seasonal pick-up in inventory buying.

Consumer demand for credit to finance the purchase of durables should experience at least a moderate rise, while a continuing high level of residential construction activity will be accompanied by a vigorous demand for mortgage credit.

At the same time, this demand for housing and durables is likely to be accompanied by a lower rate of personal saving.

Reflecting budgetary problems at virtually all levels of government, the credit needs of the public sector also are likely to continue to rise—and, indeed, will be the major source of pressure on the credit structure during the last half of this year. This is a very important factor in the total picture.

The task of the monetary authorities in guiding the economy along the path of recovery to renewed growth at stable prices has been particularly complicated by problems of financing the Federal Government.

As a guard against inflationary pressures which might arise from the pace of the recovery, the Federal Reserve is likely to pursue a moderately restrictive monetary policy during the last half of 1959. This does not mean that the money supply and availability of credit will not grow, but that they will probably do so at a reduced pace. Consequently, part of the continued expansion of business activity may have to be financed internally, and by a more intensive use of existing money balances. As the credit demands of both the public and private sectors continue to rise, some modest increase in interest rates may be expected.

In the months to come, I am certain that the banking profession will carry out its functions in a responsible manner. However, I feel that we in banking—have a still broader responsibility —the responsibility to actively promote our Nation's fiscal and monetary integrity. To do this, we must do more than discuss this subject among ourselves, valuable as that may be.

The public, also, must understand the need for such a fiscal and monetary environment as essential to our economy's growth and prosperity.

We must seek every opportunity — and we should make our own opportunities — to promote this understanding.

I am confident that we will meet this challenge.

*An address by Mr. Beise before the 393rd meeting of the National Industrial Conference Board, Los Angeles, Calif., April 2, 1959.

An Analytical Review of The Retail Trade Field

By LAWRENCE R. KAHN*
Vice-President, Investment Research
A. G. Becker & Co., New York City

Wall Street research analyst holds 1959 looks quite favorable for majority of divisions in the retail field. Mr. Kahn favors investments in better department stores, mail order firms, hardline chains and grocery chains. The writer makes clear the discriminatory appraisal required; compares encouraging performance of consumer purchasing to behavior of industrial production; and explains obvious factors determining the level of retail trade.

Our past few recessions, or depressions (if that is no longer a dirty word) have been characterized by one outstanding factor. This factor has largely helped to temper the degree of the decline and has without question of a doubt been basic in bringing about the speed of the recovery. In essence, this has been the continued purchasing at retail levels notwithstanding the shifts in the business picture. Part of this may be attributed to certain basic changes in our economy. Some of these have been aptly set forth by Dr. Galbraith in his book "The Affluent Society." More important, from our point of view is the fact that we have had a shift in economic patterns to a broadening of the middle class with a narrowing of the number of families in both the low income and high income brackets. The major effect of this is naturally a tremendous widening of the number of people who are able to purchase all different types of goods and services. This has been a major sociological shift developing since the early 1940s and of tremendous importance to retail trade. While this enhances certain retail trade securities, it is only of longer term nature to us here, and I will attempt to deal more specifically with the different parts of the retail trade field. Let us first see what has happened in the retail picture over the past decade.

Lawrence R. Kahn

In 1954 when industrial production dipped 10% from its 1953 peak to its 1954 low, retail trade actually ran fractionally higher than in the preceding year.

In 1957-1958 decline when a drop of 14% was registered from peak to valley, total retail trade rose 6% in 1957 and fractionally in 1958 despite a 25% decline in automobile sales.

Two Important Influencing Factors

Nor is this at all unreasonable when one considers the factors which influence the consumer to buy. Actually, these are varied and complex. To examine them in detail would consume more space than is available, in this paper. I would, however, like to briefly dwell upon certain of the more obvious factors which determine the level of retail trade, and which investors or potential investors can follow on their own.

In essence, there are two fundamental factors which influence the consumer in his spending. The first, but not necessarily foremost, is: Does he have the wherewithal to buy what he wants? In other words, does he have the money to buy things he desires or needs and, to me, these are relatively interchangeable.

This is a fairly easily measurable and followed item. Since we in the United States and Canada have come out of the age of scarcity (a condition mankind, on the whole, has been in since he reared up on his hind feet) this condition has proven to be a bit less reliable and dominant than in the past, when the consumers' spending was entirely measured by the amount of money he had in his pocket.

We consequently come to the second, and far more intangible factor. Namely, consumer confidence. In other words, not only is retail trade now measured by purchasing power, but it is determined by the much-more-difficult-to-measure stimulus of confidence and thereby willingness to utilize the purchasing power at his command. At this point let me say categorically that one thing we have learned during the past few decades, and that is that the consumer, as a whole, does not violate his savings to buy goods and services, except in desperation, or a last resort. In other words, the old idea that savings would sustain retail business during declining periods of purchasing power and confidence is so much bunk!

Having set forth these basic conditions, let us see how we, or you, can follow them. Possibly one of the best, if broadest gauges of purchasing power is personal income. Actually, while this represents the overall income of the individual on a mass basis, it does not take into effect the impact of taxes which absorb some 20% of our gross national product and hence directly reduces purchasing power. I, therefore, prefer to use disposable personal income as my yardstick of potential purchasing power. Figures on personal income, on an annual basis, are available monthly, and disposable income only quarterly, so I use both. I do make a refinement in my personal income figure, however, in order to get it on a unit purchasing power basis. I adjust it for cost of living, thus deriving real purchasing power in contrast with dollar purchasing power.

When we look at these figures we can see why retail trade was as well maintained as it was during the past few business declines. In the 1953-54 decline, real income dipped only 1.5% from its peak, on an annual basis, in May, 1953, to its low in May, 1954 and then resumed its upward trend. In the recent recession, the low in real purchasing power was reached in March, 1958, and was only 4.8% below the previous peak of June, 1957. It may also be interesting in passing to point out that at the low point last March, real income was still $23.6 billion **higher** than at the peak in May, 1953, which was the high point from which the last slide started.

If the tangible factors of purchasing power can be watched, followed, and even relatively well predicted, why can't personal consumption expenditures be equally well followed. Here we have the little item of confidence I previously mentioned. Personal consumption expenditures have fluctuated far more widely. Furthermore, these fluctuations have tended to move in an inverse ratio to personal savings which

Continued on page 46

*An address by Mr. Kahn as part of the Helen Slade Memorial Lectures at the New School for Social Research, New York City, March 31, 1959.

Connecticut Brevities

In its annual report to stockholders **The Southern New England Telephone Company** indicated that it will raise additional funds through the sale of stock later this year. The report said in part, "The proportion of debt in our capital structure is now above the one-third ratio which we consider prudent, and we, therefore, plan some form of equity financing later in 1959."

* * *

The Army recently announced the award of a $4 million contract for 35,000 M14 automatic rifles to the Winchester-Western Division of **Olin Mathieson Chemical Corporation, New Haven.** Officials of the Winchester Division said that the contract award will eventually result in the hire of 200 to 300 new employees. However, it will take about one year to tool-up for the manufacture of the new gun, which will eventually be standard equipment for all U. S. Infantry troops and will replace the M1, the M2 carbine, the Browning Automatic Rifle and the .45 calibre sub-machine gun.

* * *

Electroforce, Incorporated of Fairfield has announced the development of a self-contained high-efficiency filtration and pump unit. Designed to meet the need for maintaining cleanliness of the dielectric coolant for Electroforce Electrostatic Chucks, the units are proving valuable in many metal working fields where a practical, low-cost means of separating solids from liquids is required. The Electroforce electrostatic chucking system is described by the company as the first and only electric chuck for stainless steel, aluminum and magnesium.

* * *

The First National Bank of Manchester and **Hartford National Bank and Trust Company** have announced plans to combine the two banks. Under the terms of the proposal, Hartford National has agreed to purchase all assets and assume all liabilities of the Manchester bank at a price equal to $46 a share for the 20,000 outstanding shares. The agreement has been approved by the directors of both banks subject to final approval by First National stock holders and the Comptroller of Currency. On the basis of published figures as of Dec. 31, 1958, combined assets of the two banks will be $469,865,000.

* * *

Sprayed Reinforced Plastics, Inc. is a new Cheshire firm specializing in the application of SERPI fiberglass coatings for industrial equipment. SERPI coatings, it is reported, are used to protect and restore the structural strength of tanks, vessels and other industrial equipment, subject to corrosion rot, and rust. The coatings, which are sprayed on with specially designed equipment, can be applied over metal, wood, concrete or other materials.

* * *

Research on solid fuels, propellants for limited-range military rockets and missiles, will be conducted by **United States Rubber Company** in a new laboratory now nearing completion at the main plant of its Naugatuck Chemical division at Naugatuck. The laboratory will have approximately 1,000 square feet of floor space. It will be used primarily for company-sponsored research on solid fuel components and will contain necessary equipment to make and test the new fuels on a small scale.

* * *

The Fenn Manufacturing Company of Newington has announced the formation of a Nuclear Products Division for the manufacture of nuclear reactor components on a sub-contract basis to existing primary reactor builders. A separate machining, fabricating, chemical and surface treatment facility has been established, representing a substantial capital investment in new highly specialized machines and equipment. The new equipment that Fenn has installed includes large 30 horsepower milling machines; punch presses; a rolling mill for rolling special metals such as tinamel, zirconium, beryllium and stainless steels; roll leveler; shear and special cleaning tanks.

Wm. Grigsby to Study For Ministry

CHICAGO, Ill.—William A. Grigsby, a veteran trader and dealers' service representative of John Nuveen & Co., 135 South La Salle St., has been accepted by Bishop Gerald Francis Burrill of the Episcopal Diocese of Chicago as a candidate for the Priesthood, and has tendered his resignation, effective next August, according to Chester W. Laing, President. In September, Mr. Grigsby will begin the regular three-year course of study at Seabury-Western Theological Seminary in Evanston, Ill.

Wm. A. Grigsby

He is widely known to Midwestern and Southern brokers, dealers and institutional investors in tax-free public bonds (municipal bonds) through an active 25-year investment banking career which began at Nuveen's trading desk in Chicago in 1934.

Two With Dean Witter

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Elizabeth J. Niemackl and Don R. Schuhmacher have become connected with Dean Witter & Co., 632 South Spring Street.

Irving Lundborg Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Andrew J. Swedlund has been added to the staff of Irving Lundborg & Co., 310 Sansome Street, members of the New York and Pacific Coast Stock Exchanges.

Current Growth in Electric Utilities

By DR. IRA U. COBLEIGH

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

Transmission onto paper of topical comment about electric utilities, together with some specific ideas about two quite different operating companies, Philadelphia Electric Co. and Calgary Power Limited.

It's too bad that Insull and Hopson muddied the utility waters for investors 30 years ago, with their labyrinthine holding company pyramids, and equity issues way out in left field. For, in the 20s, the 30s, or in fact any decade in this century, common stock holdings in operating electric utilities have been magnificent investments, resplendent with a virtually uninterrupted rise in earning power and dividends. It was the laminated holding companies, not the operating companies, that gave utilities in the dismal 30s a bad name. (Insull Utility Investments common sold at 160 in October, 1929, and at one-eighth in June, 1932!)

Ira U. Cobleigh

But enough of this history so costly to thousands of shareholders. Utility common stocks today are acclaimed as never before. As a group they enjoyed, last year, their best market performance in 15 years, rising during 1958 about 30% in value, partly, on the basis of improved per share nets, but more particularly because of a higher price earnings ratio appraisal in the market. The representative utility equity today will sell at almost 19 times net, as against around 15 times a year ago.

Obviously growth in utilities is far from uniform. Areas in New England, the Dakotas and certain sections of the middle west have proved less dynamic for utility expansion than the southeast, the gulf south and the southwest. In growth rate in recent years, we should accord top national honors to Florida Power and Light, (it increased its earnings 94% in the four year period ended Dec. 31, 1957) followed by Tucson Gas, Electric, Light and Power Co., Florida Power Corporation and probably Texas Utilities Corp. Impelled by their growth rates stocks of the companies just mentioned sell at among the highest price/earnings ratios in the industry—all above 25 times. Their unusual growth rates are expected to continue, aided and abetted by rapid rises in area population, and industrial activity, and by regulatory bodies sensitive to the financial needs of companies with urgent and expensive demands for expansion of generating and transmisssion facilities.

But even in less burgeoning sections of our country, power consumption is definitely on the increase. A high percentage of our newer homes, especially the costlier ones, have complete air conditioning. Electric heat pumps, push button operated windows and doors, electric-eye activated garage doors, luminescent lighting from ceilings and walls, electronic ovens, combination TV, Hi-Fi and stereo sets—all these are pushing up demands for household current. The average household in 1939, for example, used 900 kwh a year; for 1958 the figure was about 3,600 kwh; and 20 years hence it should exceed 10,000 kwh.

Nearly every new office building is now air conditioned (electrically activated), there's a resurgence in the electric automobile (with its battery current recharged every night) and of course, all our bookkeeping, accounting, classifying and data handling equipment is becoming performed increasingly by electronic systems. So far as the eye can see, the future upcurve in demand for electric current is one of the most statistically predictable trends on the entire economic horizon.

To keep up with this dynamic dynamo demand the investor-owned electric utility industry has a huge annual outlay for expansion. For 1958 construction expenditures were around $3.8 billion. They will be close to that this year—possibly $150 million less—and will make necessary the sale of over $2 billion in new securities to the public. Fact is that's one of the continuing problems of utilities. They simply can't retain enough of net earnings to finance expansion; and they must regularly enter the securities markets for new funds. And this year they'll be financing with the price of money—the interest rate—at its highest level in the past 25 years. In view of this, many companies are preferring equity financing, taking advantage of current high (historically) prices of electric commons. Twenty-six major utilities will benefit from rate increases in 1959.

We couldn't begin to cover the list of interesting utility equities competing for investor preference in today's market, so we decided to pick out two issues of obvious merit for swift review. The first is Philadelphia Electric Co., a company which has paid dividends on its common without interruption since 1902; and increased its dividend seven times in the past 10 years.

Philadelphia Electric Co. serves the City of Philadelphia and adjoining counties in Pennsylvania and northern Maryland with electricity; and supplies gas in four surrounding Pennsylvania counties, excluding the city proper. Total service area is larger than the entire state of Delaware, and embraces a population of more than 3½ millions. This territory has perhaps a broader diversity of industrial activity than any other section of the U. S.

The past 10 years have added more than $100 million to annual operating revenues of the company. Gross rose from $130 million in 1948 to $236 million in 1957. Common dividends per share rose in almost parallel fashion from $1.20 to $2.00 in the same period. Also, during the same time interval, Philadelphia achieved a 30.6% increase in electric customers (against a gain of but 8% for Con Edison in New York and 24.6% for Commonwealth Edison in Chicago).

There are 12,806,125 common shares of Philadelphia Electric common listed on the New York Stock Exchange, currently selling at 53¾ with a $2.24 indicated dividend. This provides a current yield of about 4.15%. Announcement was made recently of plans to give shareholders rights to subscribe to one new share for each 20 now held. This privilege will be given sometime in June, giving equity owners, for the second time in two years, opportunity to add to their holdings at prices substantially below the market. Common stock represents about 40% of total capitalization, at the moment, and is preceded by $466 million in long term debt and $88.7 million in preferred.

The 57 year dividend record of Philadelphia Electric, the many dividend increases and subscription rights given through the years, and the modernized efficient plant (more than 60% of power capacity built since World War II) all these things give stockholders a long term serenity not attainable in more volatile equities.

Our second candidate for discussion today is probably the fastest growing major electric utility in Canada, Calgary Power, Ltd. This distinguished enterprise is the major generator and distributor of electricity in the Province of Alberta, supplying about 65% of its electric requirements. It not only serves the city of Calgary but sells power at wholesale to several municipalities; to large industrial users such as Consolidated Mining, Canadian Cement Co., etc.; and provides the juice for pumping requirements of several thousand oil wells.

Total generating capacity is 485,850 horse power of which about 62% is hydro electric. 100,000 in additional hydro capacity will be completed in 1960. To assure a supply of fuel Calgary Power bought, in 1956, the Alberta Southern Coal Company, Ltd. (for only $450,000). This property contains an estimated 50 million tons of coal recoverable by low cost strip mining.

The things that have especially attracted analysts to Calgary Power are: (1) remarkable growth rate—net earnings increased over 90% in the five year period 1954-58; (2) low equity ratio—about 27% — creating leverage for the stock; (3) rapid expansion of population and industrial activity in the territory served and (4) earnings on plant investment of about 7%; (5) unusually high retention and plowback of net earnings, for a utility. There are 1,050,000 common shares of Calgary Power Ltd. on each of which about $4.65 was earned in 1958. The dividend is $2 per share. Depreciation and retained earnings are expected to provide 65% of the $35 million plant expansion program planned during the next four years. At 99 Calgary Power common sells about 21 times earnings. It is one of the most interesting growth utilities in North America.

Marron, Edens, Sloss Opening in N. Y. C.

Marron, Edens, Sloss & Co., Inc., is engaging in a securities business from offices at 63 Wall Street, New York City. Officers are Donald B. Marron, President; Robert B. Edens, Vice-President; and William J. Sloss, Secretary and Treasurer.

Mr. Marron was Secretary and Treasurer of George, O'Neill & Co., Inc., with which Mr. Edens was also connected. Mr. Sloss was with Van Alstyne, Noel & Co.

A Fiscal Re-awakening?

"Now, we have many among us who are calling for heavier and heavier expenditures, saying that these heavier expenditures on the part of the Federal Government would mean and, in effect would cause, economic expansion. I cannot think of any doctrine or any statement that is so false as this one.

Pres. Eisenhower

"If the 174,000,000 people of America don't know more about the spending of such money than does the Federal Government, then I for one submit we are getting in an awful fix. This is exactly what we do not want to do: appear under some kind of doctrine, making decisions of what the populace of our country want, what they desire and what they should have. These decisions to the major extent, to the most major extent you can possibly conceive of, should be in the hands of the people and in the localities where they live."—President Dwight D. Eisenhower.

Excellent! But let's apply this doctrine consistently throughout all our fiscal affairs once more. Such ideas went out of style when the New Deal took over. It is time to revise them.

New Dimensions in The Electrical Future

By MARK W. CRESAP, JR.*
President, Westinghouse Electric Corporation, Pittsburgh, Pa.

Electrical manufacturer sums up the tremendous opportunities in store for the entire electrical industry and the economy providing, he warns, we overcome the roadblock of inflation and its consequences that are in the way. The industrialist emphasizes the importance of denying wage increases that exceed productivity gains and calls upon the industry to accelerate productivity's upward trend. Mr. Cresap states our economy is so delicately poised that it no longer can afford to pass off higher wages in form of higher prices. He charges that, in the 1952-57 period, the industry's margin declined about one-third as a result of cost-price squeeze's effect on profits and that the continuation of a wage rise that exceeds productivity by 1% a year without price increases would wipe out corporate profits by 1970.

In my opinion, our problems have never been so serious—and our opportunities have never been so great.


Mark W. Cresap, Jr.

Our greatest opportunity lies in national growth—in the coming expansion of our economy. That growth has been phenomenal in the past 10 years, but it can be even more phenomenal in the next 10 years. You've all seen the projected figures — the increased production of new cars and appliances, the new houses and schools, the huge increase in the number of children who, in the decade ahead will be reaching the age when they form families of their own. By 1969, our total production of goods and services should approach almost $700 billion—in terms of current prices. That is half again greater than our present national output.

We all know what these figures mean in terms of electric power. Industry forecasters tell us that such a standard of living will require at least a 170% increase in the use of electricity for each hour of human effort consumed in manufacturing. Your residential customers, 10 years from now, will use an average of more than 6,850 kilowatt-hours per year as compared with 3,366 this past year. The commercial load will make similar strides.

*An address by Mr. Cresap before the 27th Annual Convention of the Edison Electric Institute, New Orleans, La., April 6, 1959.

We are told that, to serve this vast load, the electric utility industry will be required, in the year 1969, to generate $1.5 trillion kilowatt-hours — nearly two and one-half times last year's production. This means that, given the most optimistic improveemnt in your load factor, you will still have to build an entirely new system the size of the one you are now operating.

We all know, of course, that such a bright future will not fall into our laps. We know that the future has got to be earned, and that there will be plenty of roadblocks along the way.

On the surface it might appear that our biggest problem will be technological development. But we have evidence that this won't be true. In the past 20 years, our technology has advanced further than it had in the previous 100 years.

In our industry, we are prepared to do things that were unbelievable just 10 years ago. If the demand should warrant it, we are capable of building generating units approaching one million kilowatts of capacity. Ten years ago, 150,000 kilowatts was considered quite an accomplishment. Today, 500,000 kilowatts is not.

We are also prepared, through advances in transmission and distribution apparatus, to deliver this power over greater distances. And we are prepared to do it more economically, more reliably, and more automatically than ever before.

Technology will not be our major problem — as long as we support the research and development that make technological advance possible.

Roadblock of Inflation

There is one big problem that could darken the outlook for our future. That big problem is **inflation**, and its inevitable consequences.

The cure for the inflation in our economy may be complex, but the cause of it is quite clear. We have been distributing the fruits of our production faster than we have been earning them. We have been raising wages faster than we have been raising productive efficiency. Employers have simply had to pay their higher costs, if they can, out of higher prices. There's not much else they can do in that situation—not if they want to stay in business.

In the case of my own company, as well as others in the industry, the result of wage increases that have not been matched by productivity increases has meant a serious cut in our profit margins, in order to keep the price of our products attractive to customers and keep as many employees on the job as possible.

The effects of this inflationary spiral must be obvious to anyone with eyes to see and a heart to feel. When prices are pushed higher than consumers are willing to pay, the inevitable result is economic dislocation followed by unemployment. When wage rates are lifted by the pressure of national unions to what only the most efficient companies can pay, then the less efficient companies suffer—and so do the people who work for those companies. Each of you has seen examples of this among your own commercial and industrial customers — of companies that went under because they could not afford the capital cost of more labor-saving machinery, but that still had to match the highest industry wage level, and so could not maintain competitive rates in its industry.

For the past 20 years, both of us—utility and manufacturer—have been faced with rising costs and with all the problems that come charging along with rising costs.

My own company's labor costs have more than tripled since 1939. Despite that increase, we have been able to hold the price increases on our total line of products to a little more than half as much as our increase in costs. We have done that through improved productivity, expanding markets, better management techniques and better technology.

In electrical equipment and apparatus, we have been most successful in holding the price line on those products which contain the greatest amount of mechanization. It becomes increasingly difficult to do so as the labor content of the finished product increases.

Turbine-generators, power transformers, switchgear, power circuit breakers, for instance, do not lend themselves to assembly line production. They require thousands of hours of design and production time, most of them requiring high skills. Moreover, as the machine becomes more complex, more sophisticated, it requires ever-increasing amounts of labor per unit, just as today's military bomber or submarine requires more labor. To engineer a control system for a machine tool, for instance, takes eight times as many engineering hours today as it took 10 or 12 years ago.

But even in spite of this, prices of the "so-called" heavy apparatus have risen considerably less than have the other items you buy in expanding your systems. Your own capital budget accounts show that you are spending 72 cents of each investment dollar for products other than electrical apparatus—for such items as land, buildings, right-of-way, towers, wire, and cable. Similarly, the Handy Whitman Index shows that the increase in price of these products since 1939 is exactly 47% more than the increase of heavy electrical apparatus and equipment.

Also, the point must be made again—since it is sometimes forgotten — that today's machines are far more efficient than their prototypes of 20, 10, or even five years ago. The technique of inner cooling, for example, introduced into turbine generators in 1954, has made it possible for you to obtain almost twice the electrical output from a machine of given physical size. You are paying $68 more today for a 25-kva distribution transformer than you paid in 1939 — a 27% increase in price. But that is first cost only. Design improvements since 1939 offer savings of $137 for each transformer.

Inflation has also been a pressing problem in the utility industry. Nevertheless, through hard work, good management, and improved facilities, you have done an outstanding job in keeping your costs and your prices under control. Since the war, based on our calculations, productivity in the utility industry has increased at a rate far greater than for the private economy as a whole.

Poised at Crucial Balancing Point

In my opinion, our economy stands now at a very delicately balanced point in history. We have managed, by good sense and steady nerves, to come almost intact through a year-long recession. With good sense and steady nerves, we can continue our national growth, master the unemployment that hangs over us like a cloud, and pay for the military protection we need. But now, as we catch our breath and prepare for what lies ahead, we have a crucially important decision to make.

On the one hand, we can continue the same wage-price spiral policy we have followed since the war. Industry can continue to grant unearned wage increases, as it did even throughout the 1958 recession, and then try to recover its cost by raising its prices still higher.

Or, on the other hand, industry can hold the line on wages and prices. More precisely, this means limiting the trend of annual wage increases to the trend of productivity increases. As a people, we can begin to pay ourselves what we earn and still earn more—all of us—by producing more.

Which is it to be? The same issues are being examined in a great national debate and will be settled in the next few months.

Still further inflation induced by unearned wage increases will mean serious dislocation throughout the entire economy. The military services will be able to buy fewer armaments with their dollars, and so we will lose a margin of security and protection. Unemployment will increase, as it always has and always will under a market economy in which employers are forced to pay for work at rates higher than consumers are willing to restore to them in buying their products. State and city governments will be brought closer to the edge of bankruptcy—some are very close already — as their tax revenues buy fewer goods and services. Management of the public debt will become a nightmare. The taxing bodies will be forced to seek out new sources of revenue and place still heavier taxes on everyone, at a time when direct and hidden taxes are already taking about one-third of the average man's income. When tax revenues fall short, as they always seem to do, the money will be raised by credit—that is, by still more inflation. And up still higher will go the servicing cost of the public debt, up still higher will go prices, and, in the end, still higher will go unemployment.

Driving Forces

Unfortunately, there are powerful forces driving us headlong into this very course. The national labor unions are demanding across-the-board wage and benefit raises, without regard to gains in productivity, and with no consideration as to whether the economy is able to support those raises.

Is there no such thing as labor pricing itself out of work?

During the past 10 years hourly compensation of manufacturing employees has risen significantly more than output per man-hour. In each of those 10 years, the percentage rise in the hourly compensation of workers has exceeded the percentage rise in the consumer price index.

Labor has already priced itself out of a large segment of the export market for heavy electrical equipment. There is, however, one agency in Washington, the Export-Import Bank, which, has consistently followed the policy of making loans to foreign purchasers for United States goods and services. If the Export-Import Bank activity should be discontinued or curtailed, a sizable percentage of current exports of American generating apparatus would disappear, involving a considerable loss which would affect both labor and the industry.

The effect of American labor rates completely out of line with world rates is unfortunately being increasingly felt in the domestic market. Agencies of the Federal government have been prone for several years to purchase foreign-made electrical equipment, in a short-sighted over-emphasis on initial cost, at the sacrifice of the

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The American Way In Tomorrow's World

By HON. BARRY GOLDWATER*
United States Senator (Rep., Ariz.)

Senator Goldwater fears atom power will become a more successful entry for public power than hydroelectric power was; urges utility industry to free top men so they may take an active interest in politics; and notes electric power field offers a clear-cut test as to the role of government in the economy and of labor's professed desire for private property. The Senator urges the industry to be less timid in making their views known to Congress; denies he is a labor-baiter; and comments on what should be done to reverse trend toward public power.

I want to discuss what I consider to be this nation's most fundamental problem and to relate that to the difficulties facing the electric industry.

Hon. B. Goldwater

History — the experience and lessons of the past—should help us as we analyze and search for the right answer to current political problems.

Just a couple of weeks ago there was an interview in the *Washington Post* quoting that wonderful classical scholar of ancient Greece, Edith Hamilton. Here is what she said about the reasons for the collapse of that once great democracy.

"I think it was mostly because Greece no longer cared to fight for anything. In the end the Greeks wanted security more than they wanted freedom. They wanted not to give to the state but to receive from the state. They just wanted to be comfortable."

Today we may feel a comfortable sense of security under the protective cloak of our Constitution and Bill of Rights. History, however, should dispel any feeling of complacency we might have. We are not the first people to have written sacred contracts to protect the rights of the individual. Governments in times gone by have thrown up even stronger safeguards than ours against dictatorship, only to see the barriers first lowered, then destroyed as the people permitted more and more power to be concentrated in a tyrant or in an all-embracing central government. And even we, I fear, have forgotten the centuries of fighting and conflict that led to the freedom we enjoy today. The one clear lesson to be learned from the total experience of mankind is the folly of believing that any government, given excessive power, will for long remain benevolent. Government has nothing to give except that which it has first taken away.

America's way in tomorrow's world will depend greatly on the outcome of the contest currently waging between those who believe in "belly politics" — the materialists—and those who believe that man's needs go deeper than material things alone. So much depends on the strength of our belief in principle and our willingness to fight for the things we believe in. I personally have great faith that the dignity and rights of each human being will be preserved even as government itself grows and expands to cope with problems properly in its domain.

The electric industry and what happens to it at the hand of government will provide an important clue to our future course. In covering this subject, there is no need for me to review the history of Federal encroachment in this field. One single fact tells the whole story. A short generation ago the Federal Government produced less than 1% of the power consumed in the United States. Now it produces almost 15%, and the ratio mounts steadily.

Why This Continuing Trend?

This trend continues even though the electric companies have made a tremendous contribution to progress in the past and are destined to do even greater things in the future as we move into a new era of electronics and electrical living. You are doing and are capable of doing a good job for the people of this country, yet government is constantly moving in on you.

Why?

Electricity is a complex subject —something very difficult for the people generally to understand. Few recognize or regard it as a manufactured commodity. It does not package and sell like soap or carry a brand name. It has its own particular method of delivery which is unlike other commodities.

Its technology and economics are highly complex and, therefore, difficult to explain. Even the framework of regulation—state and Federal—within which you operate is not clearly understood.

Moreover, when a man buys or rents a dwelling, electricity is a necessity and taken for granted. Therefore, people seem to have a different economic attitude in buying electricity than they do in buying, say, a pair of shoes, or an automobile.

These characteristics, unfortunately, make the function of supplying electricity easy prey for those who believe government should do more things for people. They argue that electric service can be provided cheaply only by government. This is pure propaganda, of course, for you are providing the American consumer with excellent low cost service.

Praises the Industry

This is one of America's truly great industries. I have had the pleasure of knowing some of the leaders and I have found them to be outstanding examples of what businessmen should be. I have found the industry to have a standard of ethics unexcelled by any other and equalled by few.

From my observations, electric utility companies usually take the lead in community development. Your officials are either heading up or assisting in drives for local charities and community betterment. I know of your efforts to create new industry. You have anticipated our future electric requirements for years ahead and are ready to provide it. You have provided us with adequate capacity during every national emergency. You have helped the local and national economy by courageously investing and building for the future at times when more timid souls would have pulled back.

But how much credit does the American public give you as an industry for those splendid accomplishments?

When your company is largely responsible for bringing a new industry into your service area, does it get the credit or does that go to some other group of citizens?

Does the public know that it has been industry and not government that has made the technological advances which have kept the price of electricity at 1939 levels?

Does the public know that electric companies serve over 40% of our farms directly and furnish power for more than 50% of the remaining ones?

Do your customers understand that they pay heavy Federal taxes when they buy electricity from you, taxes that are avoided by those who get their power from Federal or public power bodies?

My point is this: If you received the credit you justly deserve, your troubles would diminish. The public is not going to permit an industry which is a valuable citizen to be kicked around. But it does not realize your value. It appears you have a job to do here.

Another obstacle you face is that your opponents speak with one voice on all issues, whereas you do not. Maybe it is impossible for you to achieve the same unity of action and thought. Perhaps this is as it should be, for the nature of private enterprise is such that it does not lend itself to regimentation and, certainly, it proves there is no "power trust."

But in facing up to what unquestionably is a "public power trust," you must strive for single-mindedness of purpose.

Your opponents are one for all and all for one. They are for government power in any section of the United States and help each other whether their area is affected or not.

Sees Public Atom Power Competition

I am sure that some electric companies have taken no interest in national affairs that affect the industry as a whole. Others have become active only when some government operation starts breathing down their necks. If you do not make an all-out effort every time a company is faced with government competition or encroachment, even if it is 3,000 miles away, you are going to be picked off piece by piece, company by company. Although a company may not seem in danger now, there is no telling when it might be.

There was a time when the vehicle used for government competition and expansion was hydroelectric development; but that time has passed. You now have the atom. That puts the threat of a government power plant in any area, be it Maine or Chicago.

Why are government power advocates so active in supporting Federal development of power from the atom? It is not because of a present or foreseeable shortage of power from conventional fuels. It is not because it means cheaper power.

Look at it this way—the Federal Government has constructed steam electric plants in only one area—the TVA. Today it would be very difficult to pass legislation authorizing Federal construction of conventional steam plants in any other area; but the atom is something else.

It is argued, and many people think it is logical, that the Federal Government should take the lead in constructing atomic power plants. So the atom may replace hydro as the vehicle to get the government into the steam power business. Your opponents know this; that is why they are working so hard towards that end. Therefore, no single company enjoys the security it once thought it had from the threat of government encroachment. For that reason, it is even more important today that you present a united front in opposing government power developments.

Urges More Political Interest

As a businessman who has spent the last six years as a United States Senator with more than a passing interest in your affairs, I have sometimes felt there is a timidity on the part of some utility executives in making contacts in Congress and in participating in utility legislative efforts.

You cannot expepct the employees you send to Washington, or those you have permanently stationed there, to work without benefit of your help. This is your job—your responsibility—and you need never hold back or apologize in defending the position of your company and your industry in Washington. In this respect public power is not the least bit modest.

Without question, you are concerned about the efforts being made in Washington to silence you. I would only say this: If Congress doesn't grant some tax relief for your advertising and legislative effort, I hope this won't deter you from participating up to the hilt in such programs. There is no place in this fight for timidity. Those who are timid will lose their shirts.

We are talking here of matters you can do something about. You have top-flight executives to head up your operating, engineering, financing, and other divisions. Since politics now is one of the most important, if not the most important activity that confronts you, is there any reason why you should not select a top official to handle this field as his primary responsibility? I do not believe you can leave this to an already overworked executive or to your lawyer. It requires full-time attention.

An advantage you have is your coverage. You operate in every state in the Union except Nebraska. I know of no other industry with this same advantage. You have responsible representatives in almost every Congressional district who are, or should be, well acquainted with local officials and opinion leaders.

One of your opposition groups has organized what it calls "Minute Men" to work for its legislative objectives, many of which are designed to put you out of business. It would appear to me that you already have your Minute Men. The question is, are you using them?

Talking with your Congressmen and Senators is a very important function. We are busy people, so never assume that we are fully informed on the subjects in which you are interested. If we are busy and tied up, talk to our administrative assistants. They will get the word to us. But do not be hesitant about coming to see us. Most of you do not come around often enough. Some come only when they want something.

Continued on page 44

*An address by Sen. Goldwater before the 27th Annual Convention of the Edison Electric Institute, New Orleans, La., April 7, 1959.

THE MARKET . . . AND YOU

By WALLACE STREETE

Except for some drugs, electronics, special issues and occasional interest in some of the blue chips, the stock market did a lot of coasting this week, profit-taking rather quick to move in on the sprinters and overall turnover holding to a rather moderate clip.

* * *

All the words of warning against unbridled speculation of a week ago, and the continuing possibility that any new advance will bring new restrictions from the Federal Reserve Board, kept much of the market restrained. And it also appeared to heighten interest in the quality section, notably high-priced International Business Machines which raced ahead a dozen or more points at a clip to make it a regular on the lists of new highs. A pending 3-for-2 stock split helped heighten interest in this blue chip.

Interest Centered in Splits

The rash of stock splits and stock dividends that would seem at the moment to be heading for an all-time record this year was drawing undue interest even in cases where the promise already should have been well discounted. On the other hand, the sharp pickups in earnings weren't much in the way of a market factor, the good news seemingly having been anticipated, except in a few stray cases like du Pont. Here company predictions of a jump in profits of up to 70% over the first quarter last year was even better than had been anticipated.

* * *

Steels were fairly buoyant but far from showing any excessive strength as some of the steel analysts with an eye on the large inventory rebuilding in anticipation of a strike started talking of a drop of 30 to 40% in the operating rate if a labor tieup is avoided. The first quarter results, however, were expected to show some sharp earnings gains but were still not in full flood from the larger companies.

* * *

An indication of just how sharply the steel company fortunes have rebounded was offered in the Jones & Laughlin report which showed a spurt from $1.6 million profit in the first quarter last year to $15.7 million this year.

Rails About to "Confirm"

Rails were able to work higher and were at something of a crossroads with only a couple of points more improvement putting them in line for a 1959 high and add "confirmation" to the previous new peaks of industrials and utilities.

* * *

Oils found little to celebrate except in a few special occasions like Tidewater which was a prominent exception on the lists of new highs as it was confirmed that there are merger talks with Skelly Oil although it is still too early to ascertain if a definite merger would turn out to be feasible. For the internationals there was the disturbing element of the possibility that Iraq would seek to upset the more-or-less traditional 50-50 profit split. This would upset companies in which Royal Dutch, British Petroleum, Socony and Standard Oil of New Jersey are involved.

* * *

Utilities were also a bit hesitant, some large blocks showing up both in listed trading and as off-board offerings making utility followers wary for the moment of sizable realignment of important portfolios.

Motors Rally

In the motor section the more buoyant issue has been Ford, which edged to the highest standing it has shown since it was listed in 1956. General Motors featured on volume occasionally while Chrysler which is the candidate for the best rebound from a definitely troubled year, oddly was inclined to lag.

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There are indications that Ford has been showing the better results so far this year. American Motors, which is solidly in the black, wasn't overly popular marketwise, the edge pretty much taken off the issue by the threatened heavy competition of the Big Three in the economy car field this Fall.

Interesting Shipping Item

A rather strange newcomer to popularity has been Lykes Bros. Steamship. The stock became available publicly about a year ago and has yet to round out a full year of listed trading. It moved narrowly, holding in a 24-19 range last year, and was even more restrained this year in a range of 29-21 until it broke through on the top side this week.

* * *

The company is a family operation, its activities in the Gulf area and, as some of the analysts like to put it, a case of a company worth more dead than alive. Against its market price in the low 30's, it has a book value in excess of $50 a share, and the cash and governments held primarily for the ship replacement program alone add up to more than the market price. It has a low times-earnings ratio, approximately seventimes until it began moving, and on its conservative $1 dividend payout offers an about-average yield of around 3½%.

* * *

Something of a question mark is the low-priced Lehigh Valley Industries. The stock is definitely a speculative item, but it did go into something of a play when it was announced that it was withdrawing from the coal business. The obvious implication is that it will have some income from the properties leased to another coal operator. Furthermore, it has a couple of subsidiaries, Steadley Co. and Signal-Stat Corp., acquired last year and the year before, with income but it failed to cover the coal deficit. Then the company moved to pave the way for possible, but not certain, liquidation and the prospect of cash in the form of dividends in this operation. But it was all very much up in the air and what the future holds for the company is by no means assured.

Revival of "Monkey-Ward"

The better-than average yield was the more than 4½% in Montgomery Ward which, after years of stagnation, is now spreading its corporate wings with new stores and improvement and expansion of existing ones. When the catalog store expansion program began in 1955, for instance, there were only 278 such units and now operating are 527. The expansion naturally restricts the profit picture for a bit since the company will spend around $40 million this year — against only a bit more than $27 million last year—and has programs calling for eventual outlay of an additional $50 million.

* * *

The revitalization of this chain, however, offers longer-range promise for a company that in much of the post-War II period was losing sales ground rather steadily. It is also one of the more mundane of the stocks through the gyrations seen in the general market so far this year, its range still a shade less than five full points. And it is still available below the peak price posted in 1956 when the stock was last split.

[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.]

Form Investors Service

(Special to The Financial Chronicle)

WALTHAM, Mass. — Irving S. Rosenberg is engaging in a securities business from offices at 475 Trapelo Road under the firm name of Investors Service Co.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Bank Stocks

As was generally looked for by most of the trade in bank stocks, the first quarter turned in earnings figures that closely compared with those of the 1958 first period. Bank stock prices have not of late kept pace with those of equity markets generally, probably because in recent months there has been a tendency on the part of the Justice Department to frown on some of the recently announced large mergers, with a contributing cause being the failure of the New York State Legislature to pass the carefully drawn up bill just prior to their adjournment.

In the case of the Morgan-Guaranty tie-up, to cite one case, Morgan, which had had such a sharp run-up to around 410-415 has since been quoted in the 375-385 area. Now, Morgan at 410 would give a yield of only about 2.44%, and the investor in bank shares is entitled to something better, even conceding the fact that it is regarded as a "premium stock."

Another indication could be the interposition of the Justice Department in the proposed merger of First Western Bank & Trust of San Francisco with California Bank. If the Department is intent on preventing mergers between large banks on the score of lessened competition, much of whatever speculative interest that the banks have had would be removed.

In the Morgan-Guaranty proposal the basis announced was 4.4 shares of Guaranty for one Morgan. As Guaranty at this point is selling at approximately 93, Morgan should be worth 409, so there is a decided disparity that is hard to justify apart from decided doubt about the merger going into effect.

This might, conceivably, tend to act as a damper on bank stock prices, and, along with some dividend increases, put these stocks on a moderately better return basis.

This department is of the opinion that any easing of bank stock prices will not be of much consequence, however. Interest rates are holding up, as has the general economy, and while loan totals have not changed much, government obligations in recent quarters have shown decided improvement.

Another favorable aspect is in connection with securities profits. These, for 1958, were quite sizable for many of the major banks, and in numerous instances were greater offsets to the losses resulting from the recent recession. These realized securities profits are a good source of income to the banks, as they are in most cases long-term, and hence are taxed at a maximum rate of only 25%.

Let us look at the first quarter earnings of the leading New York banks. Here are given per share operating results for the quarter, along with operating figures for the 12 months through March 31, in both cases, compared with the comparable 1958 showings.

	Earnings 1st Quarter 1958	1959	12 Months 1958	1959	Book Value Comparison Mar. 31 1954	Mar. 31 1959	% Chg.
Bankers	$1.42	$1.51	$5.75	$5.56	$61.64	$67.32	9.2
Bank of New York (d)	4.57	4.04	19.54	16.69	160.38	198.00	23.5
Chase Manhattan (g)	1.07	1.04	4.31	4.22	43.94	48.47	10.3
Chemical Corn	1.05	1.13	3.81	4.33	40.03	46.85	17.0
Empire (b, e)	4.26	4.62	17.18	16.56	129.22	168.64	30.5
First City (a)	1.24	1.21	4.85	4.99	58.47	62.47	6.8
Guaranty	1.44	1.31	5.39	4.91	66.77	70.32	5.3
Hanover	0.91	0.90	3.75	3.51	37.66	43.40	15.3
Irving (f)	0.62	0.65	2.73	2.61	24.84	26.56	6.9
Manufacturers	1.01	1.07	4.12	4.13	37.55	44.48	18.5
J. P. Morgan	6.10	6.28	23.41	24.16	203.91	254.89	25.1
New York Trust	1.52	1.51	6.07	4.25	63.76	71.26	11.7
U. S. Trust	1.39	1.47	5.66	5.59	64.52	67.18	4.1

a Includes First National City Trust Co.
b Indicated earnings used.
d Adjusted for 50% stock dividend September, 1958; on 240,000 shares in 1958; 270,000 shares in 1959.
e Earlier data reflect 4% stock dividend January, 1959.
f Earlier data reflect 2% stock dividend January, 1959.
g Figures do not include Clinton Trust Co. prior to merger in January, 1959.

In the book value tabulation, whereas J. P. Morgan & Co. shows one of the larger growths and Guaranty one of the smaller increases, it is to be noted that Morgan's dividend is low relative to operating earnings; Guaranty disburses a large proportion of operating earnings. If the two banks merge—a development that now begins to have a shading of doubt—it is generally expected that the dividend will be relatively higher than Morgan's present $10.00, and may be as high as Guaranty's $4.00, including the 80 cent extra.

Empire, too, has for some years also consistently kept its dividend low, relative to earnings. There have been several stock dividends by Empire in the past few years; and as the shares have been maintained on the same $3.00 annual basis, the stock dividends have, in essence, constituted increases for the stockholder who has held right through.

Illusions Cost Too Much

By VICE-ADMIRAL H. G. RICKOVER, U. S. N.*
Assistant Director for Naval Reactors, Division of Reactor Development, U. S. Atomic Energy Commission, and Assistant Chief of the Bureau of Ships for Nuclear Propulsion

With clairvoyant detachment, Admiral Rickover exposes what he believes is as our fundamental weakness; i. e., our illusions about our standard of living which he attributes to be more a product of luck than of brains. The Navy's nuclear pioneer, perhaps mindful of his own experience, pleads we should not be intolerant of those who criticize our beliefs. He goes on to explain why our devotion to economic growth may prove to be an actual liability; posits a Malthusian specter of nonrenewable resource consumption as an exponent of population growth; and finds we may have become smug and complacent due to detrimental-delusion that our affluence is due to our superiority rather than good fortune. Convinced of our great untapped potentialities, the Admiral urges we conserve our material and human resources by less waste and planned obsolescence, and more education; cease monetarily favoring those who use ideas and material over those who think up ideas and create new materials; and never cease critical analysis.

When athletes enter a race, they come prepared to the best of their ability; as near to physical perfection as native endowment and rigorous training can make them, their bodies lean, their dress adequate but light. Each has assessed his own strength and weakness and measured them against his opponents'; few indulge in illusions about their own or their competitors' competence.

H. G. Rickover

The world today has become a gigantic stadium where races for supremacy in economic, cultural, scientific, political, and military competence are run every day. Since the end of World War II, power has polarized in two giant combinations constantly competing with each other. In the foreseeable future there is little prospect for permanent lessening of tension between the two; hence the race promises to continue for years, with now one side, now the other ahead. This is an unhappy prospect for us who wish only to live in peace and tend to our national concerns, but one we cannot evade. The contest is a fact of international life which we must face intelligently and courageously so that we may make the right decisions and take the proper actions.

Finds Isolationism Passé

The first prerequisite is that we look at ourselves and at our opponents with the eye of an athlete who wants only to know the truth so that he may profit from it. This is assuredly not a time when we can afford to give ourselves over to complacent satisfaction with our present wealth and power. What we need is critical self-analysis so that we may detect any weaknesses we may have and rectify them—any traits or attitudes which might have been appropriate in the past when most Americans lived in rural communities and the United States was isolated from world events. Now that we occupy the center of the stage in world affairs such traits and attitudes may have turned into disabilities. The present is an age of lightning change in the fortunes of nations; when one major scientific discovery could alter long established power relationships; when one wrong step could upset the present equilibrium and plunge the world into nuclear war. In these parlous times we cannot afford to indulge in illusions about ourselves or allow our judgment to be clouded by the distaste we feel for our opponents' way of life. Illusions are a form of excess weight that hampers action and diminishes fitness. At this moment in history, when every ounce of strength is needed, illusions cost too much. They *could* cost us survival.

An illusion may be defined as a belief that has lost contact with reality. Illusions persist because they are ready-made substitutes for thought and, as James Bryce remarked, "to the vast majority of mankind nothing is more agreeable than to escape the need for mental exertion." All nations have illusions. Some cannot bring themselves to face the fact of their political and military weakness, and delude themselves about their real power; thus deluded they may then be tempted into aggression. Other nations underestimate the difficulties of managing a modern technological society and imagine it can be bought or begged from abroad and imposed ready-made upon an ancient and archaic way of life. When this fails, as it nearly always will, a disappointed and frustrated people may find solace in the illusion that it is being grievously wronged by other nations and, thus deluded, embark on disastrous foreign adventures. Our own illusions at least do not endanger the peace of the world, though they are harmful enough to ourselves and to our friends who depend on us for wise and strong leadership.

Too Lazy to Rethink

One does not have to be particularly perceptive, or exceptionally well-informed, or unusually intelligent, to discover, after some research into this matter, that certain of our national beliefs do not accord with reality. By clinging uncritically to these illusory beliefs, we needlessly handicap ourselves in the race that is being forced upon us by the totalitarian bloc. We persist in our illusions because as everyone else, we dislike having to rethink matters which we believe to have already been settled once and for all. The inertia of matter is no greater than that of the human mind — with both, the natural condition is rest; to move either produces friction and heat. With us, this general dislike for change is reinforced by a national trait that is becoming a liability—our habit of subjecting critics to opprobrium because they violate our unwritten convention that everyone ought to stick to his last and not "butt into the affairs of others."

This convention was not unreasonable when our country was sparsely populated and everyone depended upon himself alone, except in emergencies which were handled by voluntary community assistance rather than by government action; the citizen was then hardly conscious of his government. But today most of us live in crowded urban environments; our society depends increasingly on a well-ordered meshing of all human activities and hence on more and more government controls and services. These are consequences of technology and human crowding and have little to do with political theory. In the manner we live today, many activities once considered private are now involved in national issues. I need hardly say that in democracies all citizens are legitimately concerned with such issues. They have both the right and the duty to criticize what they consider harmful to the national interest.

Our Attitude Toward Critics

What we sometimes forget is that the critic in a democracy occupies a position that is quite different from the place he would hold in authoritarian countries. The minority that rules there without the consent of the people cannot tolerate *any* social criticism for this amounts to censure of its conduct. Criticism, if allowed, would in time undermine the power of the minority. The ruling minority, therefore, appropriates for itself the majesty of the sovereign states and brands all criticism as *lese-majeste*. Its personal desire to escape censure is thus camouflaged by making the voicing of popular discontent an unpatriotic act. At times something of this kind is attempted in democracies by groups claiming to speak for the nation—a false claim on the face of it for it is we, the people—all the people—who *are* the sovereign nation. In consequence, *all social criticism in democracies is in essence self-criticism.* Criticism and controversy do not endanger democracy; they are inherent in the right of a free people to discuss national issues; hence they are an essential part of the democratic process. The process is weakened if we are tolerant of those who question our beliefs; if we retain toward the critic an attitude that may have had its place in pioneer societies but that is no longer appropriate.

This attitude makes it particularly difficult to dislodge illusions in which various pressure groups have acquired what one might describe as a "vested interest." In such cases, the lonely critic confronts powerful and wealthy organizations who fight unscrupulously for their favorite illusions. Illusions obfuscate national issues; they prevent the people from seeing the issues clearly. Were the issues fully understood, action might be taken to put the national interest above the particular group interest. But one of the main objectives of pressure groups is to prevent this from happening. Seldom do these groups realize that ultimately everyone suffers if the national interest does not prevail. Their eyes are fixed on the short-run advantages to be gained at all cost for themselves; not on the country's long-term interest. The most difficult problem in any democracy, as Madison clearly saw, was how to "break and control the violence of faction." And Theodore Roosevelt, greatest teacher of democracy this country ever had, reserved his most biting censure for special interest groups who tear the nation apart by their determined effort to prevent the people from putting national above special interests.

In the long history of mankind, short and rare have been the periods when people were privileged to govern themselves. Most of the time, man has been subject to government by the few who claim to possess superior knowl-

Continuude on page 46

 An Address by Admiral Rickover before the Yale Club of New York City, N. Y. C., March 16, 1959, and published with the author's permission.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

The First National City Bank of New York moved its 26 Broadway branch into new, larger quarters at 2 Broadway. The main banking floor will be at street level in a new 32-story structure with the largest floor space in lower Manhattan.

The Corporate Trust Division of the bank and of **First National City Trust Company** will occupy the entire third floor, most of the second floor and vault space in the basement. Formerly it occupied premises at 2 Wall Street, 22 William Street and 770 Broadway. Managing the branch will be Thomas C. Brew, Vice-President, assisted by a staff which includes six officers.

Arrangements have been concluded between First National City Bank and International Telephone and Telegraph Corporation to proceed with the installation of an automatic system to process bank checks, perform deposit accounting, and related reporting and analysis functions, it was announced jointly by the bank and ITT.

Scheduled to go into operation early in 1961 in the new Uptown Headquarters of First National City at 399 Park Ave., the system will permit rapid electronic and mechanical processing of all checks and documents regardless of type, shape, or size. Information on the status of any account may be provided in seconds.

* * *

The appointments of Thomas M. Hague and Richard M. Pollack as Assistant Secretaries of **Manufacturers Trust Company, N. Y.**, are announced by Horace C. Flanigan, Chairman of the Board.

Mr. Hague joined the bank in 1940 and was appointed an Assistant Manager in 1956. He is assigned to the bank's Credit Department at 55 Broad Street.

Mr. Pollack joined the bank in 1947 and was appointed an Assistant Manager in 1956. He is assigned to the bank's Bowery Office, 122 Bowery.

The appointment of John D. Keenan as an Assistant Secretary was also announced by Mr. Flanigan.

At present, Mr. Keenan is assigned to the Branch Loan Control Department at the bank's 44 Wall Street office.

* * *

IRVING TRUST COMPANY, NEW YORK

	Mar. 31,'59 $	Dec. 31,'58 $
Total resources	1,864,902,940	1,991,230,223
Deposits	1,651,691,843	1,774,870,208
Cash and due from banks	487,475,234	516,649,115
U. S. Govt. security hold'gs	389,285,956	493,207,496
Loans & discts.	842,568,179	837,201,036
Undivid. profits	26,602,812	29,094,372

* * *

William S. Mason, Jr. has been appointed an Assistant Comptroller of **Chemical Corn Exchange Bank N. Y.**, it was announced by Harold H. Helm, Chairman. Mr. Mason joined the bank in 1958.

* * *

The Hanover Bank, N. Y., announced the election as Trustees of John A. Coleman, John E. Heyke and Eugene J. McNeely.

* * *

The Board of Trustees of **The Bowery Savings Bank, N. Y.**, on April 13 appointed Herbert Schefmeyer, Assistant Vice-President; William T. Staubach, Jr., Assistant Treasurer and William Pierson, Deputy Controller.

Mr. Schefmeyer was promoted from Deputy Controller, Mr. Staubach from Assistant Secretary and Mr. Pierson from Chief Clerk.

* * *

Lincoln National Bank and Trust Company of Syracuse, Syracuse, N. Y., changed its title to **Lincoln National Bank and Trust Company of Central New York**, effective April 1.

* * *

The Citizens National Bank of Wellsville, Wellsville, N. Y., with common stock of $360,000; and **The First National Bank of Whitesville, Whitesville, N. Y.**, with common stock of $25,000 merged, effective as of the close of business March 31. The consolidation was effected under the charter and title of The Citizens National Bank of Wellsville.

* * *

City National Bank & Trust Company of Danbury, Danbury, Conn., with common stock of $350,000, was merged with and into **City Trust Company, Bridgeport, Conn.**, under the charter and title of **City Trust Company**, effective at the opening of business March 30.

* * *

James G. Wilkie's promotion to Vice-President and Cashier was announced by Harvey C. Emery, Chairman of the Board and Chief Executive Officer of **First Trenton National Bank, Trenton, N. J.** Mr. Wilkie joined the bank staff as a clerk in Aug., 1926. During intervening 33 years he has served in many departments and capacities. He became a teller in which position he served both in the Main Office and the branches. He was elevated to become Assistant Manager of the Chambersburg Office. In due course he was transferred to the Main Office to assume the duties of Credit Manager during which period, in September, 1948, he was promoted to become an Assistant Cashier. He had charge of the Credit Department for several years and it was in this capacity he was promoted to Vice-President in December, 1952, after assuming additional duties as a lending officer.

* * *

A pre-fabricated banw, which was assembled from component parts for a house, has made its appearance, a rather sudden appearance, in Newark, N. J., and is doing business there.

The pre-fabricated building is a new office, the Seaport Office in Port Newark, of the **National State Bank of Newark, N. J., and** is the first of its kind to be used as a bank.

The bank has 21 other offices acquired in its 147-year history and most of them are important looking structures in the neo-classic style that has always been favored by banks.

* * *

Citizens National Bank in Windber, Pa., increased its common capital stock from $100,000 to $150,000 by a stock dividend, and from $150,000 to $200,000 by the sale of new stock, effective April 1 (number of shares outstanding—8,000 shares, par value $25).

* * *

Farmers and Bank of Amherst, Amherst, Va., has changed its title to **Bank of Amherst.**

* * *

The Provident Savings Bank and Trust Company, Cincinnati, Ohio, has changed its title to **The Provident Bank.**

* * *

The Farmers and Merchants Bank Company, Christiansburg, Ohio, has changed its title to **The Farmers and Merchants Bank.**

* * *

The People's Bank Company, Canal Winchester, Ohio, has changed its title to **The Peoples Bank.**

* * *

The Ashville Banking Company, Ashville, Ohio, has changed its title to **The Ashville Bank.**

* * *

The National Bank of Dover, Dover, Ohio, with common stock of $400,000; and **The Oxford Bank, Newcomerstown, Ohio,** with common stock of $60,000 merged, effective as of close of business Mar. 28. The consolidation was effected under the charter and title of The National Bank of Dover, with capital stock of $472,000, divided into 47,200 shares of common stock of the par value of $10 each.

* * *

The common capital stock of **La Salle National Bank, Chicago, Ill.,** increased its common capital stock from $3,000,000 to $3,375,000 by the sale of new stock, effective April 2 (number of shares outstanding — 135,000 shares, par value $25).

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THE NATIONAL BANK OF DETROIT, MICHIGAN

	Mar. 31,'59	Dec. 31,'58
	$	$
Total resources	1,859,538,146	1,946,927,305
Deposits	1,681,978,201	1,766,260,560
Cash and due from banks	373,702,610	392,538,461
U. S. Govt. security hold'gs	600,345,866	660,681,069
Loans & discts.	662,467,850	673,127,960
Undivid. profits	19,869,684	29,007,682

* * *

First National Bank in San Rafael, Calif., increased its common capital sock from $1,250,000 to $1,500,000 by the sale of new stock, effective April 2 (number of shares outstanding — 150,000 shares, par value $10).

* * *

Two Vice-Presidents of **California Bank, Los Angeles, Calif.,** Arthur T. Brett and Alex H. Smith, have retired completing a total of 81 years service with the bank, Frank L. King, President, has announced.

Mr. Brett joined the staff of a predecessor institution to California Bank 46 years ago as a messenger. He is credited with opening the bank's first Hollywood Office in 1920. After successive promotions he was named Cashier of the bank and in 1938 was elected a Vice-President. Mr. Brett's responsibilities have been largely centered in the bank's operations and he is regarded as an expert in that area.

Mr. Smith has been with the bank for 35 years. After various branch office assignments he was appointed Cashier of the bank in 1942 and elected Vice-President in 1946. For the past 10 years he has been in charge of the bank's Van Nuys Office and Supervisor of all California Bank offices in the San Fernando Valley.

* * *

At their meeting on April 7 the boards of directors of **Crocker-Anglo National Bank, San Francisco, Calif.,** and the **County National Bank and Trust Company of Santa Barbara, Calif.,** formally approved plans for a merger of the two institutions, and called special meetings of their respective shareholders for May 26 to consider ratification of the plan, it was announced jointly by Paul E. Hoover, President of Crocker-Anglo, and Joe D. Paxton, Chairman of County National. Preliminary approval of the merger plan has been granted by supervisory authorities.

Upon consummation of the merger, County National's office at State and Carrillo Streets in downtown Santa Barbara, and its office in nearby Montecito Village, would become Crocker-Anglo's County Main and Montecito offices, respectively. All officers and staff members of the County National would become officers and staff members of Crocker-Anglo and would participate fully in Crocker-Anglo's pension plan and other employee benefits. Directors of County National would become Crocker-Anglo's Santa Barbara advisory board.

Nat'l Bank Women Spring Conferences

The National Association of Bank Women has announced the following series of conferences, which will be attended by the Group's President, Charlotte A. Engel, National Savings and Trust Company of Washington:

May 1-3, Middle Atlantic, North Atlantic and New England Conference to be held at Pocono Manor Inn, Pocono, Pa.

May 8-9, Mid-West, Lake and Northern Conference, at Netherland Hilton Hotel, Cincinnati.

May 10-12, meeting of 1959 National Convention Committee, Hotel Schroeder, Milwaukee, Wis.

May 15-17, Northwestern Conference, Olympic Hotel, Seattle, Wash.

Merrill Lynch Adds

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Carole Dunbar has been added to the staff of Merrill Lynch, Pierce, Fenner & Smith, Incorporated, 301 Montgomery Street.

Joins Wm. R. Staats

(Special to The Financial Chronicle)

SAN JOSE, Calif.—Leonard M. Wade, Jr. is now with William R. Staats & Co., First National Bank Building.

Promote Anniversary Dinner for Hospital

Leonard Zahn, of Brukenfeld and Co., is an associate Chairman of the 60th Anniversary Dinner of the National Jewish Hospital at Denver. Leon A. Rosenbaum, Vice-President of the Manufacturers Trust Company, is a Vice-Chairman, and Samuel Wechsler, broker, is helping promote the dinner as a hospital trustee.

The dinner will be held May 13 at the Waldorf-Astoria Hotel in New York. The guest of honor will be L. E. Oliver, Vice-President of Sears, Roebuck and Co. The event will benefit the Denver institution, a non-sectarian medical center for free care and research in tuberculosis, asthma and other chest diseases and heart surgery.

Einer Paulsen Adds

(Special to The Financial Chronicle)

SAN JOSE, Calif. — James E. Wade has been added to the staff of Einer Paulsen Investment Securities Company, 1616 Washington Avenue.

Joins Jack Dusapin

(Special to The Financial Chronicle)

BOULDER, Colo. — Richard W. Johnson is now affiliated with Jack P. Dusapin, 506 Juniper Ave.

Electric Power for a Strong America

By J. E. CORETTE*
President, Edison Electric Institute
President, The Montana Power Company, Butte, Montana

Electric utility industry's spokesman pledges ample, timely power for defense and economic progress but forebodingly warns of consequences of Federally-owned or financed competition. The Montana Power head buttresses his pledge of power resources with statistical evidence concerning generating capacity in existence and plans for further expansion, and he proudly cites industry's stabilizing effect on our recent recession. Referring to U.S.S.R.'s generating capacity, he points out our lead has steadily increased in recent years and will widen still further in the years immediately ahead. The industrialist describes the growth of "political elephantiasis" and he submits a seven-point program of individual, company, and industry activities to halt encroaching socialism.

We are living in a troubled world. Our freedoms, our beliefs, our institutions, are threatened by an alien philosophy which attacks us both from foreign lands and from within our own country.


J. E. Corette

To protect this nation from foreign armies and ideologies, we must have a strong and sound economy.

Our nation's resources for defense, our national productivity, every part of our complex economy, are dependent upon an abundant and never failing supply of electric power.

Government ownership of utilities has always been the first goal of the socialists and communists. Because of this, the future of the American system of government is dependent on the electric business continuing in the hands of investor-owned, taxpaying companies. This places upon everyone in our industry a double burden both as an employee and as a good citizen. Our problem is not only to save our industry, but to save the American system of government, with its great benefits to the people.

Electric Utilities During the 1958 Recession

No one could introduce a program entitled "Electric Power for a Strong America" without first reviewing the stability and growth of the investor-owned electric power industry in the United States during the 1957-8 recession and its remarkable contribution to the economy of America during that difficult period.

I have a few data comparing the performance of our industry with all American industry in 1958:

Production: Although the index of industrial production in 1958 averaged 6.3% below the 1957 level, generation of electricity increased 2%.

Profits: When it came to profits after taxes, the investor-owned utilities showed a healthy 7.5% increase, while those of all private corporations decreased 18%.

Investment in New Facilities: During 1958, investor-owned utilities actually increased their construction expenditures 2.3% over those of 1957. This is in sharp contrast to the 17.4% reduction for American industry as a whole. The $3.8 billion spent by our industry on new plant and equipment in 1958 was $100 million over 1957 expenditures, an all-time high, and represented one-eighth, or 12.5% of the 1958 expenditures for new facilities by all American industry. Facts such as these are important to all the people of America for they demonstrate the stability and strength of the investor-owned utilities during a period of stress.

Capacity Added: The power potential of the industry was sharply increased in 1958 by the addition of 14,100,000 kilowatts of new capacity. This exceeded the previous all-time high in 1955.

Of this total, the investor-owned utilities were responsible for 82%.

Total Capability of Utility Facilities: The capability of the total electric utility facilities of the nation, both governmentally-owned and investor-owned, at the end of 1958 was 149,000,000 kilowatts. The 1958 peak was 117,700,000 kilowatts.

We had a margin of 26.6% over the peak of 1958. The importance of this margin to national defense is very great indeed. America today is in a strong position in respect to electric power.

Wages and Salaries: In all industry in 1958, wages and salaries fell off about one-half of one percent, while in our industry they rose 4½%.

1959 Looks Good

The industry will do better in 1959 than it did in 1958. We estimate that a total of 14,400,000 kilowatts of new capacity will be added. This will exceed the 1958 all-time high by about 300,000 kilowatts.

During the year, the industry should also add a million customers—just about what it did in 1958. Average annual residential use should exceed 3,500 kilowatt-hours. Generation should be about 695 billion kilowatt-hours, another all-time high.

1958-68 Decade

In our industry it is not enough to look only at what may happen next year. We have made a ten-year forecast based on projecting past experiences, on knowledge of present-day facts, on some knowledge of future requirements, and on seasoned and experienced judgment. These predictions reflect two basic assumptions:

(1) That there will be no major war; and

(2) That there will be a continuation of the free enterprise system as we know it today.

Capability, Generation, Customers: Generating capability is expected to nearly double by increasing from 149,000,000 kilowatts to 290,000,000 kilowatts. The capacity that will be added will be modern and efficient and will include a substantial amount of nuclear-fired stations. Generation should more than double by increasing from 0.64 trillion kilowatt-hours to 1.3 trillion kilowatt-hours. Customers will probably increase 25%, from 56.2 million to 70 million customers.

Gross Plant in 1968: Gross plant will increase by 115% as a result of adding $46 billion of new investment to the 1958 investment of $40 billion.

Revenues in 1968: Revenues should increase from $8.5 billion in 1958 to about $20 billion in 1968, representing a 135% increase over 1958 levels. The program of expansion which I have outlined will make available an abundant supply of electric power to help keep America strong.

Size of the Job Ahead

The figures I have shown for the 1958-68 decade give an indication of the enormous job which our industry faces for the future to continue to supply electric power for a strong America.

Every department of every company in the electric industry will continue to have a monumental job if our industry is to carry out these predictions and is to do what is necessary to make available facilities and render the service necessary to keep pace with the growth of America.

We have done it in the past. We can do it in the future.

Comparison With Russia

Statements have been made that Russia's development of electricity exceeds that of the United States and, by inference, that the electric industry has been lagging. Let us look at some specific facts.

Per Capita Generation 1940-57: The data compare, on a per capita basis, the annual production of electricity in the United States and Russia for the 1940-57 period.

In 1957, per capita production of electricity in this country was about 4,166 kilowatt-hours, some four times Russia's per capital production of 1,044 kilowatt-hours.

Continued on page 39

*An address by retiring President Corette before the 27th Annual Convention of the Electric Edison Institute, New Orleans, La., April 6, 1959.

British Budget Helps Business

By PAUL EINZIG

Recently announced British budget is viewed with mixed feelings but, barring an election defeat for Conservatives, is not considered a threat to sterling. Dr. Einzig does expect his country's reflationary budget to cause deterioration in the balance of payments but not enough to cause a sterling crisis this autumn. He also sees it accentuating the business recovery now in progress, encouraging trade union demands for higher wages, and reviving inflation. Moreover, the columnist is skeptical as to whether it will have favorable political effects and uncovers contradiction in Socialist oppositionary criticism.

LONDON, Eng.—In accordance with anticipations, the Budget for 1959-60 is distinctly reflationary. It aims at stimulating consumption and production with the aid of a considerably increased deficit. As a result of tax reductions, accelerated repayments of postwar credits, and increases of public investment expenditure, revenue during the current financial year is expected to fall short of expenditure by over £700 million. This is about twice the estimated amount of savings during 1958; even if the public were to continue to save at the same rate as in 1958 about half of the deficit would not be offset by savings and would produce a reflationary effect. To the extent to which the deficit will not be covered by the issue of government loans taken up by the public it is bound to create a net increase of demand, which in turn is bound to stimulate production. It is therefore safe to assume that the Budget will tend to accentuate the business recovery which is already in progress. We shall witness an improvement of business conditions in Britain during the next few months.


Dr. Paul Einzig

Weighs Merits of Budget's Change

A question which is causing some anxiety is whether in prevailing conditions at home and abroad Britain can afford such a dose of reflation, and whether the advantages gained by it will not be offset by the disadvantages of a revival of inflation and by the resulting deterioration of the balance of payments.

Economic purists may argue that in existing conditions reflation entails grave risks. But politicians who had to take the decision had to allow for political considerations arising from the fact that a general election is due in the not too distant future. If for the sake of sound economics the government had abstained from unbalancing the Budget the chances of a Conservative victory at the general election would have been much less favorable. There is no question of expecting that the electorate would vote Conservative out of sheer gratitude for paying two pence less for a pint of beer and for the reduction of the income tax by 9d. in the pound. What is much more important is that the election may now be held amidst conditions of more of less full employment and the government will now be more likely to be confirmed in office. Admittedly the present measures carry the possibility of future inflationary trouble. But the advent of a Socialist Government would greatly increase the probable extent of future inflation. By abstaining from reflationary measures, the present government assumed a risk for the sake of avoiding a much graver risk.

It remains to be seen whether this Budgetary reflation will in fact produce the political results it is expected to produce. Much depends on the timing of the general election, on the progress made by economy recovery between now and the general election and on the progress of the inflationary effects to be produced by the Budget. The extent to which there is likely to be a lasting increase in the government's popularity as a result of the Budgetary measures should not be exaggerated.

Socialist's Lack of Logic

In this respect the Socialist opposition is guilty of gross inconsistency of a kind that deserves to be immortalized in textbooks on logic. It accuses the government of having deliberately deferred long-overdue reflationary measures for the sake of timing them to take place in election year. In the same breath, however, it accuses the government of having confined practically the entire benefit of the Budgetary concessions to the upper income groups. Yet these upper income groups represent a negligible precentage of the electorate, and in any case they would vote Tory even in the absence of any special beneficial treatment. If the Socialist contention about the unilateral character of Budget concessions were justified it would mean that with this Budget the government has signed its death warrant.

As a matter of fact, the government did not dare to go far enough in its attempt to reverse the trend towards equalitarianism that has been going on for 20 years. In spite of the present reductions, direct taxation in Britain remains higher than in any other country. The middle classes are likely to vote for the government, not because they have reason to be satisfied with the treatment they receive from it, but because they know that they would receive a much less satisfactory treatment at the hands of a Socialist Government.

The main reason why the Budget is likely to produce inflationary effects is that it is likely to stiffen the attitude of trade unions towards wage demands. During recent months such demands were not pressed unduly, though considering that prices were stable and production static, even such wage increases as were conceded were unjustified. In response to the Socialist charges against the government that in the Budget it has discriminated in favor of the higher income groups, there is bound to be pressure on trade union leaders by the rank and file to step up wage demands and pursue them with the utmost vigor. In any case since Budgetary reflation has undoubtedly improved business prospects the unions may feel that they are now in a better bargaining position to press for wage claims.

Sees No Sterling Crisis This Autumn

By increasing domestic consumption and by leading to higher wages, Budgetary reflation is likely to have an adverse effect on the balance of payments. This does not mean, however, that another balance of payment crisis is likely to arise this Autumn. Sterling is very steady, and there is now enough gold to enable the authorities to face some degree of deterioration in the balance of payments without undue anxiety. In any case such deterioration is not likely to be accompanied by the speculative pressure against sterling experienced on many previous occasions. Speculators are now likely to concentrate on the dollar and have little time to spare for sterling. There is bound to be a revival of pressure on sterling before the election, but this would become reversed in case of a Conservative victory. Barring a Conservative defeat sterling is reasonably safe in spite of the Budgetary reflation.

William F. Dondero With J. S. Strauss

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—William F. Dondero has become associated with J. S. Strauss & Co., 155 Montgomery Street. Mr. Dondero was formerly in the trading department of J. Barth & Co.

Now With Daniel Reeves

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—George R. Vincent is now associated with Daniel Reeves & Co., 398 South Beverly Drive, members of the New York and Pacific Coast Stock Exchanges. He was formerly with McCormick & Co.

$60,161,000 Issue of Massachusetts Bonds Offered to Investors

Bankers Trust Company, The Chase Manhattan Bank, The First National City Bank of New York, The First National Bank of Chicago, Lehman Brothers, The First Boston Corporation, Halsey, Stuart & Co. Inc. and Phelps, Fenn & Co. are joint managers of the group that is offering publicly, April 14, an issue of $60,161,000 Commonwealth of Massachusetts 3½% bonds at prices to yield from 2% for those due 1960 to 3.65% for the 1996-2009 maturities. The group submitted the only bid for the issue: 100.4682 for the 3½% coupon, a net interest cost of 3.46437%.

Rated Aa by Moody's, the bonds are direct general obligations of the Commonwealth for the payment of which the full faith and credit of the Commonwealth will be pledged and for which the Commonwealth will have power to levy unlimited taxes on all taxable property. They are being issued for various purposes.

Among those associated with the managers in the offering are:

Chemical Corn Exchange Bank; J. P. Morgan & Co. Inc.; Guaranty Trust Company of New York; Blyth & Co., Inc.; Harriman Ripley & Co. Inc.; Kuhn, Loeb & Co.; Smith, Barney & Co.; Salomon Bros. & Hutzler; Goldman, Sachs & Co.; Harris Trust and Saving Bank; Continental Illinois National Bank and Trust Company of Chicago; The Northern Trust Company.

C. J. Devine & Co.; Eastman Dillon, Union Securities & Co.; Glore, Forgan & Co.; Kidder, Peabody & Co.; Drexel & Co.; Merrill Lynch, Pierce, Fenner & Smith Inc.; White, Weld & Co.; The Philadelphia National Bank; R. W. Pressprich & Co.; L. F. Rothschild & Co.

Blair & Co. Inc.; The First National Bank of Boston; Mercantile Trust Company; Seattle-First National Bank; Ladenburg, Thalmann & Co.; Bear, Stearns & Co.; Carl M. Loeb, Rhoades & Co.; F. S. Moseley & Co.; Shields & Company; Stone & Webster Securities Corp.; Paine, Webber, Jackson & Curtis.

The First National Bank of Oregon; The Boatmen's National Bank of St. Louis; A. C. Allyn and Company Inc.; Equitable Securities Corp.; B. J. Van Ingen & Co. Inc.; G. H. Walker & Co.; Hornblower & Weeks; Hemphill, Noyes & Co., and Dean Witter & Co.

With A. C. Allyn Co.

(Special to The Financial Chronicle)

KANSAS CITY, Mo.—Franklin H. Brinkley has become associated with A. C. Allyn and Company, Incorporated, 101 West 11th Street. Mr. Brinkley was formerly with Barret, Fitch, North & Co., Inc. and Zahner and Company.

The Challenge of Soviet Power

By ALLEN W. DULLES*
Director, Central Intelligence Agency

There are many comforting and comfortless assessments in this analysis of the nature and magnitude of USSR's economic, military and closely intertwined subversive challenge. Mr. Dulles fixes secret of Soviet success in their ability to direct a far higher proportion of total resources to national purposes than we do to achieve a military and, now, an economic challenge with one-half our GNP. Because of this turn of events, the nation's intelligence chief warns we could lose unless we are willing to devote the necessary share of our power, skill and resources to our preservation. The author compares growth rates; shows Soviet bid to underdeveloped areas is most crucial to free world's survival; and reviews Kremlin's subversive record and its unwillingness to honor agreements.

My topic is particularly appropriate for the Edison Electric Institute. It was Lenin who defined Communism "as the Soviet system plus electrification." The very first Soviet economic plan in the early 1920s had as one of its principal objectives the development of a modern electric power system. In effect, the Soviets propose to electrify Marxism. What they may, in fact, do is either to shock their backward political institution into key with their more modernized technical and industrial skills or electrocute the whole archaic Marxist political system.

Allen W. Dulles

In any event, the Soviet Union has certainly sought to follow up Lenin's emphasis on electric power and has become a leader in many electronic fields. It has developed intensively the role of radio in its massive effort to promote its subversive policy on a world-wide basis. It uses electricity to jam the airways and to build an electronic iron curtain around the minds of their own people.

A Triple Threat

In my own business of Intelligence, the various manifestations of electrical power are changing the whole system of information collecting in many vital fields. Electricity operates the radar which is on watch against sneak attack. It helps to make possible the ready transmission of warning of impending danger and as the mass of intelligence pours in day by day, over electric channels, it is electronic machinery which becomes a valued partner in helping us in its collation and dissemination.

The challenge of Soviet power presents today a triple threat: first, military; second, economic; and third, subversive.

This challenge is a global one.

As long as the principles of international Communism motivate the regimes in Moscow and Peiping, we must expect that their single purpose will be the liquidation of our form of free society and the emergence of a Sovietized, communized world order.

They change their techniques as circumstances dictate. They have never given us the slightest reason to hope that they are abandoning their overall objective.

We sometimes like to delude ourselves into thinking that we are faced with another nationalistic power struggle of which the world has seen so many. The fact is that the aims of the Communist international with its headquarters in Moscow are not nationalistic: their objectives are not limited. They firmly believe and eloquently preach, that Communism is the system which will eventually rule the world and each move they make is directed to this end. Communism, like electricity, seeks to be an all-pervasive and revolutionary force.

To promote their objectives they have determined — cost what it may—to develop a military establishment and a strong national economy which will provide a secure home base from which to deploy their destructive foreign activities.

To achieve this objective, they are devoting about twice as much of their gross national product to military ends as we do. The USSR military effort as a proportion of GNP is greater than that of any nation in the world. Their continuous diversion of economic resources to military support is without any parallel in peacetime history.

We estimate that the total value of their current annual military effort is roughly equivalent to our own. They accomplish this with a GNP which is now less than half of our own.

Here are some of the major elements which go into their military establishment. The Soviet Union maintains an army of 2½ million men and the tradition of universal military training is being continued. The Soviet Army today has been fully re-equipped with a post World War II arsenal of guns, tanks and artillery. We have reason to believe the army has already been trained in the use of tactical nuclear weapons.

Strong Defense Posture

The have the most modern types of aircraft for defense: night and day fighters, a very large medium bomber force and some long-range bombers. They have built less of these long-range bombers than we had expected several years ago, and have diverted a major effort to the perfection of ballistic missiles.

Their submarine strength today is many times that with which Germany entered World War II. They have over 200 long-range modernized submarines and a like number of less modern craft. They had made no boasts about nuclear powered submarines, and on all the evidence, we are justified in concluding that we are ahead of them in this field. We must assume, however, that they have the capability to produce such submarines and will probably unveil some in the near future.

I would add a word on the ballistic missile situation.

When World War II ended, the Soviet acquired much of the German hardware in the missile field, V-1 and V-2, and with them many German technicians. From that base, over the past 10 years, they have been continuously developing their missile capability, starting with short-range and intermediate-range missiles. These they have tested by the hundreds, and have been in production of certain models for some time.

They also early foresaw that in their particular geographical position, the long-range ballistic missile would become their best instrument in the power struggle with their great rival, the United States. As the size and weight of powerful nuclear weapons decreased, with the improvement of the art, they became more and more persuaded of this. Hence, they have concentrated on these weapons, have tested some and assert that they now have ICBMs in serial production.

They hope in this way eventually to be able to hold the U. S. under the threat of nuclear attack by ICBMs while they consolidate their position in the fragile parts of the non-Communistic world.

Before leaving the military phase of the Soviet threat, I want to dispel any possible misinterpretations. First, I do **not** believe that the Soviet now have military superiority over us; and second, I do **not** believe that they desire deliberately to provoke hostilities with the U. S. or the Western world at this time. They are well aware of our deterrent force. They probably believe that the risks to them even if they resorted to surprise attack would be unacceptable.

Taking into account our overall military strength and our strategic position vis-a-vis the Soviet Union, I consider that our military posture is stronger and our ability to inflict damage is today greater, than that of the Soviet Union.

Furthermore, we have allies. The strength, the dependability, and the dedication of our allies put them in a very different category than the unwilling and undependable allies of Moscow, even including the Chinese Communists.

Testing United States

But as the Soviet military capabilities and their nuclear power grow, they will feel that their foreign policy can be somewhat more assertive. In 1956 during the Suez crisis, we had the first Soviet missile-rattling as a new tactic of Moscow diplomacy. Since then there have been the Taiwan Straits and Berlin crises, and today the aggressive Communist penetration of Iraq. Hence, we must assume that they will continue to probe and to test us, and they may even support other countries in aggression by proxy. They will put us to the test.

There are two points to keep in mind as we view the military future. Firstly, with a much lower industrial base than we, they are producing a military effort which is roughly equivalent to our own; and secondly, they have conditioned their people to accept very real sacrifices and a low standard of living to permit the massive military buildup to continue. If the Soviet should decide to alter their policy so as to give their own people a break in the consumer field with anything like the share in their gross national product which we, as a people enjoy, the prospects of real peace in our time would be far greater.

I will turn now to some of the highlights of the economic aspect of the Soviet challenge.

The Economic Offensive

The new confidence of Mr Khrushchev, the shrewd and vocal leader of the Soviet Communist party, and incidentally head of government, does not rest solely on his conviction that he, too possesses a military deterrent. He is convinced that the final victory of Communism can be achieved mainly by non-military means. Here the Soviet economic offensive looms large.

The proceedings of the recent 21st Party Congress laid out what we might call the Soviet economic order of battle.

Khrushchev explained it in these words, to summarize the 10 hours of his opening and closing remarks:

"The economic might of the Soviet Union is based on the priority growth of heavy industry; this should insure the Soviet victory in peaceful economic competition with the capitalist countries; development of the Soviet economic might will give Communism the decisive edge in the international balance of power."

In the short space of 30 years, the Soviet Union has grown from a relatively backward position into being the second largest industrialized economy in the world. While their headlong pace of industrialization has slowed down moderately in the past few years, it still continues to be more rapid than our own. During the past seven years, through 1958, Soviet industry has grown at the annual rate of 9½%. This is not the officially announced rate which is somewhat larger. It is our reconstruction and deflation of Soviet data.

Our own industrial growth has been at the annual rate of 3.6% for the seven years through 1957. If one included 1958, the comparison with the rate of Soviet growth would be even less favorable.

I do not conclude from this analysis that the secret of Soviet success lies in greater efficiency. On the contrary, in comparison with the leading free enterprise economies of the West, the Communist state-controlled system is relatively inefficient.

The secret of Soviet progress is simple. It lies in the fact that the Kremlin leaders direct a far higher proportion of total resources to national policy purposes than does the United States. I define national policy purposes to include, among other things, defense and investment in heavy industry.

With their lower living standards and much lower production of consumer goods, they are in effect, plowing back into investment a large section of their production, 30%, while we in the United States are content with 17-20%.

Soviet investment **in industry** as planned for 1959 is about the same as U. S. investment **in industry** during 1957 which so far was our best year.

Although the Soviets in recent years have been continually upping the production of consumer goods, their consuming public fares badly in comparison with ours. Last year, for example, Soviet citizens had available for purchase barely one-third the total goods and services available to Americans. Furthermore, most of the U. S. output of durable consumer goods is for replacement, while that of the USSR is for first-time users. In summary, the Soviet economy is geared largely to economic growth and for military purposes; ours is geared largely to increasing consumer satisfactions and building a higher standard of living.

Emphasis on Heavy Industry

Here are some examples: while the Soviets last year were producing only one automobile for every 50 we produced, they were turning out four machine tools to our one.

This contrast in emphasis carries through in many other fields. Our capital expenditure for transportation and communications is

Continued on page 38

*An address by Mr. Dulles before the 27th Annual Convention of the Edison Electric Institute, New Orleans, La., April 8, 1959.

Designing Electric Utility Systems for the Future

By LEWIS R. GATY*
Vice-President, Philadelphia Electric Company
Philadelphia, Pa.

The costliness of the cyclical pattern of ordering and fabricating major equipment, methods of overcoming transmission expenses, and the advantages of interconnecting adjacent systems, are some of the topics discussed by Mr. Gaty. The Philadelphian executive predicts manufacturers will be hard pressed in meeting orders in 1963-1965—causing bottlenecks in capacity additions exceeding 15 million kilowatts—and offers several suggestions to alleviate the costly cyclic pattern. He also advises more time and effort be devoted to improving community relations to parallel electrical system's growth. Further, he underscores the need for team work between manufacturers and operating utility companies, and for research and development.

The electric utility industry has had an exciting history since World War II. At the close of the war there were many eminent forecasters who foresaw a period of surplus capacity and stagnation before a new period of dynamic growth would begin. Instead, the load increased more steeply than before and has been continuing a strong growth trend ever since. An examination of the growth curve shows a definite change of the slope in 1946, then additional changes with an increasing rate of growth. (See chart.)

Lewis R. Gaty

There seems to be a good basis for believing another increase in the rate of growth is already under way. There are a number of compelling reasons for this belief, among them those that have been already publicized, such as population growth, new family formations, greater use per domestic customer, and the air conditioning and high intensity lighting of commercial establishments. However, one of the most compelling is the kilowatt-hours that can be purchased with one man-hour of industrial labor on the average. In 1932 the cost of one man-hour of labor was equivalent to the cost of approximately 35 kilowatt-hours whereas in 1955 it was more than 250 kilowatt-hours. The kilowatt-hour is becoming a more versatile and valuable servant as new uses and devices are developing, and at the same time is becoming a greater bargain in terms of the cost of industrial manpower. This is indeed an exhilarating and challenging picture. Many use a figure of doubling every ten years, but I am convinced this is too conservative and that our load will grow at an even faster rate.

For centuries unnumbered, man had to depend on animal muscles to do his work. Then, very slowly, power from windmills and falling water became available. Towns were located and cities grew and flourished where power was accessible. Eventually the use of power produced from fossil fuels came into use. First, steam power was used to drive shafts and belts. Then, nearly 80 years ago, man harnessed electricity generated by fossil fuel or by falling water. As this new genie grew and thrived, it was used to relieve mankind of many dreary tasks, at first slowly, then at an accelerating pace. New tasks were found daily in home, office, and factory that could be done better by electricity.

Now we are entering a new era, the most fantastic and exciting of all time. There need be no ceiling on the growth of energy use but man's ingenuity and ability to find new ways for electric energy to multiply his productivity and provide for his comfort and well-being. It would be interesting to expand on this aspect, but my assignment is to review with you some of the problem areas facing us and some of the tools to use in meeting our obligations.

My definition of obligation is simply stated—the responsibility to supply the prodigious appetite for ever greater quantities of energy when and where wanted, with increasing service reliability, and at reasonable rates. This must be done in such a way that our facilities are unobtrusive and in keeping with community requirements.

The time available will only permit a discussion of a few of the problem areas in the field of generation, transmission, distribution and utilization. These problem areas have been placed in four classifications, although each is related to the others. They are capacity, acceptability, reliability, and economy. The first letter of each word gives CARE, which is a good summary of the developments ahead.

Ample Capacity

Capacity must be provided through detailed advance planning many years in advance of requirements. This planning must include the amount of the load growth and the location of the most rapid growth, the location and size of new generating capacity and the transmission required to integrate it into the system. In order to realize the greatest economy in both installed cost and operating cost, the capacity of individual units of generation has been steadily increasing. This has reduced the overall cost of generation as the development program of the manufacturer and utilities in going to higher steam temperatures and pressures resulted in greater efficiency. Outstanding progress has been made through the installation of larger size units operating at higher steam pressures. Continued improvement is expected, although it becomes increasingly difficult as the theoretical limit of efficiency is approached. There are still economies to be realized by some of the systems, through this means as well as through interconnection with adjacent systems.

What are the advantages of pooling capacity and energy by two or more systems? These benefits are in the form of substantial capital investment savings, operating savings and improved reliability. Many utility systems are interconnected with coordinated dispatching, and have already enjoyed the major benefits of such interconnection.

Experience has shown that the proper scheduling of capacity and energy between interconnected systems makes possible savings in daily operation that would not be realized in any other way. This has resulted in the growth and expansion of interconnections throughout the country until there are few areas remaining that have no interconnected systems. The savings that result from economy interchange between two systems are due to the ability to carry the load on the most efficient equipment. Even though the net flow at the end of the year may be zero, there can be interchange energy of as much as 7% of the total output of the two systems with savings in excess of one-half mill per kilowatt-hour on this interchange.

There are still some systems that have possibilities for interconnection with adjacent systems combined with integrated operation. One obvious benefit is the sharing of diversity. Savings in both fixed charges and operating expense result from diversity savings as well as substantial savings from reserve diversity. Integrated systems with adequate tie line capacity make possible capital savings since each system can install larger turbo-generator units than it could justify as an isolated system. A reasonable amount of reserve capacity is the largest unit plus 4% of the load. An interconnection of two or more systems will often result in adequate reserve for all partners with one

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*An address by Mr. Gaty before the 27th Annual Convention of the Edison Electric Institute, New Orleans, La., April 8, 1959.

Electric Utility Pricing Policies for Tomorrow

By ROBERT S. QUIG*

Manager, Rate Department, Ebasco Services Incorporated

Electric utility management is told that one of the most important problems facing it is the fashioning of new pricing policies. Mr. Quig forecasts a five-and-a-half-fold increase in sales by 1978, compared to today's, involving increased investment of over $150 billion in order to bring installed capacity four times the present 145 million kilowatts. Keeping this in mind, he then reviews the earnings problem and the difficulties caused by inflation, the crucial role electric rates play in the issue of public-versus-private ownership, and the industry's tremendous need to obtain outside financing since it generates internally but one-third of its needs. The Ebasco executive calls for new regulatory and depreciation policies, offers a six-point rate making guide, and warns rate-construction is no longer a one-man job.

Every economic indicator available today points to the fact that the electric utility industry faces a future of continuing record growth. The increase in the nation's economy as forecast by the level of Gross National Product, together with the sizable increase expected in population and family formation, makes evident that the demands for electric utility service may well produce sales at the end of the next 20 years approaching three trillion kilowatt-hours, which is 5½ times today's sales. Installed capacity required at the end of this same period will probably be over four times the present 145 million kilowatts. Assuming that privately-owned electric companies will continue to represent the present ratio of ownership in the future, over $150 billion of construction expenditure must be made by them to attain these objectives.

Robert S. Quig

It is obvious that an expansion of this magnitude will involve substantial new money financing, for even now the industry generates internally only one-third of its new money requirements.

Function of Rate Making

The growth picture that is portrayed here is forcing utility managements to ask themselves these three questions:

(1) Will the utility price structure be adequate for the economic conditions of tomorrow?

(2) Will the regulatory concepts be broad enough to assure adequate service to customers and satisfactory return to investors?

(3) How should the utility be organized at the rate and economic research level to successfully carry out tomorrow's pricing policies?

The fundamental purpose of all public utility rate making is to produce the revenue requirements that will enable the company to provide adequate service to its customers and at a fair profit to the millions of investors who supply the capital. Public relations surveys have quite clearly indicated that electric rates may well be the key to public opinion on the whole issue of public-versus-private ownership of electric utilities. It is the customer's opinion of the cost of electricity, and not the cost itself, that is the important element.

In developing the price structure for tomorrow, it is clearly evident that there must be a reexamination of past policies and, more particularly, an examination of the underlying economic changes that are taking place during this inflationary era. For the most part, the rate structure used by electric companies today was developed to serve under the conditions of the pre-inflationary period.

The pricing structure of a utility must recognize the basic economic conditions of investment and expense on the one hand, and competitive conditions of value of service on the other. Fundamentally, the electric utility business is a business of "fixed and running charges." Considerations of policy determine the extent to which the fixed charges are spread on a unit basis over the running charges.

A series of charts shows where the electric utility industry, as represented by the Class A and B investor-owned electric companies, stands today at the end of 11 years of inflation.

Trend of Return

The trend of return on net electric utility plant, plus an adjustment for working capital, shows a return in 1948 of 6.11% which has gone down to 5.58% by the end of the year 1958.

I want to make it very clear that the use of the net plant concept on this chart in no way implies that this is the sole base for determination of return. The guiding principles as to rate base that are available to utility regulatory commissions are well set forth in the legislation of the many states. I will touch upon this later.

The important thing is that there has been a decline of about 9% in the rate of return on any standard of rate base in the face of ever-increasing inflation.

Capital Costs

Chart I shows the trend of costs of electric utility capital as measured by new issues of bonds and preferred stocks sold in the 11-year period. I have used the earnings-price ratio of 24 utility common stocks (Moody's) to indicate the general trend of equity capital. It must be recognized that the cost of common stock capital is not measured simply by relating present market prices to past earnings. As the NARUC 1958 Report of the Committee on Corporate Finance pointed out, such a ratio is "inadequate as a measure of the cost of common stock equity."

The downward trend in the earnings-price ratio of common equity is in large part attributable to the fact that utility equities have followed the general inflationary up-trend of the market, and to the fact that utility investors expect higher earnings will be attained through the orderly operation of the regulatory process. If the inflationary trend continues and utility equities cannot be kept as attractive on an earnings basis as alternative sources of investment of reasonably comparable risks, then the position of utility common equities will be seriously damaged. The ultimate test of a stock price is earnings to common. Real earnings to common in substantial proportions will be necessary in the years to come if utility equities are to sell on their own against heavy competition of equities of unregulated businesses.

With the demand for new plant at rising price levels and a constant need for new capital, it is crystal-clear that greater revenue must be developed to support the overall capitalization.

We will now indicate the trend of steam and hydro plant costs on an index basis, on a per-kilowatt and a per-customer basis and per dollar of operating revenue. Many companies are recognizing the substantial shifts that have occurred in the incidence of costs in all three major categories—those that are kilowatt-demand-related, those that are kilowatt-hour-related and those that are customer-related.

Electric Constructions Costs, as measured by the Handy Whitman Index for combined steam and hydro construction, continue to show an upward trend. Over the 11 years (1948-59) these costs have increased 70%, slowing now and then only in adherence to the basic laws of supply and demand, then picking up and moving along the upward path of inflation.

There has been a substantial change in the electric utility companies' economic posture as measured by the amount of dollar investment necessary to produce a dollar of revenue. At the end of 1948 it took $3.44 of electric plant investment to produce one dollar of revenue. By the end of 1958 it took $4.27. Looking at the situation incrementally over the same period of years, it took $5.04 of investment for a dollar of revenue.

It is well known that a business, to be successful, must make the fullest utilization of the invested dollar. Proper pricing, expanded sales effort, and—in the case of utilities—regulatory cooperation and understanding can do much to improve this condition.

The cost of Total Electric Plant in Service, as measured per kilowatt of installed capacity, has gone from $319 per kilowatt in 1948 to $344 at the end of 1957. Production Plant including Transmission has increased from $163 to $193, an increase of over 18%.

The economies that the industry has achieved in building power plants containing larger size, more efficient units are well known. The increase in cost per kilowatt is lower than the price-level increase, as measured by the Index of Construction Costs, over the same period. It is an achievement which in most non-regulated businesses would bring a rewarding return.

Distribution Plant, including General Plant, has increased from $203 per customer to $330 per customer, an increase of over 62%.

The sizable increase in investment per customer in this category is attributable to the tremendous area coverage which the industry has achieved in serving customer loads and to the necessity of adding substantial distribution system and investment, primarily due to the requirements of seasonal loads. It is in the distribution system investment that we seek a greater utilization of the invested dollar.

Effect of Inflation on Electric Utilities

In Chart II we have summarized in one picture the effects of inflation on electric utilities. The conclusions to be drawn are:

(1) The costs of new plant in this inflationary era make it imperative that careful scrutiny be given to capital expenditures and their revenue potential.

(2) The gap between plant and operating revenues will have to be closed, requiring greater sales effort along with the aid of any needed rate changes.

(3) Return must, in the long run, evidence an improvement in trend. It is not in the nation's best interest to have one of its dynamic basic industries operating on a marginal earnings basis.

In the operating areas of production and distribution, and sales promotion, there are expense developments that will bear consideration in future price policies.

A chart which is the product of the Edison Electric Institute tells a very revealing story. It demonstrates how the improved heat rates per kilowatt-hour from the larger, more efficient units have lowered the Fuel Use Per Kilowatt-hour. This fact has been primarily responsible for the Costs of Fuel Per Kilowatt-hour holding fairly steady in spite of rising fuel prices. The improved generating efficiencies are obtainable only after additional capital has been invested, with additional fixed charges. Two facts now stand out. First, future technological advances may not produce a decline at the same rate as in the past. As to Fuel Price, today's natural gas contracts understandably carry upward escalation. Fuel-oil prices generally keep in line with other competitive fuels. At the moment, future coal prices may be in a relatively better position than the other two major fuels. On the whole, however, it is probable that fuel prices will keep pace with other inflationary trends.

Trend of Operating Expenses

The increased investment in distribution systems has brought with it increased operating expenses. Distribution Expense Per Customer has gone from $11.30 in 1948 to $14.97 in 1957, an increase of 32.5%. Customers' Accounting and Collection Expense has gone from $4.27 to $5.75 per customer, an increase of 34.7%. Already, much effort has been expended in mechanization and in electronic development. If this had not taken place, the volume of work would have been handled only at much higher unit costs.

Sales Promotion Expense

The growing loads and expanded use of tomorrow will need a reappraisal of utility sales efforts if customers are to achieve maximum satisfaction in the utilization of the appliance investment we are talking about. Prior to World War II, the industry was spending about 3% of its gross revenue on sales promotion expense. In 1948 sales promotion expense of electric companies was only 1.6 cents of each dollar of revenue. In 1957 it was still 1.6 cents of each dollar of revenue. If corrected for inflation since 1948, the industry is spending considerably less for sales promotion effort today when plant investment and competitive forces are at highest levels. The Gold Medallion Home Program contemplates an appliance investment on the part of the customer of $3,000-$4,000. Now, this is not much more investment, if any, than the home-owner currently is making in a well-equipped home utilizing all of the various utility services. Nevertheless, concentration on all-electric home service, which holds the possibility of being a good earner for the utility, will require an all-out sales effort if it is to succeed. In addition to the Gold

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*An address by Mr. Quig before the 27th Annual Convention of the Edison Electric Institute, New Orleans, La., April 8, 1959.

States Girding to Tax Interstate Business

Findings by the Commerce Clearing House show 28 states already can, and seven additional states threaten to, tax locally earned income of firms exclusively in interstate commerce. Commerce clause is said to longer serve as a shield against state taxation and a finding of unconstitutional burden must be made to escape double taxation.

State governments are moving rapidly to tax the locally earned income of corporations operating interstate as recently approved by the U. S. Supreme Court, according to Commerce Clearing House, national reporting authority on tax and business law.

Legislation just enacted in Idaho and Utah brings to 28 the number of states which already have the necessary statutory provisions to tax the locally earned income of companies operating exclusively in interstate commerce. Other states holding regular legislative sessions this year could take action to bring their taxing systems in line with this new revenue source, the CCH report said.

States already in position to tax interstate business are:

Alabama, Alaska, Arizona, Arkansas, California, Colorado, Delaware, Georgia, Idaho, Iowa, Kansas, Kentucky, Louisiana, Maryland.

Also, Minnesota, Mississippi, Missouri, New Mexico, North Carolina, North Dakota, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, Utah, Virginia, Wisconsin.

Expanded tax liabilities also threaten interstate businesses operating in seven other states where corporate income taxes are levied on intrastate business already: Connecticut, Massachusetts, Montana, New Jersey, New York, Tennessee, and Vermont.

Question of Impact

As businessmen become increasingly aware of the implications of the Supreme Court decisions, they will realize that thousands of companies doing a multistate business have been stripped of immunity from taxation by any state which chooses to levy a tax on income earned within its borders —on interstate commerce as well as intrastate commerce, CCH said.

Many corporations have kept careful watch on their out-of-state activities to insure that "local" intrastate business was avoided. In most instances, this technique has enabled them to use the Commerce Clause of the U. S. Constitution as a shield against state taxation. Today, the Commerce Clause offers no such protection, CCH added.

One result of the Court's action may well be that a number of multistate corporations will be required to pay taxes to several states, amounting to a percentage of more than 100% of their net income.

However, the Court recognized that, while in practical operation the varying apportionment formulas in state income tax laws may result in double taxation, the taxpayer will have to show that the formulas place an unconstitutional burden upon interstate commerce, in order to avoid the full effect of state income taxation, the CCH report said.

To Form Rittmaster Co.

David H. Rittmaster, member of the New York Stock Exchange, and D. Paul Rittmaster will form the Exchange firm of David H. Rittmaster & Co. April 1st, with offices at 15 Broad Street. Both are partners in Porges & Co.

New Officers Elected by Edison Electric Institute

Annual Convention of electric power industry elects Allen S. King as President and Sherman R. Knapp as Vice-President commencing this June 1.

The twenty-seventh annual convention of the Edison Electric Institute, meeting in New Orleans during April 6-8, selected as its President for the forthcoming year Allen S. King, President of the Northern States Power Company, Minneapolis, Minn., and Sherman R. Knapp, President of the Connecticut Light and Power Company, as Vice-President. The terms of office run from June 1, 1959-May 31, 1960.


Allen S. King


Sherman R. Knapp

Newly Elected Directors

The newly elected members of the Edison Electric Institute's Board of Directors, with terms beginning June, 1959, and expiring June, 1962, are:

E. R. Acker, President, Central Hudson Gas & Electric Company.

W. L. Cisler, President, The Detroit Edison Company.

J. E. Corette, President, The Montana Power Company.

G. W. Evans, President, Kansas Gas & Electric Co.

O. T. Fitzwater, President, Indianapolis Power & Light Co.

R. A. Gibson, President, Hartford Electric Light Co.

R. E. Ginna, Chairman, Rochester Gas & Electric Co.

E. L. Lindseth, President, Cleveland Electric Illuminating Co.

J. W. McAfee, President, Union Electric Company.

H. M. Miller, Chairman & President, Columbus & Southern Ohio Co.

E. M. Naughton, President, Utah Power & Light Co.

J. L. Rice, Jr., President, West Penn Electric Co.

H. P. Taylor, President, Wisconsin Public Service Co.

O. Titus, President, Metropolitan Edison Co.

D. J. Tuepker, President, Oklahoma Public Service Co.

Mr. King's Background

Vice-President of the Institute since last June, Mr. King will succeed J. E. Corette, President and General Manager of The Montana Power Company, as head of the trade association of the nation's investor-owned electric companies.

Mr. King has been President of Northern States Power Company since 1954. He began working for NSP as a meter repairman while still in high school, and continued to work for the company during summer vacations from Massachusetts Institute of Technology, where he graduated in 1922 with a degree in electrical engineering.

His first full-time assignment with NSP was as engineer on a steam main construction job in Fargo, N. D. This was followed by a year in the credit department of the company's Minneapolis office and by assignments in the testing laboratory and the Riverdale steam generating station.

In 1945 he became Fargo division manager with general supervision of the company's activities in North Dakota.

He was elected Executive Vice-President in 1951 and elected President of the company in 1954.

Mr. King has served on the Edison Electric Institute's Advisory Committee and its Atomic Power Committee, and is a member of its board of directors. He is also a member of the board of directors of the Northwest Bancorporation, the Northwestern National Bank, the Community Chest, the Minnesota Orchestral Association, and the Minneapolis Foundation. He is also a member of the Association of Edison Illuminating Companies, and the Engineers Club of Minneapolis.

Mr. Knapp's Background

Mr. Knapp has been President and a Director of The Connecticut Light and Power Company since 1952. He joined the company in 1928 upon graduation from Cornell University.

He served as an Engineer in the operating and sales departments until 1937, when he was made Manager of the New Milford District. In 1941 he became Assistant to the Sales Vice-President and he was named Assistant to the President in 1948. In 1949 Mr. Knapp was elected Executive Vice-President.

He is a Vice-President and a Director of Yankee Atomic Electric Company, which is owned by a group of 11 New England utilities joined together to construct the area's first atomic electric power plant.

Mr. Knapp has been a member of the EEI board of directors and served on a number of Institute committees, including the General Division Executive Committee. He has served as President of the New England Gas Association and the Electric Council of New England. He is presently a Director of the National Association of Manufacturers and a member of the National Industrial Conference Board and the National Planning Association. He served as Chairman of the Connecticut Flood Recovery Committee following the floods of 1955.

He served as a Director of the Connecticut Bank and Trust Company, the Emhart Manufacturing Company, the Hartford Accident and Indemnity Company, the Hartford Fire Insurance Company, the Hartford Steam Boiler Inspection and Insurance Company, and Scovill Manufacturing Company.

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Government's Role in Nuclear Power Development

Energy Commission, I invite the effort and cooperation of every one.

Peaceful Application Since 1954

In 1954, just five years ago, the Congress of the United States declared "Atomic Energy is capable of application for peaceful as well as military purposes." Hence, it established as United States policy that our efforts should be directed towards the development of atomic energy for the general welfare and to raise the standards of living.

The President and the Congress decreed that this great new source of energy should be dedicated to man's betterment — not to his annihilation. This responsibility was placed with the Joint Committee for Atomic Energy and with the Atomic Energy Commission. The former shapes the nation's atomic policy through legislation and acts as "watchdog" for the Congress to see that this policy is properly implemented. The latter is the executive agency. Together the two cooperate in protecting our nation's precious atomic assets. The relationship between the Commission and the Joint Committee is copper-riveted by the wording of the Act that, "The Commission shall keep the Joint Committee fully and currently informed with respect to all of the Commission's activities." Both have by law vast responsibility for our national atomic program.

As one relatively new in the picture, I can detect no basic differences in the fundamental approach of the Commission and Committee in implementing our national objectives. I am particularly pleased with the relationship as it exists today. I am impressed with the thoughtful consideration and seemingly unlimited time that 18 busy Senators and Congressmen are willing to give to overseeing this great source of energy for the general welfare of all people.

You are interested in power and my purpose is to discuss nuclear power.

It is my opinion that we lead the world in this technology because I believe we know more about this difficult and at times forbidding science than do men of other nations. In saying this I admit that at least one other country and possibly two, are producing more kilowatts of electricity from the atom than we are. Moreover, this situation will continue for some time.

The question is often asked, why this is. Are we slipping? My answer is, no! Kilowatts at high cost are not important to us. We have the lowest cost power of any principal nation in the world. Moreover, we have abundant supplies of conventional fuel. What is important then is to advance "know-how" — to be there first with the cheapest and most dependable atomic power. This calls for steady, rapid development. It does not call for large quantities of kilowatts.

Other countries, less fortunate than we, have allowed themselves the luxury of high-cost atomic power produced in first generation plants. By doing so they may better their power costs, save imports of fuel, stop drains on their currency; and, by coupling the production of plutonium and power into a single plant, produce weapon materials to meet their needs.

This policy makes good sense for them, but not for us. Had we made a similar decision, our great plants at Hanford and Savannah River could be producing millions of Kilowatts of power in addition to plutonium. However, these kilowatts would be expensive by our standards. In my opinion, a national liability, rather than a national asset, would have been created as a result of the high cost of the power produced.

Basically, we must create atomic power according to our needs and from plants which will produce this power competitively. This accomplished, nuclear power will take its place naturally in meeting the needs of your customers.

Competitive Tomorrow, Not Now

Is competitive nuclear power possible? My answer is yes—nuclear power will one day support our ever-expanding industrial growth.

I, for one, was not swept along by the unwarranted enthusiasm of the early 1950s. Likewise, I am not persuaded by the gloom and despair so frequently expressed today, a viewpoint you will recall pervaded Geneva last August and Vienna in September. I am convinced from long, hard study of this problem that atomic power will be competitive and therefore useful in the United States at an earlier date than some think.

I am further persuaded that the need for this source of power is such that we must promptly overcome the technical problems. The government, in our national interest, must see that this is done. The electrical industry, both public and private, in the interest of meeting their ever-growing demands, must also work with unrelenting effort towards the perfection of these processes. When this task has been accomplished, the atom will provide an increasing proportion of the growing demand for electrical energy.

There is now broad agreement on the basic objectives of the nation's atomic power program. This agreement results from many studies. It results from the thoughtful work of the staff of the Joint Committee on Atomic Energy as expressed in its report of last August. It results from the studies of the Edison Electric Institute and the excellent reports which they produced. It results from work of the Atomic Energy Commission and the findings of the Ad Hoc Committee I appointed early last Fall.

Each of these groups set forth objectives—each in its own words — after carefully considering the importance of nuclear power to our own power needs and to our world position; and finally after weighing the hard, tough scientific and engineering problems which must be solved.

Lists Five Objectives

Briefly, there is now broad agreement on the following statement of objectives and these represent national policy:

(1) To reduce the cost of nuclear power to competitive levels in high energy cost areas of this country within 10 years.

(2) To assist friendly nations now having high energy cost to achieve competitive levels in about five years.

(3) To support a continuing long-range program to further reduce the cost of nuclear power.

(4) To maintain the United States position of leadership in the technology of nuclear power for civilian use.

(5) To develop breeder type reactors to make full use of the nuclear energy latent in both uranium and thorium.

Before discussing the future let us take inventory of our present situation.

Despite frustrations and disappointments, much has been accomplished. Results point the way to accelerated progress. We are experiencing better plant performance than anticipated. This is the basic reason for my hope and my optimism.

Seven experimental power reactor plants are now in operation. They have performed well. They contribute valuable, first-hand operating information. By and large they perform better than the scientists and engineers expected.

Gives Examples of Progress

Let me give you a few examples.

The experimental boiling water reactor at Argonne, a simple plant designed to produce 20 megawatts of heat has vastly exceeded its design capability. The reactor has since demonstrated a capability to operate at 60 megawatts. Now the Argonne laboratories are installing a new core of much higher power density. They hope to produce 100 megawatts or five times the design capacity of the original plant which itself is unaltered. What is accomplished here can be incorporated in the design of all boiling water reactor plants of the future. The downward effect on the cost of power will be dramatic.

I am told that Vallecitos, the General Electric Company's experimental plant in California, has exceeded its design power level and is capable of further increases.

Shippingport, a pressurized water plant, and the largest of its kind, has been operating now for 16 months. Despite all that has been said concerning Shippingport's high cost, this plant has served an indispensable purpose. Out of it is coming vast amounts of solid, dependable information not otherwise obtainable.

Shippingport also is demonstrating unexpected growth. It is operating at 60 megawatts electrical, but designed with the hope that it might some day produce 100. The second core presently being fabricated for the original plant is estimated to produce 150 megawatts. I think it is a good bet that the third core may even exceed that.

These are the hopeful results of the early operation of the plants which are on stream. But there are other indications to give encouragement. We have operated 11 naval propulsion reactors, some in land prototypes, others in submarines. Every one has performed with remarkable dependability. Additionally, successive cores indicate dramatic improvement in the core life span, thereby correspondingly reducing fuel costs.

These are all encouraging factors. They are not theoretical. They are solid results and dispel some of the gloom of Geneva.

Sixteen plants incorporating eight different reactor concepts have been authorized for construction by the government or by industry, in addition to those now in operation. These new plants, some of them large, most of them relatively small, will, when completed, produce about 1 million kilowatts electrical and will cost in excess of $500 million.

The plants under construction are, for the most part, on schedule. Dresden, a 180 megawatt boiling water reactor, will be completed this year. Yankee, a 130 megawatt pressurized water plant will be completed on schedule next year. It will be followed in 1961 by the Consolidated Edison Company's giant 255 megawatt pressurized plant at Indian Point. Pacific Gas and Electric Company's Humboldt Bay Plant, the Northern States Plant with nuclear superheat, and the Elk River Plant are all under construction and should be completed in two years or a little more.

These projects, in my opinion, represent real progress in the water concepts. Much will be learned from their operation. But even now, known technology indicates a need for additional plants designed to demonstrate new technical advances. Therefore, it is our intention to proceed promptly with additional plants of the water type and we have such proposals before the Congress at this moment.

Quite a different concept, the graphite - moderated sodium-cooled reactor experiment built by the Commission at Santa Susana has operated reasonably successfully for over a year. From the information gained in this reactor we are proceeding with the design and construction of a 75 megawatt plant for the Consumers Public Power District in Nebraska to be completed in 1961. This reactor concept is of special interest because the outlet temperatures are high and the steam conditions better than can be achieved in several other concepts unless superheating is proven to be feasible and economical. Further development of this concept requires a larger, more elaborate, and more flexible sodium graphite test reactor. This will be built if studies indicate that we should further pursue the sodium cooled concept.

The organic-moderated reactor experiment in Idaho has proven the feasibility of this process. Although results to date are admittedly meager, we believe this reactor type is worth further development. We, therefore, are proceeding at once with design and construction of a small commercial organic-moderated and cooled plant in Piqua, Ohio. If successful, organic cooled plants will be relatively simple and, therefore, cheap to build and operate. Also, because the organic moderator and coolant does not become radioactive as it circulates through the reactor, the plants will be less hazardous than other types. An additional experimental reactor, larger and more flexible than the existing one, must be built promptly to advance this process. The Commission has proposed this to Congress as a part of our current program.

"Breeding," or producing in a reactor more fissionable fuel material than is consumed, is a fascinating prospect. When this can be done economically and safely, a new and important milestone in atomic power will have been reached. Our program in this area is encouraging. The second experimental breeder reactor is under construction in Idaho and will be completed, together with its full-integrated pyrometallurgical reprocessing facilities, in about a year. The 90 megawatt Enrico Fermi Plant of this type is advancing rapidly. It is about

50% complete now and should be ready for operation in 1961.

Heavy water reactors are important because they offer the best means of using natural uranium for fuel. Foreign countries would prefer not to be dependent on the United States or Britain for enriched fuel. Domestically, natural uranium lessens the potential competition between the nuclear power and the weapons programs for available U-235. Also, heavy water offers economic advantages stemming from greater economy in the use of neutrons. Therefore, we place great importance on our heavy water program. We are building two test reactors, one at Savannah River, one at Hanford. We have contracted for development leading to a heavy-water gas-cooled plant in Florida and for the construction of a heavy-water cooled and moderated plant in South Carolina. Furthermore, we have important cooperative arrangements with Canada in this field.

So much for the status of our present program. I know there have been disappointments. The Joint Committee and the Commission have had their disappointments also. I believe many of these disappointments have been caused by non-recurring events. Some grew out of the over-enthusiasm of 1954. Some serious ones have grown out of the fact that costs have exceeded original estimates by an average of 50% and in some instances 100%. Another frustration has been caused by delays—delays by industry in arranging its plans and financing, delays by the Commission in evaluating proposals and in securing authorization.

However, we know more about this business now than we knew in the past. Estimates can now be checked with actual cost experienced in a dozen locations. Government procedures, difficult under the new laws and regulations of 1954, are now understood by all parties concerned. Finally, we have an agreed set of objectives to guide us. We can now move along much faster.

A new area, of great importance, is the gas-cooled reactor. Great Britain has built its nuclear program around this concept. However, at the low temperatures to which they are limited today, there has been little incentive for the United States to build gas-cooled reactors—they are costly, their steam conditions are comparatively poor, and their power costs high.

More recently, there is evidence that gas-cooled reactors can operate at considerably higher temperatures thus improving their relative economics. Therefore, we propose to build them. We have asked Congress to authorize building a highly flexible graphite-moderated, helium-cooled reactor. This plant will be built on a Commission site as an experimental reactor and a power producer. This will be a valuable tool, useful in the entire field of gas-cooled reactor technology.

Concurrently, we are asking Congress to authorize the construction of the high temperature gas-cooled reactor proposed by the Philadelphia Electric Company and the General Dynamics Corporation. This plant will be privately financed. It will be supported by a group of some 52 power companies, and I imagine all of those companies are represented at this Commission. The Atomic Energy Commission, for its part, is to provide \$14½ million for research and development assistance. This reactor is a bold and courageous step for we are venturing into temperatures heretofore unattained. However, it has been carefully studied and is considered by us and by the sponsors as a good risk.

If successful, and I have every reason to believe that both of these projects will be, we will have taken a giant step in this very important area.

Looks Into the Future

Let us look into the future.

The problem immediately at hand is to produce competitive atomic power at the earliest date. This, in our opinion, will be done first in plants in which the uranium fuel is consumed just as coal is consumed in a boiler. There are countless possible thermal reactor concepts which seem to evolve in the minds of scientists and the engineers. At one time it was felt that almost any promising concept should be given support. It was also felt that a concept could be proven by a small experimental reactor and a certain amount of research and development effort. We have not found this to be the case. The experimental reactor, in answering some questions, has a habit of asking a great many more. This, then, calls for another experimental reactor and then another, or perhaps a small demonstration generating plant. We believe that each reactor concept must go through an evolution of development. Experience has proven to us that no easy shortcuts are to be found. The great pressurized water plants at Yankee and Consolidated Edison were preceded by a number of naval reactors all pressurized water but varying in size and construction detail, and also by Shippingport, itself a prototype. Therefore, one might say there was a wealth of practical experience and knowledge in the hands of the scientists and engineers as they developed the designs and built these two major plants.

The same is true of the Dresden boiling water plant, for this plant has benefited from the four experimental BORAX plants, as well as the Experimental Boiling Water Reactor at Argonne and the Vallecitos plant.

If similar reactors were started today, they would obviously incorporate improvements lowering both plant and fuel costs. But it would be a courageous man indeed who would incorporate into a very large plant some of the recent developments such as higher power density cores, improved methods of containment, and simplified systems of circulation until these novel ideas had been demonstrated in smaller plants. When demonstrated, then these ideas must appear in large plants if the full potential of the developments are to be realized.

Need for Prototypes

For this reason, we argue for the immediate construction of prototypes. These prototypes will be the smallest plants which can be built and still prove the particular technical advances on a scale which will permit extrapolation to plants of large size. The proportions of the prototype will depend to a large extent on the technology being demonstrated. For the most part they will range from 30 to 80 megawatts.

The advantages of building prototypes rather than large plants during the developmental stages are manifold. First, they can be built relatively cheaply. Therefore, they save you or the Federal Government, or the taxpayer, a substantial amount of money. Second, since they are cheaper, we can better afford new technical features at a risk, to be sure, and in this way, sharpen up the technology. Third, they can be built in less time. Proposals in our hands indicate that plants of this size can be designed and built in two to two-and-one-half years. On the other hand, the estimate for a large plant is four years after financial arrangements have been completed. Finally, prototypes require far less uranium fuel. For these reasons, changes and improvements can be made without great economic disturbance.

We, therefore, feel a series of protoypes should be built. They must be carefully selected, they must be looked upon as the essential building-blocks which go into a completed structure. Each prototype must play its part in demonstrating technological advances. They must prove that these advances, when incorporated in large plants together with the advances proven by other portotypes, will result in a large plant which will be both reasonable to build and capable of producing economic power.

This will make for some hard choices. The decision to construct or not to construct a particular prototype will surely influence the program. If Federal funds are involved, this decision must rest with the Atomic Energy Commission. This is not to say that industry will not build developmental plants in the future, as they have in the past. And I can assure you that there is no desire to duplicate, at the taxpayers' expense, the developments made by industry. Thus, we will give industry every encouragement to proceed on its own, rapidly and economically. Where we can help, we will. And when we do help, we will find ways of giving help without slowing down or delaying your own progress.

I know that plants of the size I have been speaking of do not appeal to most of you for the simple reason that they are costly and their power is far from competitive. For that reason we are advocating capital assistance to offset the difference between the initial cost of the plant and the estimated cost of a conventional plant. The Commission has advocated a capital grant which could make up a large part or all of this difference. Others have advocated capital grant plans which range from 75% to 90% of the difference. This matter can be resolved. The important point is to do those things which are necessary to advance the program. It is also important to recognize that the proposed capital grant is limited to essential prototypes which, in the opinion of the Atomic Energy Commission, will advance the particular concept involved.

Final Goal for Private Plants

We feel that once this is done—that once, by means of this assistance, we demonstrate the ultimate possibilities of atomic power—then industry, both public and private, will build the very large commercial plants for incorporation in your respective power systems. Industry can and will build these plants with no government assistance—that is our objective—our final goal.

The long, costly succession of experimental and prototype plants necessary to perfect a particular concept raises the question as to just how many types of plants industry and the Government should support. I have said there is no shortcut in this business. It will cost about \$350 million to carry one of advanced processes to a point where we can reasonably expect cheap power. This is the figure for boiling water. It probably will cost even more for pressurized water, but this figure is hard to develop accurately because the development is commingled with our naval reactor program. I believe it will be still more expensive to fully develop some other concepts.

This, then, makes it necessary for us to determine objectively and carefully the potentialities of a concept. A process must clearly demonstrate that it will produce power more quickly, more safely, or at lower cost to warrant our support. We must be highly selective in moving forward into the more expensive developmental steps. We must do so only with the most promising concepts. I do not mean to infer that we will adopt the course of pursuing only one concept as Great Britain has done. However, I do think we should limit our efforts to four or five concepts which offer special and significant incentive to our national interests. This is not an easy choice. As my fellow Commissioner John Graham says, "It is difficult to select an all-American end out of a group of grammar school kids." But we feel the factors that control the cost of nuclear power are now clear and, hence, the yardstick of realism can now be placed against the large number of reactor concepts which are under study.

Beyond the non-breeding thermal plants are breeders. I have already discussed one of them, the fast breeder. There are other thermal breeders, in which the fuel passes through the reactor in a liquid state or in a slurry. In addition to being potential breeders, these concepts have the additional advantage that their cost of fuel fabrication is small. We have experienced more difficulty with these reactors than we had anticipated. For that reason, we are going a little slow on hardware and are emphasizing research and development. We feel this type of plant, as a useful commercial power producer, is a decade away, or perhaps more. When it is perfected this will be a great step

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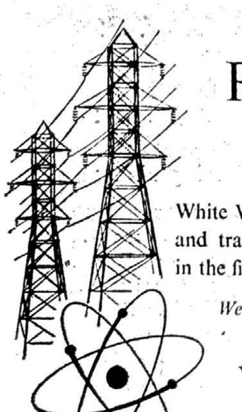
Government's Role in Nuclear Power Development

forward. However, we do not believe that breeders in general will render non-breeders obsolete.

Skeptical of Thermonuclear Fusion Power

Finally, as the third stage in this development, we see power from thermonuclear fusion. I think all agree here that the optimism once expressed over this possibility was unwarranted. The scientific and engineering problems are far more difficult than once thought. But there is no question in the minds of the scientists that these problems will be overcome and that this unlimited source of energy will be available to mankind. When this will happen is hard to say. Dr. Teller, for example, now does not expect power for the consumer from thermonuclear fusion during the lifetime of many of us here today.

I want the continued help of this great industry in furthering this nation's atomic power program. You must build plants and place them in operation on your power grids. Only by doing so can the compatibility of the nuclear plant and the power demands of utility systems be demonstrated. You must help with your technical knowledge, for your technical and engineering resources are vast. And finally, you must recognize that the only solid knowledge of value to you and to your organization will come from actual experience with the building and operation of a nuclear plant. Too often the executive or the economist who admittedly must work with cost figures whittled down to a mill, or even a fraction of a mill, rejects the idea of atomic power because on a pro forma first-year basis it looks uneconomic. Conventional power costs projected for 25 years with fossil fuel costs increasing each year as they surely will, must be compared with nuclear costs projected for a similar period. During this plant life span atomic power cost will come down when fuel fabricating and processing techniques are moved from the job shop to the production line. Atomic power then does not look so "noncompetitive." Add to this evaluation the intangibles of training and of experience and then ask how your stockholder is to fare when coal or oil are not so readily available as they seem to be today. Then, I believe, with all of these factors properly in focus, you can only conclude, as I have, that atomic power development deserves, and must have, your continued vigorous participation.



Breakthrough in Direct Conversion Of Nuclear Energy into Electricity

An unexpected basic research development is said to pave the way for drastically cheaper conversion of nuclear reactor energy directly into electricity. This new technique is expected to eliminate turbines, boilers, gas condensers and dynamos, such as at Shipping Port, Pa., and Enrico Fermi Reactor near Monroe, Mich., in the production of electric power from fission. The process, called plasma thermocouple, is expected to be in operation in a research reactor in two years. Construction of a commercial reactor may take, however, three to five years because of the lag between science and engineering.

The first direct conversion of nuclear reactor energy into electric power — a major scientific breakthrough — was reported Tuesday, April 7, by The University of Michigan and Los Alamos (N. M.) Scientific Laboratory.

Robert W. Pidd, professor of physics at The University of Michigan, who played a prominent role in this achievement said the process would:

Cut by perhaps one-half the present cost of building power reactors;

Pave the way for interplanetary space travel because of the possible tremendous reduction in fuel deadweight loads now necessary to propel a rocket into space;

Enable satellites to have a small but comparatively powerful and long lasting source of electricity with which to telemeter data back to earth; and

Have great significance in submarine propulsion.

Explains Process

Under the process, electric power is obtained from a nuclear reactor containing a uranium carbide source surrounded by a plasma or electrified gas made from cesium. When the reactor is turned on, atomic fission causes the uranium to have such an energy release that it turns white hot. At this temperature a large electric current is produced and is then transmitted by the gas to a collector from which it can be put into use.

The technique, called a plasma thermocouple, eliminates virtually all but the nuclear reactor in the production of electric power from fission. This means boilers, turbines, gas condensers and dynamos, such as go to make up the Enrico Fermi Reactor near Monroe, Mich., or the combined government-industry reactor at Shipping Port, Pa., will not be necessary in the future.

Professor Pidd said it would be sometime before a commercial reactor utilizing the new process could be constructed because there customarily is a three to five year lag between science and engineering. He added, however, that a research reactor could be in operation in two years.

Overall Significance

Such a commercial reactor could not yet compete with coal power without government support, he explained, but the overall economic significance lies in the fact that the known power reserves of uranium exceed many, many times that of coal and oil.

Basically, a thermocouple is a well known means of producing electricity by bringing two different metals into contact, then cooling one metal and heating the other. The Los Alamos thermocouple is the result of a laboratory observation, made last July, that substituting ionized cesium gas (plasma) for one of the metallic elements produced direct current at several hundred times the power of earlier thermocouples.

The experimental plasma thermocouple resembles in size and shape an empty frozen fruit juice can. The source of power is a rod about one-fourth inch in diameter and three-fourths of an inch long containing uranium carbide. This is suspended in the center of the cell and surrounded by cesium gas, when the assembly is lowered into the core of a reactor, the neutron flux activities uranium fission heating in the center of the can, while the flow of reactor coolant around the outside of the can drops the temperature of the cesium plasma. The essential requirements of a thermocouple thus are met, and electricity is produced.

Professor Pidd said the "enormously simple" device was research tested for the first time last Friday, April 4, at the Omega West reactor at Los Alamos.

The laboratory-developed plasma thermocouple was placed in the core of a research reactor. Modestly calculated to produce enough power to light an electric bulb for a few minutes, the life time of the device far exceeded all expectations. Acting like a superpowered flashlight battery—with an open circuit voltage of 3.8 volts and a short circuit current between 30 and 40 amperes —the thermocouple was operated at design efficiency for almost 12 hours before it was shut down and dismantled for analysis.

When this single cell is extrapolated to an entire reactor, the implications of a successful plasma thermocouple to future atomic energy developments are enormous, the Laboratory scientists said.

Professor Pidd declared, "This could be the device that changes the reactor from a scientific instrument to a practical source of useful power, a goal that has been sought since the invention of the reactor."

Professor Pidd was on leave from the U-M as a consultant to the project last semester.

Other Scientists Involved

The three-year project was sponsored by the Atomic Energy Commission at Los Alamos. Working with Professor Pidd as initiators of the effort were George M. Grover and Ernest W. Salmi, both of whom received their Doctor of Philosophy degrees from the University, and John R. Reitz, professor of physics at Case Institute of Technology, Cleveland.

Dr. Grover, group leader of the project, received his bachelor of science degree from the University of Washington. He gained his master of science and doctor of philosophy degrees from the U-M in 1947 and 1950, respectively. His home is Silver Springs, Md.

Dr. Salmi, a former Detroiter (16773 Biltmore Ave.) now makes his home in Los Alamos. He won his bachelor of arts degree from Wayne State University in 1946, and master of science, and Ph. D. from U-M in 1947 and 1951, respectively.

The U-M professor indicated interplanetary space travel could profit from the development in that a few pounds of apparatus could replace many times that weight of fuel now needed to thrust rockets into space. Hence, the payload of rockets could be increased measurably.

The technique also should ease the present problem of data transmission from satellites which, because of their size, have power units of very limited capacity. An ounce or so of cesium gas provides all the conversion equipment needed to produce power for an extended period of time.

Professor David M. Dennison, Chairman of the U-M Department of Physics, said the achievement is another example of how basic research "in unexpected ways can often turn to practical advantage."

Revel Miller Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Dennis S. Dawson and William D. Foote, Jr. have been added to the staff of Revel Miller & Co., 650 South Spring Street, members of the Pacific Coast Stock Exchange.

Lile Co. Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif. — John H. Riegel, Joseph F. Schultz and Loren Simms have become affiliated with Lile & Co., 1001 East Green Street.

Three With Bond & Share

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Cal.—Philip Horowitz, Donald B. Moore, and Constance T. Roberts have joined the staff of Bond & Share Co., 16 No. Marengo Street.

Atlas Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Albert R. Gulbin, Asher Jagoda, Gerald B. Morrison and Fletcher Pond have become affiliated with Atlas Securities, Inc., 6505 Wilshire Boulevard.

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Bases for Successful Future Electric Utility Financing

under regulation but when it comes to the use of even more senior and highest priority capital, that which is reflected by depreciation reserves; in only a few jurisdictions is the equity and economy of giving the risk reward to those who take the risk respected. When the depreciation prepayment reserve equals the equilibrium 50%, the stock capital takes all of the risk for less than half the risk compensation. Income so burdened will be discovered to be more hazardous income and should not command the market confidence of a flow of income which can claim what it earns. Beyond the level of reasonable assurance, assets generated by depreciation reservations when deducted for rate base purposes represent the most costly capital any utility obtains.

To return to our main theme, since capital is such an important factor in the industry the getting of the capital is a most important business function and the assured ability to get it when needed is the great intangible asset of a going utility enterprise. That asset deserves respect and careful protection by both enterprise management and regulatory authority.

Credit has been defined as "what you got when you don't need it." But a utility has to be able to get capital at any time. The full impact of the continuing necessity to be able to command capital on favorable terms is not commonly appreciated by non-utility businessmen and too often also not by regulatory authorities. The reserve assured-capacity to get capital when needed is the great economic reserve against contingencies on a par with reserve generating capacity in the technological area. The uninformed or unappreciative need to be told how a utility must expand to meet the demand of the market which it sees fit to occupy as an exclusive service agency, in fact is legally obligated to expand whether conditions are favorable or not, whether the money market is tight or easy, whether the additional business appears attractively profitable or not. Good utility credit is no fair-weather craft; it is an essential business requisite that has to be able to take it as it comes, fair or foul.

A bare subsistence wage for capital obviously will not meet such needs and standards. Stand-by reserve - borrowing - capacity and a buffer margin of earnings are as much the economic assurance of the capacity to serve as is stand-by physical capacity. Both cost something but are worth what they cost.

More Capital Needed

The fact that a utility must expand to meet its legal obligation will in the near term become of greater significance. Two factors are converging to impose a need for more capital for the electric industry, as never before.

They are (1) the impending explosive growth in population and (2) the accelerated response of more intensive use of electricity as the rise in the standard of living, and electric living in particular, gains momentum.

We are growing at the rate of one person every 11 seconds. From 1958 to 1970 we will add another 30 million and population, like capital and interest compounds so that our far-sighted philosophers are anticipating a crowded world, a crowded nation and even a shortage of space as such.

Either development alone would test the electric industry's capacity to command capital. With an impact more coincident than may be desired or economical these two bases for an unprecedented expansion of electrical capacity and consumption may again make the obtainment of the needed capital, the industry's number one concern.

The importance of the impending bulge in growth for our purposes is the demand for capital and the new financing which it will generate. In one sense the total responsibility will be but the sum of the individual responsibilities of each and every enterprise pressed to expand and to find the money. In another sense there is a collective responsibility since what separate enterprises may be able to do is conditioned by the general regard, reputation and standing of the industry as a whole.

In an even larger sense electric service, adequate and reliable electric service, has become a top social responsibility for peace and for defense. At this level of the transcendent social interest there also develops therefore an over-all social, public and political responsibility. It is difficult for a single enterprise in an industry to rise to a unique command of investor faith and confidence against the general reputation of such a class of enterprise. It is also difficult for an industry as a whole to turn in a top performance in the face of an adverse institutional framework and political obstructionism. Thus the political-economic environment of the times severely limits what an industry as a whole can accomplish. Give but one thought to what transportation genius could do for this country in short order if it were but given a revised political climate, or if for instance just one change were made, the removal of dual regulation, regulation by both public authority and competition. Eliminate one form of regulation, and we would quickly have a renaissance of transport economy in place of what now only gets progressively worse.

By comparison with transport the position of the electric industry is a bed of roses. No longer at least is it necessary to meet the general political muck-raking of the nineteen-thirties and its disturbance of investor confidence.

Threat of Public Power

While at the moment the problems of the general political environment seem less disturbing than for some time or localized at least, yet the seeds of nationalization and socialization, in substance if not in form, are still with us. Come into my network, governmentally-owned and interconnected, says the political spider to the fly and that would as always be the end of the enterprising fly. Socialization periodically emerges as a disturbing threat to the investor confidence. At a local level socialization has now long been technologically obsolete; based on water power it appears to have almost run its course but projected through a national politically controlled network, all could yet be undone and effective socialization achieved. The historical significance of "the grid" in the history of English electricity socialization is not a happy but possibly a warning recollection.

Barring a return visit of national socialism in the U. S., the large over-all environment would seem to justify investor confidence in considerable depth. Ever with us however is the threat of further inflation which, combined with regulatory policies dedicated to bookkeeping bigotries instead of economic realities in such matters as a rate base, depreciation and rate of return, does threaten further liquidation of investments in the electric industry and conversely favors other industries which are not by law made the special and peculiar victims of inflation. It was probably general investor unawareness of the especially unfair impact of inflation on utility equities and the "creeping" rather than "explosive" character of our inflation that retained investor confidence. It was that and probably the hope and belief that the loss was absorbed by the unfortunate past investor and that it won't recur and impair the new or added investment. Hope does seem to spring eternal and maybe it is that eternal congenital optimism of man that carries us through.

The fact is of course that six fifty-cent dollars of return do afford a 6% return on an investment of 100 fifty-cent dollars. The fact is also however that a return of six fifty-cent dollars on an investment of 100 hundred-cent dollars is only a 3% return and thus is from the 6% level a 50% liquidation of the investor's savings. The renewed threat of inflation can prove to be the major obstacle to successful financing of the great expansion ahead. Frankly, what would happen if the investor in utility equities should discover that he is in fact in most jurisdictions as vulnerable to inflation as if he invested in a bond and that there is in fact a public policy discriminating against utility equities in this important respect.

The need for additional capital will set net records. Most forecasts will probably fall short. Responsive as this industry is in the first place to population growth, the demand will further be multiplied by the rise in the standard of living, more customers with more uses and particularly the heavy uses. Increased capacity at higher prices, replacement at higher prices without the benefit of economic depreciation provision, and continued pressure for more labor-saving capital equipment, some maturities in bonds and withdrawals of reserves for higher taxes after the deferral period, will all add to a magnificent record-breaking total of required financing, all of which must be really magnificent music to the bankers' ears.

Mere magnitudes, record-breaking large sums, need not as such however gravely concern this industry. There is no reason to doubt at all that the capital will be available and forthcoming and that this industry will be able to command what it needs. If it doesn't or can't, who will?

On What Terms?

The serious question is not will the industry be able to get the capital to finance its yet greatest period of growth but rather,

(1) On what terms and conditions?

(2) In what form?

(3) From where and from whom?

There has been a lot of fuzzy economic nonsense purveyed about the significance of the ability to get capital. The highest court and many lower level repeaters have held the capacity to command capital as a standard of a fair rate of return or a fair return. Even the ability to borrow and evidence of actual successful borrowing have been asserted to prove that a fair return was being earned. Let's put that awful illogical cart before the horse in proper order once and for all. Man is a two-legged animal but not all two-legged animals are men. A fair return gives command over capital but additional capital can be obtained even though the return earned is less than fair and even if less than the present average dollar cost of capital or an average of the past cost of debt capital and the present cost of equity whatever that mug-wump statistic may mean. The simple historical fact as well as the readily deducible fact is that capital, and additional capital, in the amounts required can be obtained from the money market at almost any time and under almost any realistically conceivable circumstances even though the enterprise is earning less than a fair rate of return. The railroad industry has made substantial additional investments and obtained additional

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Bases for Successful Future Electric Utility Financing

capital. It has refinanced substantial sums yet I can't recall when it last earned a fair rate of return.

We recognize that credit is the capacity to command capital but credit and good credit are rather different and possibly quite different. Good credit means the capacity to command capital on favorable terms but favorable is a relative term. A regulated utility enterprise has good credit when it can obtain the capital needed in the form and on the terms which do not impair the integrity and security of the previously invested capital.

Bases of Credit

The basis of credit, that is good credit by the standards we have set up, is a prospective flow of income sufficient in quantity and reliably regular to pay the going wages of capital as of the time. One of the burdens of a good reputation, financial as otherwise, is the compulsion to live up to such a reputation and to perform in line with expectations. Investor experience and investor expectations are, therefore, significant standards both of which must be met by the flow of future income. The mighty so often fall harder than the lowly because so much more is expected of them. To project and defend a good financial reputation requires almost as much effort as to achieve such a reputation.

Electric utility income has three obvious bases:

(1) The basis in the technical efficiency and superiority of central station production of electricity and the common use of common means for its distribution.

(2) The basis in the economy of the use of centrally produced electricity and

(3) The basis in law of the right to earn a fair return if and to the extent feasible by virtue of the technical efficiency and economy of the service rendered.

There is nothing that we could say here that would add to the strength of the position of the electric industry in its technical dimensions. Technical superiority, however, is not sufficient by itself. The service, its manner of production and rendition must also be on a solid economic basis. Here also the foundations of the electric utility industry are obviously very solid, disclosing only a few cracks here and there which are probably significant only so far as they may get worse. The tremendous economic expansion of the service achieved by the electric utility industry at prices which are generally far below what the market would be willing to pay, and is able to pay, indicates the wide margin of protection which exists against economic causes of credit impairment and thus the capacity to command capital. There probably is no significant element in the contemporary standard of living of the American people which affords such a tremendous consumers' surplus, that, in less technical economic language, means bargain prices.

There is, however, a third basis on which the flow of electric utility income also necessarily depends and which, unfortunately, is not as solidly assured as is the technical or the economic basis. We refer, of course, obviously to the legal basis for the prospective income to which the supplier of utility capital must look for his compensation. Thus, no matter how technically efficient, or how economically sound the basis of utility income, it will yet be no better or adequate or assured than is permitted under the return formula imposed by public authority through regulation. It is in the legal basis of future public utility income that we find our greatest reason for concern.

Rate of Return

The legal basis of income is moreover a relatively volatile and unpredictable determinant of return. Technologies do not so radically change, and the economic basis for income production does not so quickly erode, yet if the legal standards do not allow the efficiencies of a superb technology and the economic margins offered by the market's "best bargain" to be reflected in a compensatory financial flow of return, superior technology and superior economy may yet be of little import. Even as the Supreme Court of the United States is the final faculty of economics, regulatory law and procedure determine utility income. Public utility capital is captive capital, it can't economically withdraw in any short or medium term and in any case once "devoted" it cannot legally withdraw. It has no economic bargaining power as have rapid capital turnover enterprises. Past invested utility capital is wholly dependent on the meaning that the adjective "fair" is given in the phrase "fair return" and what is "fair" is what public authority thinks is fair.

Thus we return to recognize the full meaning and import of being a regulated industry, namely, that it is not how efficient you are or how economic you are that determines the adequacy of a flow of income but how much you will legally be allowed to earn as compared with what you could earn. Thus the regulatory environment, its conventions and proceduralism, will be the final determinants of this industry's capacity to command that capital which it will need to meet its public obligation to expand and to serve all who come at reasonable rates. The engineers have done their job, the business managers have done theirs, maybe it's time now that the lawyers did theirs and obtained for this industry what is in fact realistically and meaningfully a fair wage for the capital so efficiently and productively employed. Possibly, however, before we can expect this miracle from the legal talent it may be necessary to create an environment of understanding and public sympathy to economic realism in regulation, to results that are economically fair rather than merely the arithmetic products of bookkeeping conventions. Maybe, also, it is not even by implication chargeable to the lawyers; possibly chicken-hearted management, seeking to avoid the trials and tribulations, the sheer toil and tears of rate case litigation, is the reason why this industry across the board has not earned a fair wage on the capital it has employed so efficiently and economically over the past ten years.

The incremental investment at the even higher price level has not earned even the rates of return allowed on the average achieved by the enterprise. Rate levels are obviously subsidized by the lower past dollar cost of the property and plant. Even in the capital structure the return is not reflective of the present cost of capital and the income available to common stock capital is subsidized by the past lower interest cost of debt capital. We can do a bit of figuring on that point. The average contractual interest rate on formal funded debt of the class A & B industry in 1957 was 3.1%; in 1958, not available, but probably 3.2%. If the current effective cost of high quality debt cap-

INVESTOR EXPERIENCE WITH COMMON STOCKS OF MOODY'S 125 INDUSTRIALS

1946 - 1958

	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958
1. Market price(a) in fourth quarter of indicated year	$44.79	$46.96	$47.03	$50.70	$62.63	$72.60	$77.81	$76.64	$108.81	$141.14	$147.32	$132.09	$170.38
2. Annual earnings(a) (on a per share basis)	3.53	5.32	7.03	6.60	8.45	7.37	7.18	7.71	8.38	10.51	10.35	10.27	8.35
3. Annual dividends(a) as indicated in fourth quarter of indicated year (on a per share basis)	1.97	2.51	3.08	3.32	4.34	4.25	4.17	4.26	4.64	5.57	5.88	5.89	5.65
4. Ratio of earnings for each year (line 2) to market price in fourth quarter of year of purchase(b) (line 1):													
Line 2 ÷ $ 44.79	7.88 %	11.88 %	15.70 %	14.74 %	18.87 %	16.45 %	16.03 %	17.21 %	18.71 %	23.47 %	23.11 %	22.93 %	18.64 %
Line 2 ÷ 46.96		11.33	14.97	14.05	17.99	15.69	15.29	16.42	17.84	22.38	22.04	21.87	17.78
Line 2 ÷ 47.03			14.95	14.03	17.97	15.67	15.27	16.39	17.82	22.35	22.01	21.84	17.75
Line 2 ÷ 50.70				13.02	16.67	14.54	14.16	15.21	16.53	20.73	20.41	20.26	16.47
Line 2 ÷ 62.63					13.49	11.77	11.46	12.31	13.38	16.78	16.53	16.40	13.33
Line 2 ÷ 72.60						10.15	9.89	10.62	11.54	14.48	14.26	14.15	11.50
Line 2 ÷ 77.81							9.23	9.91	10.77	13.51	13.30	13.20	10.73
Line 2 ÷ 76.64								10.06	10.93	13.71	13.50	13.40	10.90
Line 2 ÷ 108.81									7.70	9.66	9.51	9.44	7.67
Line 2 ÷ 141.14										7.45	7.33	7.28	5.92
Line 2 ÷ 147.32											7.03	6.97	5.67
Line 2 ÷ 132.09												7.78	6.32
Line 2 ÷ 170.38													4.90
Average	7.88 %	11.60 %	15.21 %	13.96 %	17.00 %	14.04 %	13.05 %	13.52 %	13.91 %	16.45 %	15.37 %	14.63 %	11.35 %
Weighted average(c)									15.78 %	19.18 %	18.30 %	17.62 %	13.90 %
5. Ratio of dividends for each year (line 3) to market price in fourth quarter of year of purchase(b) (line 1):													
Line 3 ÷ $ 44.79	4.40 %	5.60 %	6.88 %	7.41 %	9.69 %	9.49 %	9.31 %	9.51 %	10.36 %	12.44 %	13.13 %	13.15 %	12.61 %
Line 3 ÷ 46.96		5.34	6.56	7.07	9.24	9.05	8.88	9.07	9.88	11.86	12.52	12.54	12.03
Line 3 ÷ 47.03			6.55	7.06	9.23	9.04	8.87	9.06	9.87	11.84	12.50	12.52	12.01
Line 3 ÷ 50.70				6.55	8.56	8.38	8.22	8.40	9.15	10.99	11.60	11.62	11.14
Line 3 ÷ 62.63					6.93	6.79	6.66	6.80	7.41	8.89	9.39	9.40	9.02
Line 3 ÷ 72.60						5.85	5.74	5.87	6.39	7.67	8.10	8.11	7.78
Line 3 ÷ 77.81							5.36	5.47	5.96	7.16	7.56	7.57	7.26
Line 3 ÷ 76.64								5.56	6.05	7.27	7.67	7.69	7.37
Line 3 ÷ 108.81									4.26	5.12	5.40	5.41	5.19
Line 3 ÷ 141.14										3.95	4.17	4.17	4.00
Line 3 ÷ 147.32											3.99	4.00	3.84
Line 3 ÷ 132.09												4.46	4.28
Line 3 ÷ 170.38													3.32
Average	4.40 %	5.47 %	6.66 %	7.02 %	8.73 %	8.10 %	7.58 %	7.47 %	7.70 %	8.72 %	8.73 %	8.39 %	7.68 %
Weighted average(c)									8.74 %	10.17 %	10.40 %	10.10 %	13.90 %
6. Indicated dividend pay-out ratio (line 3 ÷ line 2)	55.8 %	47.2 %	43.8 %	50.3 %	51.4 %	57.7 %	58.1 %	55.3 %	55.4 %	53.0 %	56.8 %	57.4 %	67.7 %
7. Retained earnings (i) for year (line 2 - line 3)	$ 1.56	$ 2.81	$ 3.95	$ 3.28	$ 4.11	$ 3.12	$ 3.01	$ 3.45	$ 3.74	$ 4.94	$ 4.47	$ 4.38	$ 2.70
(ii) cumulative	--	4.37	8.32	11.60	15.71	18.83	21.84	25.29	29.03	33.97	38.44	42.82	45.52
8. Common stock book equity per share (i) at year end	$ 30.82	$ 34.08	$ 38.67	$ 42.40	$ 47.13	$ 50.39	$ 54.15	$ 57.59	$ 63.66	$ 68.34	$ 72.41	$ 77.35	n.a.
(ii) average for year	--	32.45	36.38	40.54	44.76	48.76	52.27	55.87	60.62	66.00	70.38	74.88	--
9. Earnings (line 2) per $100 of book equity (i) at year end (line 8. i)	$ 11.45	$ 15.61	$ 18.18	$ 15.57	$ 17.93	$ 14.63	$ 13.26	$ 13.39	$ 13.16	$ 15.38	$ 14.29	$ 13.28	--
(ii) average for year (line 8. ii)	--	16.39	19.32	16.28	18.88	15.11	13.74	13.80	13.82	15.92	14.71	13.72	--
10. Dividends (line 3) per $100 of book equity (i) at year end (line 8. i)	$ 6.39	$ 7.37	$ 7.96	$ 7.83	$ 9.21	$ 8.43	$ 7.70	$ 7.40	$ 7.29	$ 8.15	$ 8.12	$ 7.61	--
(ii) average for year (line 8. ii)	--	7.73	8.47	8.19	9.70	8.72	7.98	7.62	7.65	8.44	8.35	7.87	--
11. Market price (line 1) per $100 of book equity (i) at year end (line 8. i)	$145.33	$137.79	$121.62	$119.58	$132.89	$144.08	$143.69	$133.08	$170.92	$206.53	$203.45	$170.77	--
(ii) average for year (line 8. ii)	--	144.71	129.27	125.06	139.92	148.89	148.86	137.18	179.50	213.85	209.32	176.40	--
12. Cumulative retained earnings (line 7. ii) as percent of book equity at year end (line 8. i)	--	12.8 %	21.5 %	27.4 %	33.3 %	37.4 %	40.3 %	43.9 %	45.6 %	49.7 %	53.1 %	55.4 %	--

Source: Moody's Investors Service - Industrials, lines 1, 2, 3 and 8. i as computed and reported by source.

(a) Market prices, earnings and dividends are weighted by the number of shares outstanding at year end, adjusted for stock splits and stock dividends.

(b) Assuming purchases of that number of shares of each company, proportionate to the number of shares outstanding for that company at year end to total number of outstanding shares for all one hundred and twenty-five companies, after adjustment of number of shares for stock splits and stock dividends.

(c) Weighted by number of years from year of purchase to the year of the determination (1954, 1955, 1956, 1957 and 1958 respectively).

n.a. Not available.

Prepared to accompany
Requisites for Successful Financing in the Future

Herbert B. Dorau Ph.D.
Professor of Economics, New York University

Before the Convention of the Edison Electric Institute
April 8, 1959

INVESTOR EXPERIENCE WITH COMMON STOCKS OF MOODY'S TWENTY-FOUR PUBLIC UTILITIES

1946 - 1958

	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958
1. Market price(a) in fourth quarter of indicated year	$32.14	$26.61	$26.80	$30.07	$30.57	$33.35	$37.15	$39.30	$46.02	$49.26	$48.71	$48.70	$63.21
2. Annual earnings(a) (on a per share basis)	2.19	2.16	2.22	2.36	2.62	2.44	2.62	2.78	2.94	3.21	3.35	3.41	3.63
3. Annual dividends(a) as indicated in fourth quarter of indicated year (on a per share basis)	1.47	1.58	1.62	1.68	1.85	1.90	1.92	2.08	2.13	2.26	2.36	2.45	2.53
4. Ratio of earnings for each year(line 2) to market prices in fourth quarter of year of purchase(b) (line 1):													
Line 2 ÷ $32.14	6.81 %	6.72 %	6.91 %	7.34 %	8.15 %	7.59 %	8.15 %	8.65 %	9.15 %	9.99 %	10.42 %	10.61 %	11.29 %
Line 2 ÷ 26.61		8.12	8.34	8.87	9.85	9.17	9.85	10.45	11.05	12.06	12.59	12.81	13.64
Line 2 ÷ 26.80			8.28	8.81	9.78	9.10	9.78	10.37	10.97	11.98	12.50	12.72	13.54
Line 2 ÷ 30.07				7.85	8.71	8.11	8.71	9.25	9.78	10.68	11.14	11.34	12.07
Line 2 ÷ 30.57					8.57	7.98	8.57	9.09	9.62	10.50	10.96	11.15	11.87
Line 2 ÷ 33.35						7.32	7.86	8.34	8.82	9.63	10.04	10.22	10.88
Line 2 ÷ 37.15							7.05	7.48	7.91	8.64	9.02	9.18	9.77
Line 2 ÷ 39.30								7.07	7.48	8.17	8.52	8.68	9.24
Line 2 ÷ 46.02									6.39	6.98	7.28	7.41	7.89
Line 2 ÷ 49.26										6.52	6.80	6.92	7.37
Line 2 ÷ 48.71											6.88	7.00	7.45
Line 2 ÷ 48.70												7.00	7.45
Line 2 ÷ 63.21													5.74
Average	6.81 %	7.42 %	7.84 %	8.22 %	9.01 %	8.21 %	8.57 %	8.84 %	9.02 %	9.52 %	9.65 %	9.59 %	9.86 %
Weighted average(c)									9.66 %	10.36 %	10.62 %	10.62 %	11.10 %
5. Ratio of dividends for each year (line 3) to market prices in fourth quarter of year of purchase(b) (line 1):													
Line 3 ÷ $32.14	4.57 %	4.92 %	5.04 %	5.23 %	5.76 %	5.91 %	5.97 %	6.47 %	6.63 %	7.03 %	7.34 %	7.62 %	7.87 %
Line 3 ÷ 26.61		5.94	6.09	6.31	6.95	7.14	7.22	7.82	8.00	8.49	8.87	9.21	9.51
Line 3 ÷ 26.80			6.04	6.27	6.90	7.09	7.16	7.76	7.95	8.43	8.81	9.14	9.44
Line 3 ÷ 30.07				5.59	6.15	6.32	6.39	6.92	7.08	7.52	7.85	8.15	8.41
Line 3 ÷ 30.57					6.05	6.22	6.28	6.80	6.97	7.39	7.72	8.01	8.28
Line 3 ÷ 33.35						5.70	5.76	6.24	6.39	6.78	7.08	7.35	7.59
Line 3 ÷ 37.15							5.17	5.60	5.73	6.08	6.35	6.59	6.81
Line 3 ÷ 39.30								5.29	5.42	5.75	6.01	6.23	6.44
Line 3 ÷ 46.02									4.63	4.91	5.13	5.32	5.50
Line 3 ÷ 49.26										4.59	4.79	4.97	5.14
Line 3 ÷ 48.71											4.84	5.03	5.19
Line 3 ÷ 48.70												5.03	5.20
Line 3 ÷ 63.21													4.00
Average	4.57 %	5.43 %	5.72 %	5.85 %	6.36 %	6.40 %	6.28 %	6.61 %	6.53 %	6.70 %	6.80 %	6.89 %	6.88 %
Weighted average(c)									7.00 %	7.29 %	7.48 %	7.63 %	7.74 %
6. Indicated dividend pay-out ratio (line 3 ÷ line 2)	67.1 %	73.1 %	73.0 %	71.2 %	70.6 %	77.9 %	73.3 %	74.8 %	72.4 %	70.4 %	70.4 %	71.8 %	69.7 %
7. Retained earnings (i) for year (line 2 - line 3)	$ .72	$ .58	$ .60	$ .66	$ .77	$ .54	$ .70	$ .70	$ .81	$ .95	$ .99	$ .96	$ 1.10
(ii) cumulative	--	1.30	1.90	2.58	3.35	3.89	4.59	5.29	6.10	7.05	8.04	9.00	10.10
8. Common stock book equity per share (i) at year end	$ 21.74	$ 22.14	$ 22.11	$ 22.31	$ 24.97	$ 27.20	$ 28.75	$ 31.04	$ 33.43	$ 34.94	$ 38.00	$ 40.02	n.a.
(ii) average for year	--	21.94	22.12	22.21	23.64	26.08	27.98	29.90	32.24	34.18	36.47	39.01	--
9. Earnings (line 2) per $100 of book equity (i) at year end (line 8. i)	$ 10.07	$ 9.76	$ 10.04	$ 10.58	$ 10.49	$ 8.97	$ 9.11	$ 8.96	$ 8.79	$ 9.19	$ 8.82	$ 8.52	--
(ii) average for year (line 8. ii)	--	9.85	10.04	10.63	11.08	9.36	9.36	9.30	9.12	9.39	9.19	8.74	--
10. Dividends (line 3) per $100 of book equity (i) at year end (line 8. i)	$ 6.76	$ 7.14	$ 7.33	$ 7.53	$ 7.41	$ 6.99	$ 6.68	$ 6.70	$ 6.37	$ 6.47	$ 6.21	$ 6.12	--
(ii) average for year (line 8. ii)	--	7.20	7.32	7.56	7.83	7.29	6.86	6.96	6.61	6.61	6.47	6.28	--
11. Market price (line 1) per $100 of book equity (i) at year end (line 8. i)	$147.84	$120.19	$121.21	$134.78	$122.43	$122.61	$129.22	$126.61	$137.66	$140.98	$128.18	$121.69	--
(ii) average for year (line 8. ii)	--	121.29	121.16	135.39	129.31	127.88	132.77	131.44	142.74	144.12	133.56	124.84	--
12. Cumulative retained earnings (line 7. ii) as percent of book equity at year end (line 8. i)	--	5.9 %	8.6 %	11.6 %	13.4 %	14.3 %	16.0 %	17.0 %	18.2 %	20.2 %	21.2 %	22.5 %	--

Sources: Moody's Investors Service - Public Utilities, lines 1, 2, 3 and 8. i as computed and reported by source.

(a) Market prices, earnings and dividends are weighted by the number of shares outstanding at year end, adjusted for stock splits and stock dividends.

(b) Assuming purchases of that number of shares of each company, proportionate to the number of shares outstanding for that company at year end to total number of outstanding shares for all twenty-four companies, after adjustment of number of shares for stock splits and stock dividends.

(c) Weighted by number of years from year of purchase to the year of the determination (1954, 1955, 1956, 1957 and 1958 respectively).

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ital of 4.4% were substituted for 3.2%, the income available to the common equity would be reduced about 18% before income tax effects. We could go further and give effect to the difference between the past contractual rates on preferred stock capital and the near 5% rate reflecting current cost. Altogether it is seen that even as rates and the return on the high dollar cost of additional capital in property and plant are subsidized by the past "lower-number-of-larger-dollar" cost so also is the return earned by enterprise capital, the common stock equity, subsidized by past lower contractual cost of debt and preferred stock capital. The moral of all this of course for financial management is to determine what produces common stock income and for regulation to recognize that past cost of contractual capital has no proper place in fair rate of return determination except as it may be evidence of the current or prospective cost of such capital.

Prime Corporate Credit

We are, I am sure, yet however ready to defend the proposition that the electric utility industry is the prime corporate credit in the American economy today. But whether the industry could actually meet the standard of good credit, as we have identified it, may be another matter. Has the industry been able to obtain the capital needed without dilution or impairment of or prejudice to the past invested capital? Has it in fact done so over the past 10 or 12 years? Will it in fact be able to meet that standard in the period ahead?

Obviously the answer, as would be statistically developed, will differ as to whether it is assumed that dollars equal dollars, that the thing called a 1938 dollar is the same as the thing we trade in as a 1959 dollar or whether it is assumed that the average invested dollar is the same unit of measurement as the dollar of income received in 1959. It is, and I assume we all understand, quite possible to have met all the standards of nominal dollar financial responsibility and investor expectations in nominal dollars and to enjoy the highest capacity to command additional investment dollars and yet to have seen the stockholder's equity investment substantially liquidated. There is an old saying that "what you don't know doesn't hurt you" and so possibly with many utility stock investors whose dollar investment has been in dollars well maintained but in economic substance sadly impaired.

Investor's Experience

As a quick test and a brief "look and see" I have made a few calculations based on the investor's experience as reflected by Moody's well-known selection of 24 utility common stocks for the period 1946-1958. The results are presented in the accompanying statistical tabulations. The unit of investment is a weighted composite share corrected for stock splits and stock dividends. It may be noted from the tabulations that the average market price per share has increased from $32.14 in 1946 to $63.21 in the fourth quarter of 1958. The end of February 1959 average price was $67.40. This looks good on the face of it but suddenly we recall that a share is not a share and that a share is no more a constant and reliable unit of measurement than is the dollar. There have been retained earnings and stock financing at prices above the book value base. As may also be seen, the book equity per share has also almost doubled from $21.74 in 1946 to $40.02 in 1957. (Book equity figures per average share for 1958 are not yet available.) We might hope that the share would increase in price at least b[illegible] much as it increased in book value. As set forth in the data, the market price (per constant share) per $100 of book equity never again reached the $147.84 of 1946. In fact the price for 1947 of $126.19 was nearly the same as $121.69 for 1958. In fact the average price per constant size share in 1957 was lower than for the eight preceding years as well as substantially below 1946.

Dividends per $100.00 of book equity were $6.12 in 1957 and this was the lowest for the period under review.

Earnings per constant share of $100.00 in book equity were also lower in 1957 ($8.52) than in any year of the period. In fact they were substantially higher at $10.04, $10.58 and $10.49 during the years 1948-1950 since which period they have been declining except for a slight one-year reversal of trend in 1955 at $9.19.

The cumulative retained earnings per share amounted to $10.10 in 1958, $9.00 by the end of 1957. The increase in book equity from 1946-1957 was $18.28. Thus the $9.00 of cumulative retained earnings was substantially half of the growth in the size of the share. Most of the balance can be imputed to sales of additional stock at proceeds per share above book values.

How an investor might have fared over the 12-year period may be seen from the data where it is assumed that one composite or average share was purchased each year at fourth quarter average prices. Thus the 1946 purchase was at a 6.81% earnings price ratio. On the "share" cost in 1946 the earnings in 1958 were 11.29%. Similarly each year's purchase base is carried through to 1958. The average of earnings on the 13 acquisitions in 1958 was 9.86%. The weighted average 11.10%. This looks good, on the face of it, but it is necessary to recall that these are in part earnings on earnings never received. The investor was compounding himself.

Dividend Experience

A similar experience in terms of dividends is set forth. An acquisition in the fourth quarter of 1946 on a 4.57% dividend yield basis has become 7.87% in 1958. One share unit acquired each year produces an average return of 6.88% in 1958; the average, weighted by number of years obtained, is 7.74%. Again what more, one might say, can you ask for or expect but it may be worth noting that the dividends per $100 of equity are lower at 6.12% in 1957 (last year available) than in any year of the period and were as high as 7.41% in 1950. The gain is all in the increased size of the share from the several causes which brought that about, particularly retained earnings and the sale of additional shares at prices above then existing book values.

One other look and see may be informative. The 1946 purchaser has received in total $25.83 in dividends and $31.07 appreciation or a total of $56.90 through 1958; through 1957, $39.86, or $4.38 per year average to 1959 and $3.32 per year average to 1958. This looks like a 10% or better average but this took 12 and 13 years to realize and there is such a factor as the discountability of time of waiting. A discounted worth would be substantially less.

I have also included herein a similar two-page analysis of the experience which the investor would have had with Moody's 125 industrial stocks. I leave it to you to make the comparison and see how much greener the grass was or appears to be on the other side of the fence.

Time for Equity Financing

The next question is what kind of money capital is the industry going to obtain? The categorical answers can be brief and to the point, namely the kind of capital it will choose to get. Real old-fashioned financial standards suggest that enterprise obtain common stock capital when the getting is good and build up a borrowing capacity reserve by reducing debt ratios at such times. Today would seem to be the appointed time. Whether the appointed time will last long enough for you—all "to ready that stock offering" I don't know. For my money the turn is long overdo. If the industrial stock market is not a record-breaking over-valuation of the shares, a very substantial increase in the earnings of industrial enterprise must be at hand and soon. Can you intelligently anticipate the same or similar for electric utility common stock earnings? Security price rises are by nature contagious. Utility stocks have responded sufficiently so as to reflect very low earnings and dividend price ratios by comparison with the past and by comparison with more stable money rates as reflected by bond and preferred stock yields. In some instances these stock ratios are now so low that the enterprise could sell stock and buy government bonds, sort of an operation-in-stock-piling equity capital against the day when it may be needed if not now.

Utility debt capital today costs a full 2% in yield more than in May 1946. I suspect that for similarly circumstanced and protected equity capital, stock investors also now expect 2% more but you would not suspect it from the ratios of dividends and earnings to stock prices. Obviously great expectations have also been built up in utility common stock investors' minds as to the future earnings which justify such high prices. This we view with alarm. Barring a widespread conversion of regulatory practice and belief to economic principles and a renouncing of the false gods of nominal dollar bookkeeping, it just won't happen. Therefore, we fear an investor disillusioned as we do a woman scorned. It is such caution that seems to restrain some enterprises from common stock financing that should have already taken place.

With some of these more technical aspects of the problem of getting the capital I would be brief and therefore somewhat categorical.

(1) The equity ratio of many electric utilities should be improved; the industry as a whole might well establish a backlog of reserve borrowing capacity.

(2) The price at which stock is offered and pro-rata-taken by existing stockholders is immaterial; it is the future earnings per dollar invested and not as related to share prices that is material. Stock offered at favorable relations to market prices and favored by a sustained dividend rate per share only gives the investor something more in the form of an implicit (a real) dividend increase.

(3) Stockholders who sell their rights are selling part of their holding and, if at prices high by comparison with their purchase price, they make a real gain.

(4) Stock dividends and sustained dividend rates are but a deferral of dividends, a future dividend on a dividend in place of all the dividends now. The device short circuits the obtainment of capital and may defer or even avoid some taxes.

(5) Stock offerings to the public, new investors, could hardly be justified at prices less than what can be obtained in this market but such financing if at some of the extreme ratios now exhibited on the market could easily set up false expectations and unfavorable future reactions.

(6) Stock offerings to old stockholders at significant concessions below the market may well be made to increase the equity ratios and to increase reserve borrowing capacity. Debt capital costs are high and the terms of the commitment made are meaningful for the possible future net income. There is no danger in stock offerings to stockholders since the price per share has no significance except to those who will sell rights and those who buy them. It needs to be understood that a sustained "explicit" dividend rate means an "implicit" in fact dividend yield increase when rights to subscribe have a value. How much of a dividend increase of this character the particular enterprise can afford may well determine how much additional stock should be offered at how much of a concession in price.

(7) The years 1958-1959 will be remembered as the time when common stock money should have been obtained even beyond immediate needs.

As to debt capital it would seem the part of conservative prudence to plan a reduction in the debt ratio so that as the interest requirements at higher rates come into effect, the times interest coverages of the past will be maintained. Except as we again inflate the money supply debt capital costs will probably remain at the natural interest rate levels to which we returned as the "money jag" of the big inflation wore off.

Preferred Stock Problem

As to preferred stock the problem is as it always has been, a mug-wump situation. If it were in the form of debt the debt ratio would violate well-established conventions and limits. Viewed in terms of after-tax-effect-cost of capital the cost is high compared with debt capital even at natural interest rate levels. In view of its priority and the compulsion on management to treat preferred dividends as practically a fixed charge the cost seems high compared with the basis on which investors are at least now willing to take a common stock position. Institutions which have the golden touch of transmuting a taxable income into a substantially tax-free income may well however come even more to desire this class of security. It seems to me in the present and probable future setting to be more attractive as a medium of investment than as a medium of financing except as it is the means of avoiding penetration of the 50% debt ceiling and for that it seems a rather costly expedient compared to the availability of common stock capital.

Our position, I hope, has become somewhat clarified. We are not merely satisfied to be able to obtain all the capital we may need but we are also concerned as to the terms and conditions under which this capital is obtained. Thus, we not only want to be confident of being able to obtain the money but want to deal fairly with the investor so that future credit may in fact not suffer impairment due to present

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Bases for Successful Future Electric Utility Financing

shortsightedness and what the future investor may view in retrospect as short-dealing. This, we have seen, is in part to be taken care of by the manner in which capital is obtained and the techniques employed. Whether the industry can in fact live up to the great expectations which investors have developed will, however, depend, as we noted before, upon the regulatory environment and the manner in which public authority controls the future flow of income.

Regulatory Policy Unrealistic

In my opinion it is high time that regulatory policy in the U. S. matured and came realistically to face economic facts. The policy of hiding behind the bookkeeping curtain, woven out of a systematic pattern of nominal dollar debits and credits, should give way to a more honest and socially ethical dealing with the nature of the economic sacrifice which utility stock investors made and the reality of the expected return.

It is furthermore high time that the electric industry become recognized as a business-managed business undertaking. The treatment of this great business as if it were in fact a kind of an incorporated "performance of governmental function" needs to end. If this is in fact a business it needs a business diet and a business environment to keep it healthy and make it strong enough to face on its own credit and its own resources the challenges of change, even radical change. A healthy business environment holds forth a chance of gain but not a guaranty by implication or otherwise. The inducement offered by a chance of gain is something more than mere management response to a commission-administered, frequently revised, or revisable, and in effect, cost of service contract. A business environment must hold forth some chance of extra compensation for a job well done and, particularly, a job which is being better done. Certainly a business environment is not provided under regulatory policy where all of the gains of initiative and enterprise are in advance committed to the consumer. We seem always to pay respect in words to the principle that good management and superior enterprise should have a chance to earn something additional for their performance but where in utility regulation has this noble economic sentiment and unchallengeable principle ever been given conscious effect.

A business environment would clearly not be overcast with the ruling impression that because a utility is making a gain, because its earnings have increased, therefore its rates are too high. The prospect of a chance of gain works miracles on the enterprising human mind which we have long known has a very strong propensity even to overvalue any indicated chance of gain. The holding-out of a chance of true business gain would in fact beget so much more in social economy for the small potential reward held out as obtainable if earned. In fact if we really believe in the economy of a private enterprise system as we protest we do, at least to the Russians, we must in fact believe that the holding forth of a chance of gain is the lowest possible cost at which the advantages of great economies can be obtained for all.

The true social economy of an enterprise environment for regulated industries is not peculiarly sought in behalf of the investor. In fact his net-take is a very small percentage of the total social dividend which the spirit and effect of enterprise can produce. In our society as a whole, in fact no one, certainly not the investor, would in fact benefit as much from the recognition and application of the enterprise principle in public utility regulations as would the customer himself. All that would be needed is a return to the original principle of regulation, namely, that it is rates that are subject to regulation and not returns. Nothing would do more for the customer in that it would curb his short-term cupidity in favor of the much larger long-term advantage.

Detriment to Free Economy

Return regulation as such is basically uneconomic and inimical to the operation of initiative and enterprise in a free economy. Formal and formula limitation of the return which can be earned is not to the best social advantage viewed as the end of regulation. It would be a great advance if the return earned were merely viewed as one of several available evidences as to the reasonableness and social economy of rates and not as a determinant. The principle of course should work both ways. The opportunity for real gains should be balanced by regulatory procedures which would in fact "spank" the laggards, the recalcitrants and the incompetents. The extent to which a management actually utilizes the social resources at its command in the form of property and plant, the extent to which it achieves a higher utilization factor and produces more want-satisfying electricity at lower average costs ought to be just as much a good and useful evidence of the reasonableness of rates as any statistically contrived cost of capital. Formula regulation has gone much too far. Of course it was easy, it made life simpler. With a formula at hand that difficult thing called judgment could be set aside and, unfortunately, has been.

Every good thing can be overdone and certainly the reliance on bookkeeping records whose meaning one must really understand in order to take lightly and the statistical computations and calculations derived from the gyrations of stock markets and the results of a governmentally managed money market all fall into this category. The social economic purpose of regulation was to offset and cancel the effect of monopoly because it was an unavoidable by-product of the perfectly sound idea of having one utility enterprise occupying a single market. We wanted the operational and investment economies of monopoly on the one hand and on the other we certainly did not want to subject ourselves to the temptation of monopoly pricing. Logic would suggest that we subtract only the monopoly earnings from the return and leave the balance of the return earned to enterprise even as it is and can be claimed by enterprise in the competitive industrial areas. Such an approach would never have resulted in a standard which claimed all the advantages of differential superiority, initiative and enterprise, which enterprise capital and management produced, for the customer. There is in fact no economic sanction for the cost standard as such in utility regulation. At best that standard would be, by reference to all economic principles, present marginal cost with opportunity for the superior producer to share in his achievement, to be rewarded for the superior economy of his productivity.

Economic Utility Rates

The competitive current marginal cost standard would be an enlightened substitute for the aboriginal past cost standard as a guide to regulation and a standard of social economy, for utility rates are prices even like other prices. They are not exempt from the economic standards of what a price should be and what a price should do merely because they are utility prices. Utility rates as prices may of course be viewed with cupidity from the standpoint of enterprise because they are a source of the revenue needed to continued solvency. They may be, and in fact are, viewed with cupidity by the consumer since they are a reduction of his purchasing power for alternative goods. Both of these approaches have in some respects been over - emphasized. At least, I would say, that public utility rates as prices should begin to be viewed from the standpoint of the social economy as a whole, which means they should be tested as to how well they perform the function of prices, how well they are operating to achieve economic equilibrium and maximum utilization of social resources while at the same time giving the consumers the lowest rates under which in fact, the most vital factor in our whole system of spontaneous economic interdependence, initiative and enterprise, can earn a truly compensatory return. The economic ends of society as a whole are finally and financially more important than the subsidiary interests of buyer and seller.

The basic approach and the detailed procedure of the contemporary regulatory process is oriented to the ideas of the economic class conflict and not social economy. The flow of utility income, which is the ever essential basis of utility credit and its command over capital, is therefore at best precarious and in spite of the amazing technical efficiency and solid economic acceptance of the service. What would most secure and establish utility credit and make solid the third basis of the flow of future income would be a change in the conception of regulation from class conflict policeman to social economic statesmanship.

For a highly capitalistic industry, under legal compulsion to expand with the coming "population explosion" and with what we hope will also be a continued rise in our standard of economic wellbeing, the maintenance of good credit is of paramount enterprise and social importance.

The prime requisite of good utility credit is a prospective flow of income sufficient in the first place to attract the equity capital under a conservative capital structure and sufficient in the second place to allow investors a chance to realize that prospective rate of return which in fact induced them to supply the needed capital. Realization of expectations must some time follow or the will to believe and the hope of reward may yet so deteriorate as to impair even the best of credit.

Any widespread failure of utility equity investors eventually to realize the return - expectation-rate, which in fact induced them to supply the risk capital, will work havoc with the present high-level credit of the electric utility industry and prejudice the industry's capacity to raise the unparalleled volume of capital that will be needed and continue to be needed to finance an unprecedented and long continuing expansion.

The technological basis of electric utility income is solidly established; the economic basis is firmly part of the very web and woof of our present industrial system. The area of recurring concern is the legal basis as reflected by regulatory climate and public policy. This is the vulnerable front.

Particularly essential to the successful financing of this industry's public responsibility to serve ever larger numbers in an ever larger way, is the regulatory recognition of the fact that this industry is a business and will only thrive well in an environment hospitable to business enterprise. To this end there is required early regulatory recognition of the end for a rate-of-possible-return which will induce business enterprise at its best and investor assumption of the hazards of ever-more progress rather than a mechanistically derived cost of capital basis for a mere subsistence wage of capital.

New Lee Higginson Branch

KALAMAZOO, Mich. — Lee Higginson Corporation has opened an office in the Hanselman Building under the management of Robert H. Reagan.

Western Secs. Office

OKLAHOMA CITY, Okla. — Western Securities, Inc. has opened a branch office at 109 North Walker under the direction of Lester E. Johnson.

All-State Properties

FLORAL PARK, N. Y. — All-State Properties, Inc. has been formed with offices at 30 Verbena Avenue to engage in a securities business.

New Rotan, Mosle Office

VICTORIA, Tex.—Rotan, Mosle & Co. has opened a branch office at 111 South Liberty Street under the direction of Halbert A. Abshier, Jr.

A. F. Haslam Opens

EL DORADO, Ark.—A. F. Haslam is conducting a securities business from offices at 511 West Main Street.

First Monticello Corp.

MONTICELLO, N. Y. — First Monticello Corporation has been formed with offices at 217 Broadway to engage in a securities business.

Hamilton Investors Plan

JAMAICA, N. Y.—Hamilton Investors Plan, Inc. has been formed with offices at 80-23 164th Street, to engage in a securities business.

Chester Harris Co. Opens

Chester Harris & Co. has been formed with offices at 64 Wall Street, New York City, to engage in a securities business. Partners are Martin Chester Harris and Ira D. Harris.

Forms Harwood Securities

Edith Harwood is conducting a securities business from offices at 151 East 38th Street, New York City, under the firm name of Harwood Securities Co.

Continued from first page

Status of Atomic Power And a Look at the Future

and two additional projects are in the planning stage. Utility company expenditures on these 15 projects will amount to more than $540 million, exclusive of excess operation and maintenance costs over equivalent costs of conventional power. Such excess costs may, over a period of years, approach a substantial portion of excess capital costs. These additional post-construction operation and maintenance costs are frequently not recognized in evaluating the overall contribution by our industry to nuclear progress.

Details on the projects underway in the industry and a summary of dollar expenditures are shown in the accompanying data.

A large number of utilities are also participating in 11 other nuclear research, development and study projects, involving substantial expenditures. Some of these will undoubtedly lead to additional reactor construction projects.

As of year-end 1958, total utility company expenditures in these and the previously - mentioned projects amounted to $130 million with 131 utilities participating. A listing of the participating companies in each of the 26 projects is shown herein.

During the year, a proposal was made to the AEC by the Philadelphia Electric Company and the newly-formed High Temperature Reactor Development Associates to design, construct and operate a 30,000-40,000 Kw (electrical) high temperature, helium-cooled, graphite moderated nuclear power plant at Peach Bottom, Pa. The project has been accepted by AEC as a basis for negotiations.

General Public Utilities Corporation also announced that it would construct a 5,000 Kw (electrical) developmental water type reactor at the Saxton, Pa., generating station of its subsidiary, Pennsylvania Electric Company.

In December, 1958, Pennsylvania Power and Light Company and Westinghouse Electric Corporation advised the AEC that after three years of research and development work on the single-region slurry homogeneous reactor, they did not think it technically feasible to construct their proposed large scale homogeneous reactor without the development and operation of a prototype plant. This resulted in the cancellation of the project (PAR).

During the year research and development work continued on the recently inaugurated Carolinas Virginia and East Central Nuclear-Florida West Coast projects, now under contract with the AEC. Detailed design work commenced during the year on the Pacific Gas and Electric Company plant located at Humboldt Bay, Calif., as well as on the nuclear superheater plant of the Northern States Power Company to be built at Sioux Falls, S. Dak.

Major construction work on the large scale Dresden plant at Joliet, Ill., the Enrico Fermi plant at Monroe, Mich., the Yankee plant at Rowe, Mass., and the Indian Point, N. Y., plant continued toward completion and operation in 1960 in the case of the first three plants and 1961 for Indian Point.

Valuable operating experience was obtained by the electric utilities participating in the three operating power reactor projects located at Vallecitos, Calif., at Santa Susana, Calif., and at Shippingport, Pa.

This, in essence, is the status and progress on the industry program in nucelar power today.[1]

Recent Developments in Washington

Within the last six or eight months, both the AEC and the Joint Committee Staff of the Congress established proposed objectives of national atomic power efforts and program steps to reach the objectives. Both sets of objectives are similar, and briefly are: (1) to achieve and demonstrate economic nuclear power in 10 years in the United States; (2) to assist friendly nations now having high energy costs to achieve competitive levels before that time; (3) to maintain U. S. world leadership in the peaceful applications of atomic energy.

Both proposed programs called for strong leadership and technical direction by the AEC. To bring this about, the Joint Committee staff program envisioned government assumption of responsibility for construction of reactor experiments and prototypes with participation in this phase by industry only in exceptional cases. Private ownership of nuclear facilities was anticipated mainly for second generation, commerical size nuclear power plants.

During the year, the AEC had demonstrated their intention to exercise stronger leadership and technical direction by announcing the policy whereby they would specify to private industry the types of reactors to be built with government assistance. Theretofore the initiative had rested largely with industry to propose reactor projects for inclusion in the Power Demonstration Reactor Progam and, thereby, qualify for government aid. In order to encourage participation by industry in the building of promising prototype reactors, the AEC endorsed capital subsidy as an additional form of financial assistance.

The technical phases of the two proposed programs differed somewhat as to the recommended sizes and types of reactor projects. The Joint Committee staff program included a list of experimental, prototype and large scale reactors to be studied, developed and possibly built. The AEC on the other hand emphasized the building of reactor experiments and prototypes rather than large scale plants as the quickest, least costly course toward achieving the program objectives. It also placed greater emphasis on the importance of breeder type reactors.

It was against this background that the Congressional hearings on the development, state and growth of atomic energy convened in February of this year. Chairman McCone of the AEC, in presenting the Commission's program for nuclear power development, reported that "efforts during the past five years have paid off in remarkable progress." He went on to say that "we have had a good program, both in terms of technical progress and in terms of participation and cooperation of industry."

The AEC continued to advocate positive and vigorous leadership in all phases of the program. In the research and development phase, the Commission would make full use of the technical staffs of its own laboratories although they also stated their intention to call on all segments of industry which could make substantial contributions.

In the prototype construction program, the AEC would determine desirable reactor types, sizes, designs and schedules for construction to meet their program objectives. The AEC would specify to industry the desirable prototype reactor projects which would qualify for government assistance. Financial assistance would be offered to cover capital costs in excess of conventional plant costs, if such authority were approved by Congress. However, such financial assistance was not to exceed 50% of the nuclear plant costs up to the bus bar, nor to reduce the capital cost to industry below the equivalent cost of a conventional plant.

Emphasizes Commercial Development

In the statement presented on behalf of the Edison Electric Institute, we endorsed the major objectives of the long range national program proposed for nuclear power development. However, we recommended an additional objective which has not received adequate consideration to date, that is, to bring the development of atomic power as soon as possible and as nearly as possible within the framework of commercial development of conventional energy resources. It is our position that healthy ultimate utilization of atomic energy will only take place with electric power companies, manufacturers of equipment and other related industries working together, without the requirements of special restrictions, special forms of assistance, and the extent of direction by government which presently exist during the transition period to economic nuclear power.

It is obvious to our industry that while the program currently underway in the United States is progressing at a rate which is both substantial and adequate on the basis of domestic considerations, foreign policy objectives may require additional efforts. However, such additional efforts are a collective responsibility of all segments of the economy. The electric power companies recognize their responsibility in these efforts and will continue to make available to the fullest extent possible their resources in experience, organization and financial support to help achieve the nation's foreign policy objectives in nuclear power development.

But, we pointed out that broad scale industry participation in expanded programs to meet the nation's foreign policy objectives will require substantial participation, both financial and otherwise by the Federal Government. Such assistance is both desirable and necessary, inasmuch as it is in support of an objective important to the entire nation rather than for the benefit of any one group. The principle of Federal financial aid to promote international objectives has abundant precedent for such aid in nuclear power development.

With regard to the role of government in technical aspects of nuclear power development, it is our industry position that during the transition period to competitive nuclear power, the AEC will have an important part to play in virtually all aspects of reactor development. However, we advocate that that role should be a transitional one with such responsibility transferred to industry as soon as practicable.

The AEC's role in reactor development over the near term should be in the areas of investigating promising reactor concepts, sponsoring research and development, and constructing and operating reactor experiments and prototype reactors. AEC ownership should not extend beyond the stage of such reactor experiments or prototypes at Commission installations. It is basically undesirable for government to own reactors on utility systems, public or private, such as was provided for on public and cooperative power systems in the so-called second round invitation of the Power Demonstration Reactor Program.

In a free enterprise economy, as a matter of principle, there is no proper place for government furtherance of public power, atomic or conventional, with financial assistance or other aid. When this is done it can only occur as a matter of expediency.

Moreover, power reactors at AEC installations should be operated only so long as they are deemed to be valuable from a research and development standpoint. In many cases, the inclusion of electric generating facilities is not necessary for technical progress. In those cases where generating facilities are installed, power generated, of course, should be utilized at the site.

Hence, in carrying out any program deemed necessary to meet established objectives, the respective roles of government and industry should be so conceived and administered as to maximize participation in the ownership of facilities by industry. Projects proposed by the AEC involving either prototype or subsequent reactors should be submitted to industry to be constructed, owned and operated by industry, with sufficient government financial assistance provided to bring this about.

Likewise, projects initiated by industry should be given equal consideration for government assistance with projects proposed by the AEC because the interest of industry should itself be a significant test of any reactor's competitive promise. Any reactor selected by industry will be tested against industry's standard of reliable and economic operation.

To date, electric power companies have invested in nuclear power projects amounts substantially in excess of the equivalent costs of conventional plants for both AEC proposed and unsolicited proposals, thus reducing the required expenditure of government funds.

The Future

What is the outlook for the year ahead in nuclear power development? The AEC has submitted to the Joint Committee a bill authorizing a program which calls for the construction by the government of four relatively small scale reactors. One is an experimental organic cooled power reactor to be built at a Commission installation. The second, an experimental low temperature proc-

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1 A panel of representatives of four major industry projects provided the convention with progress reports. The projects and the speakers were: INDIAN POINT: R. F. Brower, Vice-President, Consolidated Edison Co. of New York; YANKEE: R. J. Coe, Vice-President, Yankee Atomic Electric Co.; DRESDEN: R. G. Le Clair, Manager of Research & Development, Commonwealth Edison Co.; and ENRICO FERMI, H. A. Wagner, Manager of System Development, Detroit Edison Co.

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Status of Atomic Power And a Look at the Future

ess heat reactor, would also be built at a Commission site. The third proposed reactor is a boiling water prototype, which, as an alternative to construction by the Commission, will be offered to private, public or cooperative power organizations for construction and ownership by the organization in a cooperative arrangement with the AEC. The AEC proposes, in addition to research and development assistance, to provide financial assistance toward capital costs not to exceed 50% of the capital cost of the plant.

The fourth, a proposed small power reactor, as an alternative to Commission construction at an AEC site, may be built by the Commission under an arrangement with a cooperative or publicly-owned organization. The arrangement proposed would be similar to those under which the Piqua, Ohio, Municipal plant, the Elk River, Mich., REA plant, and the Nebraska Consumers Public Power Project are being built, whereby the AEC would own the reactor and sell steam to the cooperative or publicly owned organization.

Provision is made in the proposed legislation both for research and development assistance for the HTRDA-Philadelphia Electric gas-cooled reactor project as well as funds for the construction of the government-owned and operated gas-cooled reactor based on a design study authorized by the Congress and completed last year by Kaiser Engineers.

To provide research and development assistance in support of unsolicited proposals from the utility industry, there is proposed the sum of $5 million. In introducing the AEC proposed bill in the U. S. Senate, Joint Committee Chairman Anderson stated that "we and some of our colleagues on the Committee have some serious reservations as to the adequacy of the program, projects and policies recommended." Reviewing the program, he stated that the Joint Committee will want to consider authorizing additional projects, including one or two experimental prototype reactors for construction by the AEC on their sites, also an organic-cooled prototype in the 50,000-100,000 Kw electric size.

With respect to established reactor types, Chairman Anderson has said that consideration may be given to authorizing assistance for private construction of one or two reactors in the 75,000 to 150,000 Kw electric size. Also, he said the Committee may wish to consider an additional plant of 20,000-60,000 Kw electric for construction and ownership by the AEC in cooperation with a municipal organization or other public body.

Conclusion

The past year can be summarized as one in which our industry program in nuclear power development continued to show vigorous progress and further expansion. The panel report on the four large scale projects dramatically points up progress in projects underway. New undertakings, such as the Philadelphia Electric-HTRDA advanced gas-cooled reactor is tangible evidence of further expansion of the program. Additional industry projects now under consideration may be expected to be undertaken in the year ahead.

The year saw further resolution of some of the difficult and complex problems involved in drafting long range objectives mutually acceptable to the AEC, and the Congress. There were repeated suggestions of broadening the forms of government financial assistance to our industry as well as growing emphasis on construction of small scale and prototype reactors.

However, the importance has been lost sight of in government that any nuclear program which may be adopted must make maximum use of the cost cutting incentives and initiative of industry as well as ownership of facilities by industry, if the program is to succeed in achieving the objectives at minimum cost and within the nation's normal business framework.

These basic fundamentals have become obscured because of the birth and early development of nuclear power in a cloud of secrecy and government monopoly. This beginning, however, should not dictate its ultimate development. For there is nothing special about nuclear power that requires its future development outside the framework of our free enterprise type of business system, notwithstanding the claims of advocates of public power and government monopoly who would have America believe this.

The sooner there is widespread recognition of the basic fundamentals in the case, the sooner the nation will reach the objectives it has set for itself.

EDITOR'S NOTE: Members of the Edison Electric Institute Committee on Atomic Power are as follows:

E. L. Lindseth (Chairman), President, The Cleveland Electric Illuminating Co.

J. K. Busby, President, Pennsylvania Power & Light Co.

W. L. Cisler, President, The Detroit Edison Co.

W. J. Clapp, President, Florida Power Corp.

C. B. Delafield, Vice-President, Consolidated Edison Co. of New York, Inc.

E. H. Dixon, President, Middle South Utilities, Inc.

P. A. Fleger, Chairman of the Board, Duquesne Light Co.

G. M. Gadsby, Chairman of the Board, Utah Power & Light Co.

R. E. Ginna, Chairman of the Board, Rochester Gas & Electric Co.

A. S. King, President, Northern States Power Co.

J. W. McAfee, President, Union Electric Co.

C. B. McManus, Chairman of the Board, The Southern Co.

I. L. Moore, President, New England Electric System.

R. G. Rincliffe, President, Philadelphia Electric Co.

Philip Sporn, President, American Electric Power Co.

J. B. Thomas, President, Texas Electric Service Co.

Details of Projects and Participating Companies On Facing Page

See facing page for a description of the various private nuclear power projects and the companies participating therein.

ELECTRIC UTILITY COMPANY PARTICIPATION IN NUCLEAR POWER DEVELOPMENT
PLANTS IN OPERATION

	Name of Participating Utility Co & Plant	Type of Reactor	Electrical Capacity of Plant-Kwe	Owner of Reactor	Operator of Reactor	Estimated Cost to Utility Organization	In Operation
(1)	Duquesne Light Co (Shippingport)	Pressurized Water	60,000(a)	Atomic Energy Commission	Duquesne Light Co	$25,081,000(b)	Dec, 1957
(2)	Pacific Gas & Electric Co (Vallecitos)	Boiling Water-Prototype for Dresden unit	5,000	General Electric Co	General Electric Co	572,000(c)	Oct, 1957
(3)	Southern California Edison Co (Santa Susana)	Sodium Graphite	7,500	Atomic Energy Commission	Atomics International	1,573,000(c)	Jul, 1957

Notes: (a) Initial net capacity, ultimate of 100,000 Kw gross expected.
(b) Includes $20.08 million for the conventional portion of the plant and the site, and $5 million toward cost of reactor.
(c) For turbo-generator portion.

ELECTRIC UTILITY COMPANY PARTICIPATION IN NUCLEAR POWER DEVELOPMENT
PLANTS UNDER CONSTRUCTION, DESIGN, OR CONTRACT NEGOTIATIONS

	Name of Organization and Plant (a)	Type of Reactor	Capacity of Plant Kw Electric	Location	Est Cost to Utility Org	In Operation By
(4)	Commonwealth Edison Co - Nuclear Power Group, Inc (Dresden)	Boiling Water	180,000	Near Joliet, Illinois	$51,000,000	1960
(5)	Consolidated Edison Co of N Y (Indian Point)	Pressurized Water Thorium Converter	275,000	Indian Point, NY	100,000,000	1961
(6)	Northern States Power Co - Central Utilities Atomic Power Associates (Pathfinder)	Controlled recirculation boiling water with internal nuclear superheater	66,000	Sioux Falls, S D	22,800,000	1962
(7)	Pacific Gas & Electric Co (Humboldt Bay)	Advanced Boiling Water	50,000(b)	Eureka, Calif	20,000,000	1962
(8)	PRDC-Detroit Edison Co (Enrico Fermi)	Fast Breeder	100,000	Monroe, Mich	78,000,000	1960
(9)	Yankee Atomic Electric Co (Yankee)	Pressurized Water-Stainless Steel Clad fuel elements	134,000	Rowe, Mass	57,000,000	1960
(10)	Carolinas Virginia Nuclear Power Associates (Parr Shoals)	Pressurized Water - pressure tube, heavy water moderated	17,000	Parr, So Car	28,000,000	1962
(11)	East Central Nuclear Group Florida West Coast Nuclear Gp	Gas Cooled, Heavy Water Moderated	50,000	Florida West Coast Area	34,898,000	1963
(12)	Philadelphia Electric Co - High Temperature Reactor Development Associates, Inc	High Temperature, Helium Cooled, Graphite Moderated	30,000-40,000	Peach Bottom, Pa	$24,500,000(c)	1963
(13)	General Public Utilities Corp System (Saxton)	Water type	5,000	Saxton, Pa	8,250,000	1961 (est)

Notes: (a) Utility company members of respective groups are shown in Appendix I.

(b) Guaranteed. 60,000 Kw expected.

(c) Construction of plant is on a fixed price contract.

ELECTRIC UTILITY COMPANY PARTICIPATION IN NUCLEAR POWER DEVELOPMENT
PROJECTS IN PLANNING STAGES

	Name of Organization	Type of Reactor	Capacity of Plant Kw Electric	Location	Est Cost to Utility Org	In Operation By
(14)	New England Electric System	Not yet selected	over 200,000	New England		mid '60's
(15)	Pacific Gas & Electric Co	Not yet selected	200,000	California		

ESTIMATE OF EXPENDITURES BY ELECTRIC UTILITY COMPANIES FOR NUCLEAR POWER DEVELOPMENT (a)

	1955 and earlier	1956	1957	1958	1959	1960
Expenditures for Plants (b)	$10,993,000	$25,361,000	$33,348,000	$ 50,112,000	$105,913,000	$ 89,076,000
Other Expenditures (c)	2,041,000	1,592,000	2,620,000	4,816,000	4,940,000	11,047,000
Total by Years	13,034,000	26,953,000	35,968,000	54,928,000	110,853,000	100,123,000
Cumulative	13,034,000	39,987,000	75,955,000	130,883,000	241,736,000	341,859,000

Notes: (a) Based on information obtained from the major nuclear power groups and previous surveys made by Edison Electric Institute.

(b) Estimate of expenditures by electric utility organizations for the following plants in operation, under construction or contract, including accompanying research and development work, but exclusive of operating costs.

Santa Susana
Shippingport
Vallecitos
Dresden
Indian Point
Pathfinder
Humboldt Bay
Enrico Fermi
Yankee
Parr Shoals

(c) Includes expenditures by individual companies and groups of companies for nuclear power study, research, and development. These figures do not include expenditures associated with any of the projects listed in (b) above. Includes in this category are the following groups:

Atomic Power Development Associates
Atomic Power Engineering Group
East Central Nuclear Group
Florida West Coast Nuclear Group
High Temperature Reactor Development Associates
Nuclear Power Group
Pacific Northwest Power Co Group
Pennsylvania Power & Light Co Project (up to time of cancellation)
Pioneer Service & Engineering Group
Rocky Mountain-Pacific Nuclear Research Group
Southwest Atomic Energy Associates
Texas Atomic Energy Research Associates

Electric Utility Company Participation in Nuclear Power Development

(Status as of March 15, 1959)

Plants in Operation

(1) The Shippingport Atomic Power Station, which is jointly owned by the Atomic Energy Commission and the Duquesne Light Company, was constructed as a part of the AEC Reactor Development Program. Westinghouse Electric Corporation designed and built the nuclear part of the station under construction with the AEC.

Construction of Shippingport was initiated in September 1954 and completed the latter part of 1957. On Dec. 23, 1957 a full 60,000 Kw. of electric energy—the station's expected initial capacity—was generated and fed into the Duquesne Light Company system.

The plant was continued in preliminary operations until July 1, 1958 when the AEC and the company concluded that sufficient tests had been conducted to demonstrate that the operating characteristics of the station were satisfactory for safe extended operation. Subsequently, the plant has been operated for long periods at full design power, demonstrating its use and reliability as a generating unit. Additionally, the plant has been used for the conduct of a test program prescribed by the AEC. Early in 1959 a training program on the operation of Shippingport will begin for representatives of domestic and foreign operations.

The Duquesne Light Company provided the site, the conventional part of the station, and contributed $5,000,000 toward the cost of the nuclear part. The company is operating the entire plant, including the reactor, and is purchasing the steam from the AEC at a price substantially higher than the cost of steam produced at the company's conventional plants. When the AEC selected Duquesne Light's bid, it estimated that Duquesne's participation in the Shippingport project would reduce the government's share of the cost by about $30,000,000. Through 1958, Duquesne has spent $25.0 million for construction of this station.

(2) The Vallecitos nuclear reactor plant in California, a joint project of the General Electric Company and the Pacific Gas & Electric Company, was started in 1956. It was completed and began feeding elctricity into the Pacific Gas & Electric Company lines the latter part of 1957. This pilot plant for the large-scale Dresden nuclear power plant now under construction is the first entirely investor-financed nuclear power reactor project to be completed in the world. The Pacific Gas & Electric Company furnished the turbo-generator facilities and the General Electric Company the reactor.

(3) The sodium reactor experiment is a part of the AEC's reactor development program. It was designed, constructed and is being operated for the AEC by Atomics International. The Southern California Edison Company installed and is operating the steam electric plant at a cost to date of $1,573,000 and is purchasing the heat energy developed by the reactor for 45 cents per million BTU.

The plant was initially placed in operation in July 1957. Of major importance in this project is the company's endeavor to develop a liquid metal to water steam generator, vital to the successful generation of electrical energy from all types of sodium cooled reactors.

Although the outlet sodium temperature of the reactor system has not been brought up to the full design temperature as yet, the operation of the steam generator and entire steam electric plant has been stable and good.

The plant has now been in operation over 2,000 hours and, in addition to withstanding and giving a good operating performance under 30 planned and accidental scrams, it has capably met all other experimental requirements of the reactor.

Plants Under Construction, Design or Contract Negotiations

(4) The Dresden nuclear power station is a project of Commonwealth Edison Company with the cooperation of Nuclear Power Group, Inc. Major construction on the 180,000 Kw. (electric) dual cycle boiling water reactor, located 50 miles from Chicago, Ill., was started in June 1957. This plant, privately financed, is being built by General Electric Company, with Bechtel Corporation as subcontractor, for a contract price of $45,000,000. In addition, overheads and site costs will be something over $6,000,000. The contract calls for completion by Dec. 7, 1960. Construction is proceeding ahead of schedule and the project is expected to be ready for operation by the middle of 1960.

(5) The Indian Point nuclear power plant is being financed and constructed by Consolidated Edison Company of New York, Inc. Foundation work and erection of the containment sphere is essentially complete and other major construction work is well under way. The plant is expected to be completed by 1961.

(6) The Pathfinder project is a joint undertaking of the Northern States Power Company and Central Utilities Atomic Power Associates. In 1957 a contract was signed with the AEC for the research, development and construction of this project under the third round of the Power Demonstration Reactor Program. The plant will be located on the Big Sioux River near Sioux Falls, South Dakota. It is scheduled to be in operation in 1962. The plant, which will be owned and operated by Northern States Power Company, is expected to cost a total of approximately $33.1 million including research and development work. The AEC will contribute the equivalent of $10.3 million toward the cost of this project in the form of research and development work.

(7) The Pacific Gas & Electric Company is undertaking the development and construction of a 60,000 Kw. advanced boiling water reactor at Eureka, Calif. This project, scheduled for criticality on July 1, 1962, is to be financed entirely with investor funds, including research and development. Bechtel Corporation will design and construct the plant on a regular commercial contract basis. General Electric Company will supply the nuclear and electrical equipment. The total cost of the project is estimated to be $20,000,000. Detailed design was started in September 1958 and field construction is scheduled to start in April 1960.

(8) The Enrico Fermi plant is sponsored by the Power Reactor Development Company and The Detroit Edison Company. Atomic Power Development Associates, Inc. is performing research and development and furnishing the reactor design for the project. Major construction began in August of 1956 and is proceeding on schedule toward completion in late 1960. Cost of this plant to the utility organization concerned is expected to be over $78 million. The AEC is contributing the equivalent of $4.45 million toward this project, being constructed as part of the AEC First Round Power Demonstration Reactor Program, in the form of research and development work.

(9) The Yankee Atomic Electric Company is building a 134,000 Kw. (electric) pressurized water reactor at Rowe, Mass., using stainless steel clad uranium oxide fuel elements. The building to house the turbo-generator has been erected, the concrete shielding for the reactor has been completed and the 125 ft. vapor container sphere is under erection. Work is well underway in the manufacturers' plants on fabrication of the nuclear reactor vessel and components and on the conventional generating equipment. The plant is expected to be in operation in 1960. The project, being undertaken as part of the Power Demonstration Reactor Program, is expected to cost about $50 million. Total requirements to be financed are calculated at $57 million, including cost of the initial core. In addition, the AEC is contributing the equivalent of $5 million in the form of research and development work toward the cost of this project.

(10) The Carolinas Virginia Nuclear Power Associates, Inc., formed in 1956, made a proposal to the AEC in August of 1957 under the third round of the Power Demonstration Reactor Program for the development and construction of a heavy water moderated and cooled pressure tube reactor nuclear power plant. The proposal was accepted as the basis for contractual arrangements by the AEC in May 1958. The proposed plant, having a design capacity of about 17,000 Kw. (net electrical), is scheduled for completion in mid-1962. A site of Parr, South Carolina, has been selected for its location. The Associates, under the proposed agreement, would pay estimated capital costs of about $22 million. The cost of operating the plant will bring the total CVNPA expenditure to about $28 million. Total estimated costs to the AEC would be about $14.6 million.

(11) In December of 1957 a proposal was made to the AEC by East Central Nuclear Group-Florida West Coast Nuclear Group (ECNG-FWCNG) for the development and construction of an advanced heavy water moderated gas-cooled pressure tube reactor nuclear power plant under the third round of the Power Demonstration Reactor Program. Construction of the proposed 50,000 Kw. (electric) reactor, to be located in the Florida West Coast area, would be scheduled for completion by mid-1963. The proposal was accepted as the basis for contractual arrangements by the AEC in February 1958, subject to enactment of the necessary authorization and appropriation legislation. On being so advised, ECNG-FWCNG determined to initiate the research and development immediately, with the understanding that it was doing so at its own risk pending consideration of the legislation and negotiation of a contract with AEC. The necessary legislation was adopted in August 1958. Negotiations covering the contract between ECNG-FWCNG and AEC are in the final stages. The research and development program has gone forward steadily since February 1958 and approximately $670,000 had been spent as of Feb. 15, 1959.

(12) In November 1958 a proposal was made in response to an invitation from the AEC by Philadelphia Electric Company in cooperation with the newly organized non-profit High Temperature Reactor Development Associates, Inc. to design, construct and operate a prototype high temperature helium-cooled, graphite moderated nuclear power plant. The proposal calls for operation of a 30,000-40,000 Kw. (electric) nuclear plant on the Philadelphia Electric Company system in 1963. Construction of the plant is on a fixed price contract basis for $24.5 million. The proposal provides for the AEC to contribute up to a maximum of $14.5 million in aid of research and development. At present the proposal is under consideration by the AEC.

(13) The General Public Utilities Corporation System has proposed the installation of a small 5 Mwe developmental water-type reactor at the Saxton, Pa. generating station of its subsidiary, Pennsylvania Electric Company. The reactor will be connected to existing generating equipment and will be used for conducting a researh and development program with primary emphasis on achievement of cost reduction and increased efficiency in the use of nuclear fuel. One of the primary objectives of the program will be to obtain information for the design of a nuclear superheater.

The project will be a cooperative effort involving the GPU System, Westinghouse Electric Corporation, and Gilbert Associates, Inc. Westinghouse will supply the reactor and associated equipment to the GPU System for a fixed price of $6,250,000. The GPU System will supply the plant site, make the existing turbine available and bear the net operating and maintenance and insurance costs, estimated at approximately $2,000,000. Westinghouse will be responsible for the nuclear fuel requirements of the project for the first period of five years of operation, including fabrication and processing costs.

Projects in Planning Stages

(14) The New England Electric System reports that it is its intention to build a large nuclear power plant sometime in the mid '60s. The exact size of the plant will depend upon the load growth of the next several years. The unit, however, will be over 200 Mw. The selection of the reactor type will probably be made by the end of 1961.

(15) Pacific Gas & Electric Co. reports that it is continuing to study manufacturers' proposals for a large-scale reactor and that efforts will continue to be given to the project until a satisfactory conclusion is reached. The utility is hopeful that a decision on the matter can be made in the next few months. At present negotiations are underway for a suitable plant site.

Electric Utility Company Participation in Nuclear Power Development

Names of Electric Utility Companies Participating in Nuclear Power Study, Research, Development Operating and Construction Projects

(Status as of March 15, 1959)

Projects in Operation

Duquesne Light Co. (Shippingport)
Pacific Gas & Electric Co. (Vallecitos)
Southern California Edison Co. (Santa Susana)

Projects Under Construction, Design or Contract Negotiations

Commonwealth Edison Co.
Nuclear Power Group
- American Electric Power Service Corp.
- Commonwealth Edison Co.
- Central Illinois Light Co.
- Illinois Power Co.
- Kansas City Power & Light Co.
- Pacific Gas & Electric Co.
- Union Electric Co.

Consolidated Edison Co. of N. Y., Inc.
Northern States Power Co.

Central Utilities Atomic Power Associates
- Central Electric & Gas Co.
- Interstate Power Co.
- Iowa Power & Light Co.
- Iowa Southern Utilities Co.
- Madison Gas & Electric Co.
- Mississippi Valley Public Service Co.
- Northern States Power Co.
- Northwestern Public Service Co.
- Otter Tail Power Co.
- St. Joseph Light & Power Co.
- Wisconsin Public Service Corp.

Pacific Gas & Electric Co. (Humboldt Bay)

The Detroit Edison Co.

Power Reactor Development Co.
- Alabama Power Co.
- Central Hudson Gas & Electric Corp.
- Cincinnati Gas & Electric Co.
- Columbus & Southern Ohio Electric Co.
- Consumers Power Co.
- Delaware Power & Light Co.
- Detroit Edison Co.
- Georgia Power Co.
- Gulf Power Co.
- Iowa-Illinois Gas & Electric Co.
- Long Island Lighting Co.
- Mississippi Power Co.
- Philadelphia Electric Co.
- Potomac Electric Power Co.
- Rochester Gas & Electric Corp.
- Toledo Edison Co.
- Wisconsin Electric Power Co.

Yankee Atomic Electric Co.
- Boston Edison Co.
- Cambridge Electric Light Co.
- Central Maine Power Co.
- Central Vermont Public Service Corp.
- Connecticut Light & Power Co.
- Hartford Electric Light Co.
- Montaup Electric Co.
- New Bedford Gas & Edison Light Co.
- New England Power Co.
- Public Service Co. of New Hampshire
- Western Massachusetts Electric Co.

Carolinas Virginia Nuclear Power Associates
- Carolina Power & Light Co.
- Duke Power Co.
- South Carolina Electric & Gas Co.
- Virginia Electric & Power Co.

East Central Nuclear Group

Florida West Coast Nuclear Group
- Appalachian Power Co.
- Cleveland Electric Illuminating Co.
- Columbus & Southern Ohio Electric Co.
- Dayton Power & Light Co.
- Indiana & Michigan Electric Co.
- Indianapolis Power & Light Co.
- Louisville Gas & Electric Co.
- Monongahela Power Co.
- Ohio Edison Co.
- Ohio Power Co.
- Pennsylvania Power Co.
- Potomac Edison Co.
- Southern Indiana Gas & Electric Co.
- West Penn Power Co.
- Florida Power Corp.
- Tampa Electric Co.

Philadelphia Electric Co.

High Temperature Reactor Devel. Associates, Inc.
- Alabama Power Co.
- Arizona Public Service Co.
- Arkansas Power & Light Co.
- Atlantic City Electric Co.
- Baltimore Gas & Electric Co.
- California Electric Power Co.
- Central Illinois Electric & Gas Co.
- Central Illinois Light Co.
- Central Illinois Public Service Co.
- Central Louisiana Electric Co., Inc.
- Central Power & Light Co.
- Cincinnati Gas & Electric Co.
- Cleveland Electric Illuminating Co.
- Delaware Power & Light Co.
- Detroit Edison Co.
- Gulf Power Co.
- Gulf States Utilities Co.
- Hawaiian Electric Co., Ltd.
- Idaho Power Co.
- Illinois Power Co.
- Iowa Public Service Co.
- Kansas City Power & Light Co.
- Kansas Power & Light Co.
- Kentucky Utilities Co.
- Louisiana Power & Light Co.
- Mississippi Power Co.
- Mississippi Power & Light Co.
- Missouri Public Service Co.
- Montana Power Co.
- New Orleans Public Service, Inc.
- New York State Electric & Gas Corp.
- Niagara Mohawk Power Corp.
- Pacific Gas & Electric Co.
- Pacific Power & Light Co.
- Pennsylvania Power & Light Co.
- Philadelphia Electric Co.
- Portland General Electric Co.
- Public Service Co. of Colorado
- Public Service Co. of New Mexico
- Public Service Co. of Oklahoma
- Public Service Electric & Gas Co.
- Puget Sound Power & Light Co.
- Rochester Gas & Electric Corp.
- St. Joseph Light & Power Co.
- San Diego Gas & Electric Co.
- Sierra Pacific Power Co.
- Southern California Edison Co.
- Southwestern Electric Power Co.
- United Illuminating Co.
- Utah Power & Light Co.
- Washington Water Power Co.
- West Texas Utilities Co.

General Public Utilities Corp. System

Projects in Planning Stages

New England Electric System
Pacific Gas & Electric Co.

Study, Research & Development Groups

Atomic Power Development Associates
- Alabama Power Co.
- Baltimore Gas & Electric Co.
- Central Hudson Gas & Electric Corp.
- Cincinnati Gas & Electric Co.
- Cleveland Electric Illuminating Co.
- Connecticut Light & Power Co.
- Consolidated Edison Co. of N. Y., Inc.
- Consumers Power Co.
- Delaware Power & Light Co.
- Detroit Edison Co.
- General Public Utilities Corp.
- Georgia Power Co.
- Gulf Power Co.
- Hartford Electric Light Co.
- Indianapolis Power & Light Co.
- Jersey Central Power & Light Co.
- Long Island Lighting Co.
- Metropolitan Edison Co.
- Mississippi Power Co.
- New Jersey Power & Light Co.
- New York State Electric & Gas Corp.
- Niagara Mohawk Power Corp.
- Pennsylvania Electric Co.
- Philadelphia Electric Co.
- Potomac Electric Power Co.
- Public Service Electric & Gas Co.
- Rochester Gas & Electric Corp.
- Toledo Edison Co.
- Wisconsin Electric Power Co.
- Wisconsin Power & Light Co.

Atomic Power Engineering Group
- Central Illinois Public Service Corp.
- Central Louisiana Electric Co.
- Central Power & Light Co.
- Interstate Power Co.
- Iowa-Illinois Gas & Electric Co.
- Kentucky Utilities Co.
- Lake Superior District Power Co.
- Northern Indiana Public Service Co.
- Public Service Co. of Indiana, Inc.
- Public Service Co. of Oklahoma
- Southwestern Electric Power Co.
- West Texas Utilities Co.

East Central Nuclear Group (see item 11)

Minnesota Nuclear Operations Group
- Minnesota Power & Light Co.
- Northern States Power Co.

Nuclear Power Group (see item 4)

Pacific Northwest Power Co. Group
- Montana Power Co.
- Pacific Power & Light Co.
- Portland General Electric Co.
- Washington Water Power Co.

Puget Sound Utilities Council
- Puget Sound Power & Light Co.

Rocky Mt.-Pacific Nuclear Research Group
- Arizona Public Service Co.
- California Electric Power Co.
- Pacific Power & Light Co.
- Portland General Electric Co.
- Public Service Co. of Colorado
- Public Service Co. of New Mexico
- Utah Power & Light Co.
- Washington Water Power Co.

San Diego Gas & Electric Co.

Southwest Atomic Energy Associates
- Arkansas Power & Light Co.
- Arkansas-Missouri Power Co.
- Central Louisiana Electric Co.
- Empire District Electric Co.
- Gulf States Utilities Co.
- Kansas Gas & Electric Co.
- Kansas Power & Light Co.
- Louisiana Power & Light Co.
- Mississippi Power & Light Co.
- Missouri Public Service Co.
- New Orleans Public Service, Inc.
- Oklahoma Gas & Electric Co.
- Public Service Co. of Oklahoma
- Southwestern Electric Power Co.
- Western Light & Telephone Co.

Texas Atomic Energy Research Foundation
- Central Power & Light Co.
- Community Public Service Co.
- Dallas Power & Light Co.
- El Paso Electric Co.
- Gulf States Utilities Co.
- Houston Lighting & Power Co.
- Southwestern Electric Power Co.
- Southwestern Public Service Co.
- Texas Electric Service Co.
- Texas Power & Light Co.
- West Texas Utilities Co.

*The study arrangement that San Diego Gas & Electric Co. has with General Atomic Division of General Dynamics Corp. will be discontinued if the HTRDA project, of which San Diego Gas & Electric Co. is a member, obtains Congressional and AEC approval.

Continued from page 24

Electric Utility Pricing Policies for Tomorrow

Medallion Home Program, there remains the sales task of improving the kilowatt-hour use of 37 million existing homes.

Experience tells us that no matter what the level of rate is, sales results are obtained only as contact is made with the ultimate customer. The old saying is still true that "shoe leather has to be worn out and doorbells have to be rung" if the industry is to make the sales necessary to achieve maximum utilization of the invested dollar. Someone has to ask for the order.

The major conclusions to be drawn from our study as a guide to rate making for the future, may be summed up thus:

(1) Investment to serve the customer is increasing on a kilowatt and a customer basis. When we take into account the factors of depreciation, insurance and taxes which must go with the direct capital costs, it is evident that the rate structure will have to recognize higher charges on higher fixed investment and, at the same time, be further simplified and made more promotional to permit the sale of service in volume.

(2) The general increase in operating expenses per customer necessitates a re-examination of front-end charges of the rate structure, including initial charges and minimums, together with a reappraisal of pricing policies as to how far kilowatt and customer charges, which go on regardless of the use of the service, should be spread over the energy charges.

(3) The past economies obtained through the use of larger, more efficient units which, in spite of constantly rising fuel prices, have resulted in the ability to hold the cost of fuel per kilowatt-hour at existing levels, will need to be reinforced with the added protection of provisions for fuel-price adjustments. It is generally agreed that technological improvements remaining in the future may not be able to always offset the increasing price of fuel.

(4) Sales promotion expenditures may have to be increased if we are to obtain the maximum customer utilization of and satisfaction with the volume of service he will be receiving. Informed and satisfied customers are a bulwark to investment protection.

(5) The annual operating costs for all-electric utility service in the all-electric home will require considerable customer education. To achieve this standard of electric living, utility companies should be prepared to offer to customers monthly budget-payment-for-service plans, the same as the customer has available for every other participation that he makes in the American standard of living.

(6) Research on load utilization and analyses of operations, both on a continuing basis, are no longer a luxury to be enjoyed only by large companies. Today the question is not whether to engage in such work but, rather, how to conduct research activity for maximum usefulness in supplying management with more precise information as an aid to the determinations of company policies and actions.

Regulation

If the forecasts that we have heard at this meeting are to be met and companies are to receive fair profits, it will be necessary to take a new look at regulatory policies. The changes to come will have to be evolutionary, perhaps sometimes on an experimental basis. Regulators may well be asked to accept proposals resting on good business judgment and economic principles which may not be susceptible of precise cost accounting proof, at least by conventional methods.

It has been aptly stated that the private utility industry is exposed to all of the economic forces that affect other businesses, and, in addition, the utility business has the added risk of the complexities and political implications of regulation.

I believe that much can be done to improve the utility companies' regulatory relations. We should seek to broaden regulatory contacts and inquiries beyond the accounting control level. We should better inform regulators as to the investment and policy problems that confront companies if customers are to have adequate service under our profit system.

In the recent U. S. Supreme Court decision in the Memphis case, the Court took a realistic look at the regulatory problems confronting natural gas companies. The principles set forth by Mr. Justice Harlan, who delivered the opinion of the Court, are equally applicable to the operations of electric utility companies that come before regulators for review:

". . . Business reality demands that natural gas companies should not be precluded by law from increasing the prices of their product whenever that is the economically necessary means of keeping the intake and outgo of their revenues in proper balance; otherwise procurement of the vast sums necessary for the maintenance and expansion of their systems through equity and debt financing would become most difficult, if not impossible . . ."

Greater Utilization of Fair Value Rate Base

In taking a realistic look at the inflationary conditions of the economic world in which we live today and which will probably continue into the indefinite future, it is axiomatic that regulation must give weight to a utility company's demonstration of a fair value rate base if the utility's rates are to be "just and reasonable." "Just and reasonable," under inflationary conditions, does not mean slavish adherence to the use of historically recorded costs as the sole criterion of value for rate-base purposes. Nor does it mean setting a rate of return a fraction of a point above "bare bones" cost of money.

It has been stated quite frequently that the fair value concept "died" with the Hope decision of the U. S. Supreme Court in 1944. Nothing could be further from the truth. The Hope decision came in the Federal regulatory area at a time when the general price level was not only steady for a long time but far below the inflationary levels that we have today. We must not overlook the fact that today, at state levels, the provisions of state laws are still controlling.

The Montana Supreme Court, in a recent decision, puts it very succinctly:

"The Hope case is not binding upon the Public Service Commission of Montana. Its action must square with the Montana statutes and the decisions of this Court." (March 19, 1957, 18 PUR 3d 292)

Other courts have upheld this principle.

We have taken a "new look" at what the legislative rights are in the various states. Among the states, including the District of Columbia, the laws in only one of those states (Maine) today specifically prohibit adequate demonstration of the fair value principle.

A study of existing legislation indicates that directives as to value range all the way from ". . . shall consider evidence of present value . . ." through ". . . may consider evidence of present value . . ." to such statements as ". . . shall consider every fact which in its judgment may or does have any bearing on such value. . . ."

It is clear that in those jurisdictions which have such laws but where the commissions still use original cost depreciated as the sole measure of the rate base, such action continues simply because the utilities have been unable to effectively enforce their statutory rights.

Some contend that the utility industry will "do all right" under original cost regulation because so much plant will have been installed in a period of rising prices.

About one-half of our present-day electric plant dollar investment was installed prior to 1950. By then, prices had already risen substantially from levels existing at the end of World War II. Since 1950, electric plant construction costs, on an index base, have increased over 50%. From this trend it is evident that only in the case of a static new enterprise, built wholly within the proximity of present price levels, can it be said that original cost and present fair value are reasonably comparable. Furthermore, looking down the road, this will only stay true if we have no further price inflation. The conclusion is inescapable — that spending money at continuing inflationary price levels does not inject fair value into the rate base for all the dollars previously committed at lower price levels.

Somewhere in the original cost depreciated rate-regulation process, a large portion of prior investment has been "plowed under" when it comes to producing "real" earnings.

As inflationary developments continue to push prices on upward, a number of decisions this past year have partially come to grips with the facts of present-day economic conditions. In a number of these situations companies had to take their cases to the higher state courts. It is at this level that we have had some reaffirmation of the fact that an objective look can be taken at the economic as well as legal facts of the utility business.

Recognition of Inflation

Some commissions are beginning to recognize present-day inflationary conditions by utilization of what I call the "forward rate-base approach." This is a willingness to look beyond the test year. It is an effort on the part of the commission to accord the utility some element of fair value determination which the commission knows the economic realities of present-day inflationary conditions warrant.

Undeniably, forward rate base does give immediately needed revenues. It utilizes the dollars of current or projected plant additions for this purpose. However, it must be recognized that such a determination does not develop a single dollar of fair value for all plant dollars that have been committed to the enterprise at lower than current price levels.

The Iowa Supreme Court, in the now famous Fort Dodge rate case, stated the case for fair value very well:

"The arguments against fair value are all ones of expediency, not ones of justice or fundamental fair treatment. . . ."

* * *

"The fixing of just and reasonable rates must function in a world of change, and must constantly readapt itself to the effect of those changes. . .

". . . The fact that the problem of valuation for rate making is difficult, however, and the answer not generally subject to precise determination, does not make the problem unsolvable. . . ."

Depreciation Policy

Looking to the future, depreciation accruals will require a re-examination of method and a re-appraisal of policy. As price levels continue upward, the electric industry is faced with some rather simple facts with respect to the adequacy of these accruals. When utility service is rendered to customers, property employed in that service is being used up. The charges now included in the utility price structure are recovering only the number of dollars originally invested. As inflation continues and the costs of plant construction increase, the dollars recovered through present pricing methods are constantly smaller and smaller dollars in terms of capacity and services that can be bought. The steel people, the automobile people, in fact, all those with heavy long-term investments, are subject to this same relentless effect of inflation. However, these non-regulated industries are able to keep pace with the changing economic conditions by the ability to change prices quickly. These industries provide for themselves in their price structures an adequate margin with which to keep their property whole. Since the economic facts facing the utilities are no different than those facing non-regulated business, utility pricing and regulatory policy could well contemplate the same protection of a wider earnings margin.

It is no answer to say that the accounting, tax and regulatory problems that would be created by current cost depreciation are "difficult or impossible of solution." Obviously, if utilities were to increase depreciation accruals and still be regulated under the original cost depreciated concept, the result would be even further reduction in rate base. This is all the more reason why the fair value principle should be adhered to.

The first private electric utility to give recognition to fair value depreciation was Iowa-Illinois Gas & Electric Company. Following the dictum of the Iowa State Supreme Court in the Fort Dodge decision, it began booking fair value depreciation in June of 1958. This is an economically sound step both for rate making and accounting.

It is of interest to note that one of the country's large municipal operations is currently accruing depreciation on a fair value basis. The Sacramento Municipal Utility District, in its Annual Report for 1957, states:

". . . In 1957 the District adopted with the full approval of its independent auditors . . . the principle of providing depreciation based on the fair value of its property. In periods of substantial inflation or deflation, because of changes in the purchasing power of the dollar, depreciation based on cost is not a fair measure of the property consumed in operations. This principle of accounting, sometimes referred to as 'price level depreciation,' recognizes that a utility should collect in revenues an amount to cover the fair value of its property consumed in operations if the real capital dedicated

CHART I

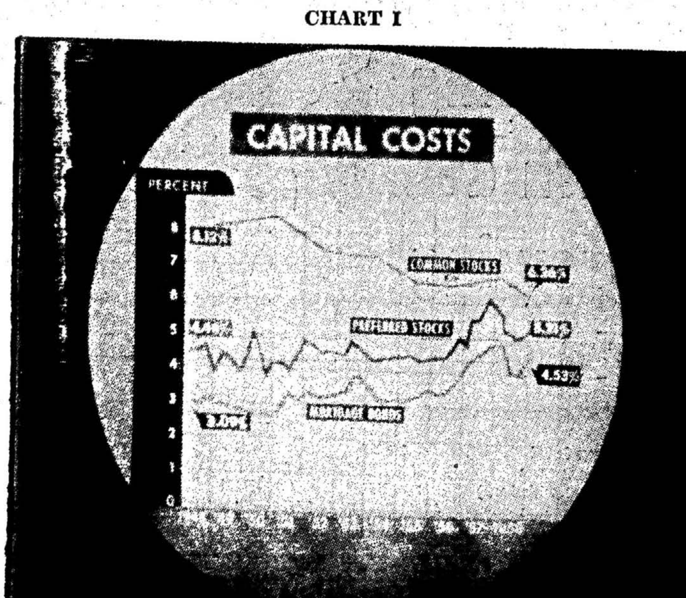
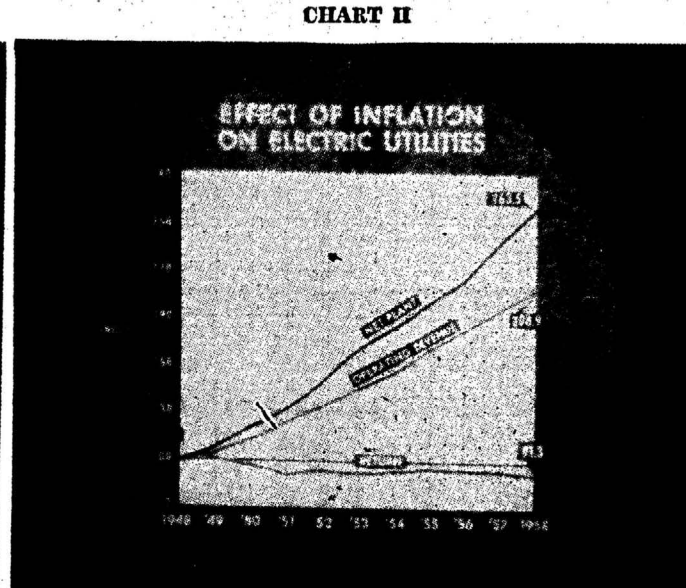


CHART II



to the business is to be maintained."

Organizing for the Pricing Job Ahead

When full and adequate consideration is given to some of the items we have covered, it is evident that the determination of pricing policies for tomorrow is one of the most important matters that will confront utility company managements.

Primary responsibility, of course, rests in the hands of the chief executive. But practical operation demands that this responsibility should, in our opinion, be delegated to a staff organization responsible to the chief policy-making executive.

The responsibilities to be delegated are:

(1) To develop the rate structure that will produce, on a continuing basis, the growing revenue requirements of the company.

(2) To administer the rate structure in such a manner that the regulatory standards controlling the utility will be adequately met and good business relations with customers will be maintained.

(3) To represent the company before regulatory commissions and similar groups on all matters of rate interest.

(4) To conduct research on loads and analyze operations so that more precise information will be available for policy decisions rather than generalized opinions.

(5) To keep the management group, of which rate and economic research should be an integral part, well informed on rate regulatory and economic matters at the local, state and national levels.

The utility business, as to its own operation and in its public contacts, is becoming vast and complex. No longer is it feasible for the chief executive officer to be his "own rate man" as many of you gentlemen have done in the past. The time is ripe for a constructive appraisal of your organizational set-up for the job ahead.

Much progress has been made in many companies. Much more remains to be done if the electric utilities are to handle prudently and price adequately the tremendous service demands of customers, and at the same time make a fair profit for investors.

Chicago Investm't Analysts To Hear R. P. Briggs

CHICAGO, Ill. — The Investment Analysts Society of Chicago will have as guest speaker at their luncheon today at the Midland Hotel R. P. Briggs, Executive Vice-President of Consumers Power Company. Mr. Briggs will speak on the current operations and future outlook for his company and the industry. Before joining Consumers Power Mr. Briggs was Professor of Accounting and Vice-President of the University of Michigan.

Lee Higginson Office

PROVIDENCE, R. I.—Lee Higginson Corporation has opened an office at 10 Dorrance Street under the direction of Nathaniel R. Tingley and Frank D. Livingston.

L. A. Caunter Branch

LISBON, Ohio—L. A. Caunter & Co. has opened a branch office at 124 West Lincoln Way under the management of James J. Murphy.

Scott Planning Branch

Scott Planning Company has opened a branch office at 509 Fifth Avenue, New York City, under the direction of Bernard L. Sorkin.

Irving Amsel Opens

BROOKLYN, N. Y.—Irving Amsel is engaging in a securities business from offices at 1989 East 19th Street.

Canadian Capital Spending Plans for 1959

Survey by the Bank of Montreal of the capital expenditures planned for 1959 by some 16,000 Canadian firms and governmental bodies shows no significant over-all change but it does reveal definite compositional changes.

The following table in the Bank of Montreal's *Business Review* of March 25, 1959, clearly indicates this year's expected changes in the make-up of capital investment in 1959 versus 1958. The survey is based on the reported spending plans of 16,000 firms and governmental bodies. Noteworthy is the cutback in construction outlays with purchases of machinery and equipment only fractionally lower, and the shift from "business" outlays to capital spending by public bodies:

CAPITAL EXPENDITURE IN CANADA
(Millions of Dollars)

	Outlays in 1957	Outlays in 1958	Plans for 1959	% Change 1959/58
Primary Industries (a)	1,246	997	1,001	+ 0.4
Manufacturing	1,479	1,082	1,043	— 3.6
Utilities (b)	2,308	2,135	1,844	—13.6
Commercial Services (c)	690	693	799	+15.3
Housing	1,430	1,781	1,728	— 3.0
Institutions (d)	454	490	550	+12.2
Government Departments	1,110	1,239	1,456	+ 9.4
Total	8,717	8,417	8,321	— 1.1
Comprising:				
New Construction	5,784	5,955	5,866	— 1.5
New Mach. and Equipment	2,933	2,462	2,455	— 0.3

(a) Includes: agriculture; forestry; fishing; mining and petroleum development; and the construction industry.
(b) Includes: power; transportation; warehousing; communications; and municipal waterworks.
(c) Includes: wholesale and retail trade; finance, insurance and real estate; and other commercial services.
(d) Includes: schools and universities; hospitals; churches; and other social and welfare institutions.

Purchasing Agents Report Rising Capital Expenditure Plans

Recent survey shows generally improved business continues—characterized by order-hungry capital goods industries and busy basic metal producers. Concern is expressed about possible let-down in buying in third quarter and current upward change in commodity prices.

Over-all business continues to improve, according to the composite opinion of purchasing agents who comprise the N. A. P. A. Business Survey Committee, whose Chairman is Chester F. Ogden, Vice-President, The Detroit Edison Company, Detroit, Michigan. However, the saw-toothed business pattern still prevails, with basic metal producers about to set records and finding it difficult to meet all demands. On the other hand, capital goods industries are urgently seeking orders. The National Association of Purchasing Agents' Committee adds that there is general agreement that improvement will continue during the second quarter. But, with or without a steel strike, there is much concern about the effect the current buying spree will have on business in the third quarter.

The summary of new orders again is reassuring, with 48% of the members reporting increases, 44% listing no change, and but 8% showing decreases. Production figures have improved again over February, with 47% achieving more output, 46% unchanged and 7% having decreases.

Commodity prices are again reported as moving upward. This has led many of our members to express concern about the present inflationary tendencies and to comment that this will further weaken our position against the influx of foreign products on our markets.

Strike threats, increased production, and higher prices have all combined to cause Purchasing Executives to increase their inventories. Coupled with this is a willingness to extend again a little farther into the future on contracts for production and MRO materials.

While employment is slightly better than a month ago, there remains a substantial pool of available man power of both experienced and inexperienced people.

Our special question for March asked if 1959 capital expenditures for our members' companies were going to be more, the same, or less than in 1958. Surprisingly, 44% said that they were going to spend more this year, 30% the same, and 26% less. This certainly is an indication of confidence in the long-range future.

Commodity Prices

Again led by ferrous and non-ferrous metals, prices continue to trend upward. Concern by purchasers over possible strikes in steel, copper and rubber will probably sustain demand and resulting price patterns at currently high levels through the second quarter. This is supported by the fact that 39% of those reporting list higher prices, compared with 31% a month ago. Only 2% of our members mention lower prices.

Inventories

Further shortening of strike deadlines has increased the number of those showing higher inventory positions. Duplicating last month's trend, 43% of our members chart inventory increases, with 34% so reporting in February, and only 16% showing reductions this month. The number of those with unchanged inventory is 41%. Beyond the strike threats, purchasing executives say that better production, price advances and seasonal depletions are the reasons for their additions.

Employment

There are 29% of our reporters who indicate more employment in March, essentially the same as last month. While construction work is reported opening up in many areas and there is greater employment in basic metals and automobiles, this is offset in totals by the continuing emphasis on cost reductions and increasing automation. Those listing less employment total 10%, against 15% in February. Members' comments reflect that further increased employment will be covered in the recall of laid-off workers—making it difficult for newcomer additions to pay rolls.

Buying Policy

As reported last month, the percentages continue to show an extension of coverage on production materials.

	Hand to Mouth	Per Cent Reporting 30 Days	60 Days	90 Days	6 Mos. to 1 Year
March:					
Production Materials	6	29	29	24	12
MRO Supplies	21	49	20	7	3
Capital Expenditures	12	6	16	24	42
February:					
Production Materials	8	26	39	23	4
MRO Supplies	21	48	20	8	3
Capital Expenditures	15	3	12	27	43

Specific Commodity Changes

Similar to last month, certain steel and copper items are reported in short supply.

On the *up* side are: Brass, copper, steel, silver, platinum, lumber, textiles, methanol and some electrical equipment.

On the *down* side are: Lead, steel scrap and sugar.

In *short* supply are: Steel sheets, steel piling and helium.

Keenan & Clarey Add

(Special to The Financial Chronicle)

MINNEAPOLIS, Minn. — Richard J. Grant has been added to the staff of Keenan & Clarey, Inc., Pillsbury Building.

Paine, Webber Adds

(Special to The Financial Chronicle)

SAN DIEGO, Calif. — Richard W. Bourne is with Paine, Webber, Jackson & Curtis, Orpheum Theatre Building.

With E. E. Henkle

(Special to The Financial Chronicle)

LINCOLN, Neb. — Marvin D. Nelson has become connected with E. E. Henkle Investment Co., Federal Securities Building.

With S. Romanoff

(Special to The Financial Chronicle)

SPRINGFIELD, Mass.—Bernice M. Delaney has become affiliated with S. Romanoff & Co. She was formerly with H. L. Robbins & Co., Inc.

Joins Copley Staff

(Special to The Financial Chronicle)

DENVER, Colo. — Roger R. Fleck has joined the staff of Copley and Company, 818 Seventeenth Street.

Joins Harris Upham

MINNEAPOLIS, Minn. — Jevne D. Baskin has joined the staff of Harris, Upham & Co., Northwest Bank Building.

Continued from page 22

The Challenge of Soviet Power

more than double the comparable Soviet expenditure. Yet this is largely accounted for by our massive highway building program which has been running 15 to 20 times the USSR spending, whereas their annual investment in railroad rolling stock and fixed assets substantially exceeds ours.

At the moment, they do not feel much incentive in the road building field. They have no interest in having their people travel around on a massive scale. Also this would put pressure on the Kremlin to give the people more automobiles.

Commercial investment, which includes stores, shopping centers, drive-in movies and office buildings, has been absorbing over $6 billion a year in the U. S., and only $2 billion in the USSR.

Our housing investment is roughly twice that of the Soviet even though living space per capita in the U. S. is already four times that of the USSR.

What of the future? In Khrushchev's words, "The Soviet Union intends to outstrip the United States economically . . . To surpass the level of production in the United States means to exceed the highest indexes of capitalism."

Objectives of Seven-Year Plan

Khrushchev's ambitious seven year plan establishes the formidable task of increasing industrial production about 80% by 1965.

Steel production, according to the plan, is to be pushed close to 100 million net tons. Cement output is set at a level somewhat higher than industry forecasts place United States production in 1965.

The energy base is to be revolutionized. Crude oil and natural gas will constitute more than one-half of the total energy supply, and relatively high cost coal will be far less important than now.

By 1965, the USSR plans to produce about 480 billion kilowatt hours of electricity. As a study comparing U. S. and USSR electric power production prepared by a leading industrial research group pointed out, this means that the absolute gap between the U. S. and USSR in the quantities of electricity generated will increase somewhat in our favor over the next seven years.

This interesting study received a considerable amount of deserved publicity. We agree with its conclusion. However, what is true about electric power is not true across the board, as some commentators concluded.

For example, compare primary energy production trends in the two countries. Soviet production of coal, petroleum, natural gas and hydro-electric power, expressed in standard fuel units, amounted to 45% of the U. S. production in 1958. By 1965 it will be close to 60%. The absolute gap in primary energy has been closing since 1950. At the present pace, it will continue to narrow over the next seven years.

Similarly, the absolute gap in steel **production** has been shrinking over the past five years. The maximum gap in steel **capacity** apparently was reached in 1958.

The comforting illusion spread by the "disciples of the absolute gap" should not serve as a false tranquilizer.

At the same time, it is important not to exaggerate Soviet prospects in the economic race. In the propaganda surrounding the launching of the Seven Year Plan, Khrushchev made a number of statements about Soviet economic power which were nothing more than wishful thinking. Specifically he stated that, "after the completion of the Seven Year Plan, we will probably need about five more years to catch up with and outstrip the United States in industrial output." "Thus," he added, "by that time (1970), or perhaps even sooner, the Soviet Union will advance to first place in the world both in absolute volume of production and in per capita production."

First of all, to reach such improbable conclusions, the Kremlin leaders overstate the present comparative position. They claim USSR industrial output to be 50% of that of the U. S. Our own analyses of Soviet industrial output last year concluded that it was not more than 40% of our own.

Secondly, Khrushchev forecasts that our future industrial growth will be only 2% a year. If this is true, the United States will be virtually committing economic suicide. This prediction I regard as unrealistic.

A saner projection would place 1965 Soviet industrial production at about 55% of our own. By 1970, assuming the same relative rates of growth, USSR industrial output, as a whole, would be about 60% of that in the United States.

Further, when Khrushchev promises his people the world's highest standard of living by 1970, this is patently nonsense. It is as though the shrimp had learned to whistle, to use one of his colorful comments.

These Soviet exaggerations are a standard tool of Communist propaganda. Such propaganda, however, should not blind us to the sobering implications of their expected economic progress.

First of all, rapid economic growth will provide the Kremlin leaders with additional resources with which to intensify the arms race. If recent trends and present Soviet policies continue, Soviet military spending could increase by over 50% in the next seven years without increasing the relative burden on their economy.

"Economic Suicide"

Secondly, some additional improvement can be made in the standards of living of the Russian people, even with continued emphasis on heavy industry and armaments. It is only since the death of Stalin in 1953 that serious attention has been given to improving living standards. The moderate slow-down in the headlong growth of heavy industry which then ensued has been caused, in large part, by the diversion of more resources to housing, to agriculture, and to consumer goods.

Living standards, based on present Soviet plans, are expected to increase about one-third over the next seven years. This level, if achieved, will still be far below that which our own citizens are now enjoying, but it will look good to people who for long have been compelled to accept very low standards.

Finally, the Soviet Seven Year Plan, even if not fully achieved, will provide the wherewithal to push the expansion of trade and aid with the uncommitted and underdeveloped nations of the Free World. By 1965 Soviet output of some basic raw materials and some industrial products will be approaching, and in a few cases exceeding, that of the United States. Most prominently, these products will be the kind that are needed for industrialization in the less developed countries.

The outcome of this contest—the Communist challenge in underdeveloped areas—is crucial to the survival of the Free World.

Upsurge of Nationalism

This is an unprecedented epoch of change. Within little more than 10 years, over three-quarters of a billion people, in 21 nations, have become independent of colonial rule. In all of these newly emergent countries, there is intense nationalism coupled with the determination to achieve a better way of life which they believe industrialization will bring them.

The leaders of world Communism are alert to the opportunity which this great transformation provides them. They realize the future of Communism can be insured only by expansion, and that the best hope of such expansion lies in Asia and Africa. While they are attempting to focus all our concern on Berlin, they are moving into Iraq with arms economic aid, and subversion, and giving added attention to Africa.

The Communist bloc trade and aid programs in underdeveloped countries moved into high gear during 1958. The equivalent of over $1 billion in new credits was extended to underdeveloped countries by the bloc in this year. In the four year period ending 1958 the total of grants and credits totaled 2.5 billion, of which 1.6 came from the USSR and the balance from the satellites and China. Three-fifths of the total delivered to date has been in the form of arms to the UAR — Egypt and Syria — Yemen, Iraq, Afghanistan and Indonesia. These same countries, plus India, Argentina, Ceylon, Burma and Cambodia, have received the bulk of the economic aid.

Over 4,000 bloc technicians have been sent to assist the development of nations in the Free World. About 70% of these technicians are engaged in economic activities. Others are reorganizing local military establishments and teaching bloc military doctrine to indigenous personnel.

The bloc also has a well developed program for training students from underdeveloped countries. About 3,200 students, technicians, and military specialists have now received such training behind the Iron Curtain.

While these figures are still well below the total of our own aid, loan and training programs, this massive economic and military aid program is concentrated in a few critical countries and of course these figures do not include Soviet aid and trade with the East European satellites and Communist China.

India, which has received over 325 million of bloc grants and credits, is a primary recipient. The Soviet economic showplace here is the Bhilai steel mill, being built by the Russians. The UAR over the past four years received over $900 million in aid and credits. This investment today does not seem quite as profitable to the Soviet as it did last year.

Iraq provides a prime example of the opportunistic nature of the bloc's aid program.

Economic Subversion

Prior to the *coup d'etat* on July 14 last year, Iraq's economic involvement with Communist nations had been negligible. In the past few months, the USSR has provided over $250 million in military and economic development credits. The Iraq Development Board has dropped its two Western advisors. Western technicians are also being dismissed and contracts with many Western firms cancelled. Increasingly, Moscow is pressuring the Iraq government to accept dependence on Communist support and the number of fellow travellers in high government posts is growing.

The Soviet policy of economic penetration fits like a glove into their world-wide campaign of subversion, which is the third main element of the triple Soviet challenge: military, economic and subversive.

International Communism has not changed its operating procedure since the days of the Comintern and the Cominform. The Communist party of the USSR, of which Khrushchev is the leader, is the spearhead of the movement. It has a world-wide mission, formulated by Lenin and Stalin and now promoted by Khrushchev but with more subtle techniques than those of Stalin. This mission continues to be the subversion of the entire free world, starting, of course, with those countries which are most vulnerable.

Its arsenal of attack is based, first of all, on the Communist parties of the Soviet Union and Communist China. These in turn direct the hard core Communist organizations which exist in practically every country of the world. Every Communist party maintains its secret connections with Moscow, or in case of certain of the Communist parties in the Far East, with Peiping.

These parties also have an entirely overt association with the international Communist movement. At the 21st Meeting of the Soviet Party Congress, there were present representatives of some 60 Communist parties throughout the world, including two representatives of the U. S. Communist Party. The single theme of these Communist leaders was their confidence in the eventual world-wide triumph of the Communist movement.

Communist Fronts

From time to time, Moscow has made agreements such as the Litvinov Pact, in 1933, not to interfere in the internal affairs of other countries. On the strength of this we resumed relations with the Soviet. They are eager to conclude like agreements of "friendship and non-aggression," with all countries of the world. These are not worth the paper they are written on. During World War II, Moscow abolished the international Comintern to propitiate the United States, its then wartime ally. Its functions have, however, been carried on continuously under other forms.

In addition to its world-wide penetration through Communist party organizations, the Communists in Moscow and Peiping have set up a whole series of front organizations to penetrate all segments of life in the free countries of the world. These include the World Federation of Trade Unions, which claims some 90 million members throughout the world. International organizations of youth and students stage great festivals at frequent intervals. This summer they are to meet in Vienna. This is the first time they have dared meet outside of the Iron Curtain.

They have the Women's International Democratic Federation, the World Federation of Teachers Unions, the International Association of Democratic Lawyers; Communist journalists and medical organizations. Then cutting across professional and social lines, and designed to appeal to intellectuals, the Communists have created the World Peace Council which maintains so-called peace committees in 47 countries, gaining adherents by trading on the magic word of "peace."

To back up this massive apparatus, the Soviet has the largest number of trained agents for espionage and secret political action that any country has ever assembled. In Moscow, Prague and Peiping and other Communist centers, they are training agents recruited from scores of other countries to go out as missionaries of Communism into the troubled areas of the world. Much of the Middle East and Southeast Asia, and particularly Black Africa, are high on their target list. They do not neglect this hemisphere as recent disclosures of Communist plotting in Mexico show us. Their basic purpose is to destroy all existing systems of free and democratic government and disrupt the economic and political organizations on which these are based. Behind their Iron Curtain they ruthlessly suppress all attempts to achieve more freedom —witness Hungary and now Tibet.

The task of destruction is always easier than that of construction. The Communist world, in dealing with the former colonial areas and the newly emerging nations of the world, has appealing slogans to export and vulnerable economic conditions to exploit. The fragile parliamentary systems of new and emerging countries are fertile ground for these agitators.

Also under the heading of subversion we must not overlook the fact that the Communist leaders have sought to advance their cause by local wars by proxy — Korea, Vietnam, Malaya are typical examples.

In conclusion I wish to emphasize again the pressing need for a clearer understanding of the real purpose of the Sino-Soviet program. There is no evidence that the present leaders of the Communist world have the slightest idea of abandoning their goal, or of changing the general tactics of achieving them.

Rules Out Compromise

Those who feel we can buy peace by compromise with Khrushchev are sadly deluded. Each concession we give him merely strengthens his position and prestige and the ability of the Soviet regime to continue its domination of the Russian people whose friendship we seek.

Our defense lies not in compromise but in understanding and firmness, in a strong and ready deterrent military power, in the marshalling of our economic assets with those of the other free countries of the world to meet their methods of economic penetration, and finally in the unmasking of their subversive techniques.

The over-all power of the free world is still vastly superior to that under the control of the leaders of international Communism. If they succeed and we fail, it will only be because of our complacency and because they have devoted a far greater share of their power, skill and resources to our destruction than we have been willing to dedicate to our own preservation.

They are not supermen. Recently they have made a series of blunders which have done what words could not do to help us unmask their true intentions. These very days Communist actions in Iraq and Tibet have particularly aroused Moslems and Buddhists against international Communism. The institution of the so-called "Communes" system on the China Mainland has shocked the free world and even the Soviet leaders apologetically refuse to endorse it.

Despite the problems surrounding the Berlin issue, Western Europe is stronger than it ever has been since World War II. Much of Free Asia and the Middle East is becoming alerted to the true significance of Communism.

The outcome of the struggle against international Communism depends in great measure upon the steadfastness of the United States and its willingness to accept sacrifices in meeting its responsibility to help maintain freedom in the world.

In Inv. Business

(Special to The Financial Chronicle)

DECATUR, ILL.—Mrs. Rowena G. Gray is engaging in a securities business from offices in the Standard Building.

Named Director

Richard de La Chapelle, Lee Higginson Corporation, New York City, has been elected to the Board of Directors of Household Finance Corporation.

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Electric Power for a Strong America

In fact, Russia's current per capita production is now about the level of our per capita production in 1938.

The United States has been continuously widening the gap ever since 1940.

Generating Capacity 1957-65: As of the end of 1957, Russia reported a total generating capacity of 48 million kilowatts. At that time, the installed capacity in this country amounted to 146 million, or about 98 million kilowatts more than Russia.

Recently the Russians have announced another of their long-term plans for electric power which have become famous for consistent failure to meet goals. The Russians are planning to add 60 milion kilowatts by 1965, which would give them a total installation of 106 million kilowatts in that year. By that time, we expect to add 104 million kilowatts, giving the United States an installation of 250 million kilowatts including industrial generating stations. In other words, between 1957 and 1965, we will have increased our superiority over Russia from 98 million kilowatts to 142 million kilowatts.

In view of these facts, it is evident that, in respect to electric power, the United States is not only holding its own but is increasing its superiority over Russia and will continue its world leadership in electric power supply.

Trends in America

To preserve those things which make America great, we must always be considering what is going on in this country, what the trends are and where they lead. Because, ordinarily, once you have lost a right or a privilege, it is too late to do anything about it.

Government in America today has what has been called political elephantiasis, as is clearly indicated in the following official statement made by the late Rowland Hughes, at that time Director of the Bureau of the Budget:

"The Federal Government is, among other things the largest electric power producer in the country, the largest insurer, the largest lender and the largest holder of grazing land, the largest holder of timberland and the largest owner of grain, the largest shipowner and the largest truck fleet operator. For a Nation which is the Citadel and the World's principal exponent of private enterprise and individual initiative, this is an amazing list."

A recent Budget Bureau report found the Federal Government engaging in approximately 20,000 commercial business enterprises, each of which could have been handled by an investor-owned business.

This trend is continuing as evidenced by such proposals as the so-called TVA revenue bond bill, the Columbia Valley Development Corporation bill, the Great Plains Administration bill of the last Congress, the socialized medicine bill, the Federal housing bill and many others.

Growth of Government-Owned or Financed Power

There is no better example of the growth ond development of the government in business than the history of government-owned or financed generating capacity which has increased as follows:

Yetar	% of Total
1932	7%
1940	14%
1950	20%
1957	25%

The Preference Clause

One reason for this amazing growth is the preference clause by which public agencies have a priority over all private utilities in the purchase of all of the power from every Federal project. This discrimination over private utilities exists even though the private utility is serving preference customers such as REAs, municipalities and military installations. This preference is an encouragement to the creation and development of government-owned, government-financed and tax-subsidized power systems.

The REAs

Let's consider for a moment thet situation of the REAs. They were created to supply power to rural areas where service was not available from investor-owned companies. In order to do this, REAs were given subsidies in the form of 2% Federal money for all construction costs, no Federal or state income taxes, and state and local taxes at a small percentage of the taxes paid by investor-owned companies. Over 97% of the farms in America are now being supplied with electricity and the REAs have expanded into the suburban, commercial and industrial business and into the generation and transmission business. In the past five years, the commercial and industrial business of all REAs has doubled. Now three out of every four new REA customers are nonfarm.

Nationwide the REA has completed its original job, has abandoned the concept of its creation and has become probably the most serious major competitor of investor-owned utilities.

I strongly recommend that our industry make every possible effort to limit the activities of REAs to their original purpose.

Government-Owned or Financed Projects Pay Little Or No Taxes

Consider the magnitude of tax avoidance in connection with electric power. Government-owned or financed power projects represent about 29% of this Nation's investment in electric facilities. But the users of the electric power produced by these projects contribute only 2½% of the total taxes paid by the customers of the electric industry. The users of the facilities of investor-owned electric companies, which constitute 71% of this Nation's investment in electric facilities, pay 97½% of the taxes collected from electric properties and operations.

When related to revenues, investor-owned electric companies in America pay approximately 23% of their total revenues in taxes. On the other hand, government-owned or financed projects pay only 2.4% of their revenues in taxes.

In other words, the rates of investor-owned electric companies are about 28% higher than they would be if those companies paid the same taxes as government-owned or financed projects.

Ultimately, such discrimination will drive private enterprise out of any field the government enters. By its very nature, government possesses immensely valuable special privileges such as freedom from taxes, access to the public purse and availability of low-cost capital. Thus, government has an overwhelming and unfair comeptitive advantage over its citizens in any field of commercial or industrial endeavor.

The ECAP Ad Situation

In my judgment, nothing in recent years is more serious than the effort of the Internal Revenue Service for tax purposes and the Federal Power Commission for rate purposes to eliminate certain advertising expenses from the classification of ordinary and necessary business expenses.

This all started by communications from Senator Kefauver and Clyde Ellis to those two agencies, which resulted in a tentative conclusion by the staffs of IRS and FPC that all of the ECAP ads in the IRS case and about 45% of those in the FPC case relate to a "Political Controversy" and are propaganda and therefore not deductible.

This is an outstanding example of what comes from centralized government. In plain language, these two Federal agencies, by administrative decree, are deciding what ads are necessary in a competitive field and what ads are appropriate business expense. This decision has always been a prerogative of management.

No industry is faced with more aggressive, more vicious, more difficult competition than the utility industry in the competition which it has from Federally-owned or financed power. Throughout the nation there are outstanding examples of companies which have lost customers and lost properties to government-owned or financed projects. Throughout the nation there are examples of the difficult competition for new customers and new service areas which exists between investor-owned companies and government-owned or financed projects.

For our industry not to be allowed to deduct as an operating expense for tax purposes and rate purposes advertising costs when the ads relate to our comeptition with government power would be a serious blow, not only to our business but to all free advertising and free speech in America.

The Supreme Court has recently held in the Cammarano and Straus cases that advertising expenses made by liquor dealers to resist prohibition legislation were not proper income tax deductions, but the electric utility situation clearly is distinguishable because our questioned advertising did not seek to influence legislation and because quite different regulations are at issue.

Impressive evidence is being brought together in our behalf to show the impact of government power on our operations and to demonstrate that our advertising not only has been necessary but that it also has been in the best interests of our security holders, our customers and the areas we serve. We can at least be hopeful that the agencies concerned finally determine that decisions which you make as managers of your properties should not be reversed at the instance of those who would silence the voice of this industry at the same time that they loudly propagandize government power with tax-free dollars.

The industry is fighting and will continue to fight both before the Federal Power Commission and the Internal Revenue Service to protect what it believes to be its right to carry on this type of aggressive and competitive advertising and to deduct the expense for both rate and tax purposes.

Fortunately, many state commissions and the Press of America strongly support our industry

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Electric Power for a Strong America

in its position on this advertising matter.

A Program to Success

I have outlined the condition of our industry and the grave dangers facing it and facing all American industry and all American people.

My year as President of EEI has caused me to spend more hours than ever before on the development of a program of what must be done if we are to stop the trends of the past 25 years, which lead to ultimate socialism, to ultimate loss of our freedoms, our wonderful productivity and our standard of living.

I have a program of seven major points to suggest. It is:

(1) **Service:** We must continue the remarkable job we are doing of building all of the facilities necessary to supply all present and prospective customers in our service areas. We must continue to give our customers the best possible service.

(2) **Personnel:** We must employ in our industry the most capable people in every field of endeavor. College surveys in both the scientific and business administration colleges show that our industry is not a popular employer, that students believe it does not offer the opportunities of other business. I am convinced that in a great majority of cases, these conclusions are false; that our industry is a good employer; that it offers fine opportunities in a field which is vitally important to the American economy.

However, I strongly recommend that every company review its standing as an employer and in doing so that it have in mind that no industry has a greater need for the finest possible people in engineering, operations, accounting, law, sales, advertising, publicity, public relations and political relations. No industry is in any better position to pay whatever compensation is necessary to attract the best people. The old theory that because we are a regulated utility we can't pay as high salaries as other industries is and always was fallacious and without foundation. Highly competent employees increase productivity, reduce expenses, reduce the cost to the customer. In our industry where profits are strictly regulated, the customer is the one who benefits most from efficient management.

(3) **Public Information Program:** We must be for more aggressive, active and courageous in our advertising and public information programs. Surveys clearly show that people don't know about preference, tax discrimination, government in business, inflation and other problems: that when they are informed, they are reasonable and fair-minded and oppose these things.

(4) **Economic Education:** With other good citizens we must actively carry on a major economic education program so that all the American people will realize and will protect with their last ounce of devotion the American system of government and business, the productivity, the high wages, and all the benefits that result from it.

(5) **Political Interest:** We must as individuals join other good Americans in taking an active and aggressive interest in local, state and Federal politics and in the party of our choice.

(6) **Others Must Become Interested:** We must encourage all other good citizens to follow our example and adopt the same program.

(7) **Oppose Government Ownership::** We must aggressively and courageously oppose government ownership in every field of business and unnecessary government controls and activities.

This program is essential, not only for the future existence and success of our industry, but of all American industry. Our industry is not doing anywhere near enough to succeed on any one of these points. We are losing ground every year to a vocal, aggressive, dangerous minority whose ultimate goal is destruction of investor-owned business.

Conclusion

America today is the world's outstanding example of freedom and prosperity for all.

Our choice is simple. We can do as much as we are now doing and ultimately we will lose our great industry. If we do this, as surely as night follows day, the American people will lose their freedom and their prosperity. If I may paraphrase the words of President Eisenhower in a recent speech, I will say:

"We will follow the ruinous route of free republics of the ages, the route of deficit financing, of inflation, of government ownership, of taxes ever rising until all initiative, self-reliant enterprise and prosperity are destroyed."

The other choice is to follow a program such as I have outlined and to preserve the freedom and prosperity which we now have and which makes America the shining example of the entire world.

Nuclear Power Plant Proposals Invited Under Joint U. S.-Euratom Program

The European Atomic Energy Commission (Euratom) and the United States Atomic Energy Commission announced April 13 that private and government enterprises in the six countries comprising Euratom have been invited to submit proposals to build and operate nuclear power plants under the joint United States-Euratom nuclear power program.

The objective of the program is to install within the Community in the next four to six years approximately 1,000,000 kilowatts of electrical generating capacity in an effort to achieve economic production of nuclear power to meet the growing needs of Western Europe.

The invitation was issued by the Euratom Commission in Brussels following the coming into force of the Agreement for Cooperation between the United States and the Community.

Proposals submitted in response to the invitation will be jointly reviewed and projects selected by the Euratom Commission and the U. S. Atomic Energy Commission. The plants will use reactors on which research and development have been carried to an advanced stage in the United States and will be built, owned and operated by enterprises in the member states of Euratom (Belgium, France, Germany, Italy, Luxembourg and the Netherlands).

Important date in the timetable set up to push the joint program at maximum speed are:

May 28, 1959: (45 days from announcement of the invitation). Those who intend to submit proposals are requested to give notice to the Euratom Commission by this date.

Sept. 1, 1959: Deadline for submission of proposals.

Dec. 31, 1959: Target date for selection of projects by Euratom and the USAEC.

April, 1960: Target date for beginning of construction.

Dec. 31, 1963: Target date for completion of plants.

The United States and Euratom have reserved the right to defer completion dates of two projects until Dec. 31, 1965, in recognition of possible significant technical developments in the next few years. In the event of such deferrals, a comparable schedule will be established.

In the hope of being able to accept some projects at an early date, the two Commissions are prepared to consider proposals filed in advance of the Sept. 1, 1959, deadline.

In addition to the plant construction and operation program, the United States and Euratom have agreed to invest approximately $100,000,000 over the next five years in a joint research and development program. The cost will be borne equally by the two Commissions. This effort will be focused on improving the performance of reactor systems accepted for the power plant program and on lowering the cost of fabricating and processing types of fuel used in such reactors. Proposals for the research and development program already have been solicited.

Nuclear power projects now well advanced in planning in Euratom countries will not be excluded from consideration if they meet the conditions and criteria set for participation in the joint program. Acceptance of any such projects, however, will not relieve any manufacturers or suppliers of commitments previously made.

Judges Named for '59 Loeb Journalism Award

Judging panels for the 1959 Loeb Awards for financial and business journalism have been completed, it has been announced by Laurence J. Ackerman, dean of the University of Connecticut School of Business Administration, and Chairman of the Loeb Awards Advisory Board.

Judges for the second annual awards were chosen with equal representation from the fields of business, education and publishing.

They are for newspaper entries: Lee Bristol, Chairman of the board, Bristol-Myers Company; David Daniel, publisher, Hartford Times; and Charles C. Abbott, dean, University of Virginia Graduate School of Business Administration.

Judges selected for magazine entries are: Stanley Hope, President, National Association of Manufacturers; Vernon Alden, associate dean, Harvard University Graduate School of Business Administration; and Dan Mich, editor, Look magazine.

The awards are being administered by the University of Connecticut under a grant from the Sidney S. Loeb Memorial Foundation, Inc., which was founded by Gerald M. Loeb, partner in E. F. Hutton & Company.

In addition to Dean Ackerman, other members of the Loeb Awards Advisory Board which appointed the judges are: Governor Abraham A. Ribicoff, State of Connecticut, Honorary Chairman; Frank H. Bartholomew, President, United Press International; Frank M. Folsom, Chairman, Executive Committee of the Board of Directors, Radio Corporation of America; Robert G. Shortal, President, New York Financial Writers' Association; Herbert E. Dougall Professor of Finance, Stanford University Graduate School of Business, and Gerald M. Loeb.

Securities Salesman's Corner

By JOHN DUTTON

Worthwhile Repeating

There are some things that we must remember in the art of selling and, even though we know them to be true, we sometimes forget. This week's COLUMN IS BASED UPON THE TRUISM THAT YOU SHOULD LET THE CUSTOMER SAY SOMETHING. How many times does even the most experienced salesman forget this. It is so easy to overtalk—and oversell. People usually make up their minds to buy because of ONE COMPELLING reason. Many salesmen continue to talk about this feature of a security, or that, and they ramble on and on without giving the customer a chance to explain to them what HE DESIRES IN AN INVESTMENT. This is such an important point in salesmanship that it needs reemphasizing—talk less, say more, listen better. Ask questions, let the other fellow tell you a few things, too.

Case History

At the present time I am engaged in developing business with a very substantial account. The name was obtained through advertising. Until last week I had sold him two small lots of tax-exempt bonds. Gradually we are becoming more friendly. Information that I receive is passed along when I find that it pertains to some of his holdings, either by mail or telephone. This man is a very successful investor. He has told me of certain excellent situations in which he and his group have a substantial interest. His connections are of the very best and of many years standing. I present this background so that you can see the implications for the future. It will not be an easy task to obtain much of his business unless superior performance, service and a meeting of our personalities and thinking can gradually be established.

Now for the third piece of business. It has been determined that this investor is adding to his tax-exempt bond portfolio. He is convinced that interest rates will move higher eventually. He desires marketability. These requirements have been identified in past conferences with the client.

Last week an important offering of tax-exempts was expected with a large local interest in the bonds established before the sale. As usual, I sent him a preliminary circular (Prices, rates, and yields unmarked) and I mentioned the bonds to him prior to the time they went to public sale and he showed an interest. The day of the offering I gave him the scale and, since he had never mentioned bonds shorter than a ten-year maturity, when I gave him the scale I started with 1969 and went upward. We talked a few moments and he said he did not think the bonds were attractive, interest rates were going up, the yields were not enough, etc., etc. I started to inform him that the bonds had been well received by institutional investors and this, too, did not seem to impress him. By accident, I paused during our telephone conversation and this luckily gave him a chance to say to me, "My group and I bought some very good bonds yesterday due in 1961 to yield 2½%. They were 6s but we didn't mind the premium; in fact, we kind of like it and, besides, we have some excellent short-term bonds that we won't have to worry about if the market slips lower.

Quick as a flash, with a flash, old yours truly replied, "That's fine, I never even thought to mention that I believe I can still get you some of this issue I was selling, due in 1966 on a 3½% basis. They are also 6s and in fact a bank just gave me an order for some of them, how does that sound to you?" It sounded just fine and my customer bought WHAT HE WANTED. Don't take for granted that you know what your customer wants, needs, or should have. His ideas also may change from Friday until Monday morning.

Suggestion for Certain Accounts

If you have some accounts among women investors who depend largely upon their income, you can make them happy if you will obtain a small, loose-leaf book, with a leather or fabric, hard cover and list all their dividend dates and interest payment dates by months. For example, for the month of January, use a separate page, then list by days of the month when checks are due and when interest coupons should be clipped. Do the same for each month in the year. Then divide the rest of the book into separate pages for each stock and list name of stock, dividend paid, dates when due, cost, and arrange them alphabetically page by page. Do the same for her bonds, only list the bonds, paying agent, when interest coupons are due, amount payable every six months, call price, and price paid.

This book should not be too large so that she can conveniently carry it in a bag or purse. 2¼ by 3 inches is about right. Some of your important women clients will appreciate this. In fact, some of them may even talk about it among their friends.

New Data on Electric Current Used Abroad

Kinds of electric current used in the principal cities of almost 150 countries and territories are given in a new booklet just issued by the Bureau of Foreign Commerce, U. S. Department of Commerce.

Entitled "Electric Current Abroad," the booklet was prepared as a handy reference for American electrical equipment manufacturers and exporters requiring information on electric current available in foreign countries. Travellers planning to take electrical appliances abroad also will find it a useful guide for determining their usability in the cities to be visited.

Types, phases, cycles and voltages are listed for cities grouped by countries in alphabetical arrangement. Though covering primarily current for residential use, available data on commercial and industrial service also are included.

The 77-page booklet may be obtained from the Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C., or from any Department of Commerce Field Office at 25 cents a copy.

New Sade Branch

CHARLOTTESVILLE, Va. — Sade & Co. has opened a branch office at 1022-A West Main Street under the management of Robert J. Boyd.

Michael A. Voccoli

Michael A. Voccoli, associated with Savard & Hart, New York City passed away suddenly on April 3. Mr. Voccoli was a very active member of the Security Traders Association of New York.

Edward Werle Renominated by New York Stock Exchange

Edward C. Werle has been renominated to serve a second one-year term as Chairman of the Board of Governors of the New York Stock Exchange. Mr. Werle previously was Board


Edward C. Werle


Peter Ball


Walter N. Frank


Joseph A. Martin, Jr.


Clifford P. McKinney


F. L. Newburger, Jr.


Robert L. Stott

Chairman of the American Stock Exchange—the only man to serve in both posts.

The Nominating Committee, headed by W. Wilson Holden of Corlies & Booker, nominated six new Governors for three-year terms:

Peter Ball, senior part in Ball, Burge & Kraus (Cleveland) and a former Governor of the National Association of Securities Dealers.

Walter N. Frank, a member of the Exchange since March 1937 and a partner in Marcus & Co. (New York City).

Joseph A. Martin, Jr., a member of the Exchange since July, 1945, and a partner in Gaines & Co. (New York City) since August, 1945. He is a Governor of the Association of Stock Exchange Firms.

Clifford P. McKinney, managing partner in G. H. Walker & Co. (St. Louis). He has been active in the Stock Exchange community since 1942.

Frank L. Newburger, Jr., a senior partner in Newburger & Co. (Philadelphia), and a Governor of the Philadelphia-Baltimore Stock Exchange. He was President of that Exchange from March, 1954 to March, 1957.

Robert L. Stott, Exchange member since December, 1929, and partner in Wagner, Stott & Co. (New York City). Mr. Stott was Chairman of the Exchange from May 1941 to May 1943 and an Exchange Governor for 12 years.

Four Governors were renominated to serve three-year terms: George F. Hackl, Jr. of Laird, Bissell & Meeds; H. Van Brunt McKeever of Goodbody & Co.; Walter Maynard of Shearson, Hammill & Co.; and Charles L. Morse, Jr. of Hemphill, Noyes & Co., all of New York City.

Mr. Werle, is a partner in Johnson & Wood. He has been a member of the Exchange since 1950, a Governor since 1953 and served ass Vice-Chairman in 1956 and 1957. A native New Yorker, Mr. Werle began his career as a page boy with the New York Stock Exchange in 1919. In 1924 he joined Johnson & Wood, and in 1940 became a partner in the firm. He was elected Governor of the American Stock Exchange in 1944, Vice-Chairman two years later, and Chairman in 1947, an office he held until 1950.

Total membership of the Board is 33, including the Exchange President, G. Keith Funston, and three Governors appointed specifically to represent the public. Elections will be held on May 11.

Renominated to be Trustees of the Gratuity Fund, from which payments are made to the families of deceased members of the Exchange, were William Shippen Davis of Blair S. Williams & Co.; John M. Young of Morgan Stanley & Co., for three-year terms; and William K. Beckers of Spencer Trask & Co., for one year.

The 1959 Nominating Committee also proposed the following to serve on the 1960 Committee:

James Campbell, Jr. of Marks & Campbell; Brittin C. Eustis of Spencer Trask & Co.; Robert J. Jacobson of Benjamin Jacobson & Sons; Robert C. Johnson of Kidder, Peabody & Co.; Hudson B. Lemkau of Morgan Stanley & Co.; Allan H. McAlphin, Jr. of Wood, Walker & Co.; Harold C. Mayer of Bear, Stearns & Co.; Alexander R. Piper of Paine, Webber, Jackson & Curtis; and James J. Watson of Hornblower & Weeks.

In addition to Mr. Holden, the 1959 Nominating Committee included:

John D. Baker, Jr. of Reynolds & Co.; Benjamin E. Billings of Thomson & McKinnon; Bertram F. Fagenson of B. F. Fagenson & Co.; Louis B. Froelich of Pershing & Co.; Bernard E. Smith, Jr. of LaMorte, Maloney & Co.; Raymond D. Stitzer of White, Weld & Co.; A. Varick Stout of Dominick & Dominick; and Maurice F. Summers of E. F. Hutton & Co.

Alabama Power Wins EEI Award

Southern utility company wins colleague's plaudits in the industry at 27th annual meeting of Edison Electric Institute for comprehensive program of water resources development.

The Alabama Power Company received the electric industry's highest honor, the new Edison Award, for "exceptional business statesmanship" in developing the water resources of the Coosa and Warrior River system.

The Award was presented to Thomas W. Martin, Chairman of the Board of Alabama Power Co., by J. E. Corette, President of the Edison Electric Institute, at the close of the Institute's 27th Annual Convention. The Edison Award was given fo the first time this year, taking the place of the Charles A. Coffin Award which had been presented annually at previous EEI conventions.

Alabama Power Company was cited by the judges "For exceptional business statesmanship in conceiving a comprehensive program for the complete development, by use of private investor capital, of the water resources of the Coosa and Warrior River systems in Alabama, for its effective public information program regarding this project, for obtaining necessary Congressional legislation and the approval of Federal bodies required to carry it out, thereby providing the State of Alabama with valuable power, navigation and recreational facilities, together with flood control and conservation of the water resources of the State, all accomplished without major controversy and all contributing importantly to the public welfare and the economic growth of the whole State."

The 421,700-kilowatt Coosa River project consists of four new dams and a reconstructed powerhouse and an increase in the size and capacity of an existing dam.

On the Warrior River, Alabama Power is constructing the Lewis Smith Dam. It also has a license to install a power plant at the government dam formerly known as Lock 17 and more recently named Bankhead Lock and Dam. It has a preliminary permit relating to the installation of generating facilities in the navigation dam to be built by the government at Lock 13 on the Black Warrior River.

Alabama Power was selected for the Award through a sequence of nominations by a panel representing every section of the nation, analysis of accomplishments of the nominated companies by a review committee, and a decision by a committee of judges. Judges were Dr. J. D. Ryder, Dean of Engineering, Michigan State University; C. W. Kellogg, Past President of the Edison Electric Institute; and Mr. Corette.

The Edison Award is being given annually to an electric company "for distinguished contribution to the development of electric light and power for the convenience of the public and the benefit of the industry."

Consisting of a gold medal for the winning company, and $1,000 for the company's employees' benefit fund, the Award has acquired national prominence in the public mind as well as in the electric industry for its significance in recognizing conscientious service and progressive development.

Until the establishment of The Edison Award, outstanding achievement in the industry was recognized through presentation of the Charles A. Coffin Award which was given annually from 1922 through 1957.

Federal Land Banks Offer 3⅞% Bonds

The 12 Federal Land Banks yesterday (April 15) offered publicly $201 million of 3⅞% bonds dated May 1, 1959 and due April 20, 1960. The bonds are offered at 99⅞%.

The offering is being made through the banks' fiscal agent, John T. Knox, 130 William Street, New York City, with the assistance of a nationwide dealer and banker group.

The proceeds from the sale of the bonds will be used to redeem $191 million of bonds maturing May 1, 1959, and for lending operations.

Continued from page 23

Designing Electric Utility Systems for the Future

less unit installed on the combined systems.

Many systems are becoming so large and complex that automatic load control is necessary for their efficient operation. Economies result through closer adherence to increment cost loading of turbo-generators, but in addition the capability of the automatic dispatching and computing device is greatly in excess of a single manual dispatch office. The larger systems under manual control may require more than one dispatching office, with consequent delays. Automatic dispatching equipment can handle the most complex system with a response time much faster than under manual control. Necessary equipment and technique are now available for complete automatic dispatching, including operation under predetermined emergency conditions. Such equipment will provide accurate records of all interchange transactions, and will accelerate final accounting.

One item that cannot be evaluated on a basis of tangible savings, but many be invaluable, is the extra reliability that results under emergency conditions. There are unusual cases where load has continued to be carried due entirely to an interconnection when a long and costly outage would have resulted had the interconnection not been available.

Another interesting tool available to us, which is just beginning to be recognized is decentralized "peak shaving" through the use of packaged type, unattended diesel generator sets, or gas turbine driven generators located on the transmission system, feeding directly into selected areas. A look at the load duration date reveals why large savings are possible. Ten percent of our capacity is required to operate less than 2% of the time. If new capacity can be installed at low capital cost to supply this portion of the load, the fuel cost is of little importance because of the short operating time. In addition, benefits are obtained through savings of transmission losses, bulk power transmission and generating station investment and in improved area reliability.

Comprehensive studies of our system have shown that an installed first cost differential of $50 per kilowatt is required to show sufficient savings to make peak-shaving attractive, with anticipated price levels, load factors and rates of load growth. This differential may be attainable with peak-shaving equipment now available. As the future unfolds, increases in efficiency of new steam units will be less marked than they have been in the past. Systems will be composed of many machines with little difference in their efficiencies. Therefore, unless peak-shaving capacity is provided periodically, relatively efficient machines will move rapidly from base load operation into the peaking portion of the load curve, where the cost of ogtaining high efficiency is not justifiable. An analysis made for the Philadelphia Electric Company system shows a possibility of large savings in annual cost for an extensive use of this type of equipment as a supplement to providing base load capacity. One of these diesel generator installations has been purchased and installed on an experimental basis to get actual operating experience.

One operation that requires intensive research and development is the complete automatic control of large unit boiler-turbo-generator systems, including all operations and checks necessary on start-up and shut-down. The ultimate would be to have the operator initiate the starting operation, after which all operations would be handled automatically until the generator was carrying load under the control of the automatic dispatching equipment. Present large generating stations are becoming so complex that it is extremely difficult for the operator to obtain all essential information in an emergency, analyze the situation and take the corrective steps required. Complete automation can provide the necessary speed and intelligence required to safeguard this equipment.

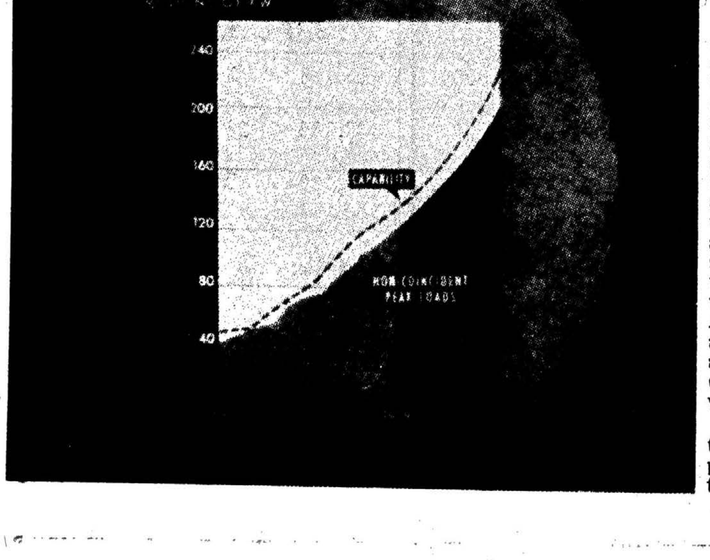
Avoiding Costly Cyclic Pattern

Before leaving the generating station part of the problem, there is a difficult situation facing the industry which will not only increase capital costs, but may result in a dislocation of scheduled capacity additions needed within the next five years. This is the cyclic variation in orders for heavy equipment, transformers, boilers and turbo-generators which results in inefficient utilization of manufacturing facilities, but even more serious, a large variation in work forces. This is a costly problem, costly to the manufacturer in idle shop time and dislocated engineering and shop labor schedules, and costly to the customer in delays and construction schedule rearrangements that are an inevitable result of overload manufacturing facilities. On the basis of cyclic pattern on major equipment ordering and fabrication, the manufacturers will be hard pressed to provide the fifteen million kilowatts of boiler and turbo-generator capacity that should be installed for service in each of the years 1963 and 1964. There is a shortage of competent skilled labor for field installation even under present construction schedules. This will be a serious bottleneck with annual capacity additions exceeding fifteen million kilowatts.

What can be done to alleviate this? Various possibilities present themselves for consideration. Two utility companies have ordered boilers built and delivered, to be placed in storage. Estimates made by them and the boiler manufacturers show that the normal annual price increase, which will be avoided, will pay the storage costs. In addition, there is an estimated 10% saving in the erection cost as a result of having all parts available at the time of erection. A further advantage is the avoidance of costly delays in the service date because of late deliveries.

Possible savings on turbo-generators and improvement in shop schedules may be realized and ultimate delivery dates improved by placing advance orders for critical components. The machine size and steam conditions must be specified and a firm order placed for future delivery. The contract could provide for price based on the date of completion of component fabrication. The necessary design and engineering work could be completed to provide the necessary information to the purchaser and to facilitate early ordering of material. Orders could be placed for long delivery items. One such item is the rotor forging, which could be ordered, tested, fully machined, then put in storage. Resultant savings should offset the cost of storage and assure completion on schedule. A careful analysis of such items could result in major savings and substantial improvements in shop labor schedules, and in over-all delivery periods. A method of overcoming the present wide swings in orders and deliveries will be a major factor in our effort to provide additional capacity at minimum cost. The economics of load factor improvement is just as important to the manufacturer as to the utility.

New sites for generating stations and major substations will become an increasingly difficult in the next decade, particularly for those companies serving large metropolitan areas. Increasing public resistance is now evident in some locations, a factor which will undoubtedly become more serious as time goes on. Greater development of the capacity of present sites must be accepted as essential, and stations having multi-million kilowatt capacity are to become more common.



Overcoming Transmission Expense

Outgoing transmission line capacity becomes a key to such development. Hand-in-hand goes the problem of right-of-way for overhead transmission lines. They are actively resisted in built-up sections, and land is becoming scarce and therefore prohibitive in cost or non-existent. The acreage required by a number of high voltage aerial lines radiating from a major generating station or substations gives pause for thought. A right-of-way 100 feet wide requires 13 acres per mile. As land values continue to climb and new routes become unavailable it will be necessary to revise our thinking on such rights-of-way.

Multiple use of right-of-way by transmission lines and oil or gas pipe lines, use of multi-circuit tower lines, and construction of transmission lines along railroad rights-of-way are among possible methods to be considered. In certain locations in heavily built-up areas it may be necessary to go to underground construction, yet for the extra-high voltage lines needed for future bulk transmission there is presently no satisfactory underground system available for high capacity long distance transmission.

This cable insulation problem is being actively investigated now under joint sponsorship of the industry and the manufacturers. It may be that an insulation will be developed that is satisfactory for cables operating at 460 kv or 600 kv.

As an alternate to this there is a possibility that high voltage direct current will provide an answer. It is now practical to use direct current at 600 kv to 1,000 kv. The terminal equipment for conversion and inversion is so expensive that it is economical only for large blocks of power over long distances. However, it does have a number of attractive advantages that may be a major factor in special applications. Most of the development work has been done in Europe. The practicality has been proved by a number of operating installations and it is now a question of improvement and cost reduction.

Major transmission substations adjacent to metropolitan areas are increasingly difficult to locate. Land is scarce because of active programs of resisdential and commercial construction. In some locations there is a need for considerable set-backs from property lines, extensive landscaping, and control of noise level of transformers. At the same time, greater area is required to provide for more lines, additional capacity, and higher voltage requiring wider phase spacing.

During the early years of growth of the industry the transmission and distribution line wire size was frequently determined by mechanical strength to meet assumed loading conditions imposed by temperature, wind, and ice. This provided substantial additional unused electrical capacity. In recent years this excess capacity has provided a welcome margin for load growth. Much of it has been used to supply our growing loads and it is now necessary to replace many of the conductors for load reasons. A review should be made of the existing design criteria to determine how much the mechanical strength should be increased to improve service reliability. An increase in the minimum design strength will provide additional insurance against line damage and failure due to wind and sleet. At the same time, it will provide an additional margin for future load growth at a low increment cost. Minimum standards should be established for new construction and for all facilities replaced for capacity reinforcement. The entire distribution system and transmission system should be reviewed.

An important factor to consider here is that if, in the case of a major area outage, the amount of trouble can be cut in half, the cost of restoration and the duration of customer outages can be reduced to substantially less than half. This comes about through two factors. First, outside help brought in for emergency restoration will be unfamiliar with the territory and construction standards and therefore will work at a much slower rate than your own employees. Secondly, the efficiency of the dispatching organization and the supervision will be more nearly normal under the reduced amount of trouble instead of drastically reduced because of long hours under high stress and the added burden of a large and strange work force.

Some benefits will also be obtained in lower voltage drop and voltage flicker. The resistance component can be reduced and, by the use of capacitors along the lines, the reactance component can be controlled so that the combination of these two will provide a considerable improvement in both voltage regulation and flicker. Both of these will require greater attention with the higher customer loads and their consciousness of service abnormalities.

Improved Community Relations

It is increasingly evident that more time and effort must be devoted to community relations in parellel with the expansion of our systems. The maintenance of our existing facilities and the installation of new facilities require that more careful consideration be given to our relations with the community as population density increases.

Along the highways a method must be found to provide improved appearance. Many of the highway systems now being built or planned have both physical and legislative barriers to a continuation of present methods of utility service installations. A multiple circuit pole line with services across the new super highways, as well as to near-side residences, will be less tolerable. Two pole lines, one on each side are not a good answer. Rear property lines provide a solution under some conditions but are not a panacea. There has been a considerable amount of work done to develop a satisfactory system using either combination underground - overhead, or all underground facilities, but the economic penalties are high. A number of solutions may ultimately be worked out, depending on the local conditions, but they must meet the needs and interests of all.

New and improved highways require new high intensity street lighting. Once again the type of fixture, the pole support, the supply to it, all become factors to review. One of the major load builders is going to be better highway illumination. The present luminaire equipment and lighting methods are not adequate. Whatever is finally developed should be either attractive in appearance or unobtrusive in the daytime and provide a high intensity glareless light at night.

One of the problems in connection with the load growth of the commercial and domestic consumer is the inadequacy of wiring on the secondaries and incoming services and on the customer's property. A possible solution is an increase in the secondary voltage. This is being tried in some test areas and information from these installations should help to decide this question. Lighting and small appliances may be supplied at the present voltage level with major appliances and loads such as air conditioning and electric heating supplied at a higher voltage.

There are trying times ahead as the industry continues in the race to keep ahead of the expansion in the use of our product. It is difficult to accept these accelerating growth as natural and healthy. The future is thought of in terms of the past, with sometimes a conviction that this growth cannot continue, but instead must flatten out. Let us banish this thought from our planning. Geometric growth and development show up in many natural laws. Just two examples are the sensitivity of our eyes to light and our ears to sound, which are both an exponential function. The market for energy is expanding in many directions and our promotion and sales must be geared to this expansion. There is no intention to give the impression that load growth will be automatic, but to show that the market has unlimited potential for development. Problems of financing and construction of physical facilities face us. Each of the fields of sales, financing, engineering and operation requires capable and well informed employees with management and leadership of the highest caliber. Ahead of our industry are many challenging problems that cannot be solved by using yesterday's methods. More research, more pioneering and progressive thinking, more new techniques must be developed.

Supporting Research

Throughout the development and growth of our industry there has been a multiple partnership that has speeded progress, conserved manpower and reduced cost. This is the traditional partnership between all operating utility companies and with the manufacturers. Our industry has made available full information on progress and on difficulties experienced with new developments so that the knowledge of one is shared by all. An active teamwork philosophy has grown up between the equipment manufacturers and the utility industry with the objective of developing better and more reliable equipment and of steadily moving forward technically and economically. This spirit must be fostered and strengthened and the maufacturing industry encouraged to expand these advanced developments even more aggressively. The electric utility industry must expand its activities in the field of research. Greater attention to applied research can produce results many times greater than the effort and expense involved. Scientific knowledge is expanding at an unprecedented rate and constant vigilance is needed to utilize new developments promptly and effectively. The key to the future of our dynamic industry lies in the most effective use of science and technology for the problems ahead. We must encourage and support research by the manufacturers, but must also provide leadership in research and development in the field of applications of new techniques and devices and in exploring new or advanced concepts not yet ready for commercial utilization. Economic research must be intensified to determine how best to maintain and reinforce our economic health.

In conclusion, I view the future with great optimism. The problems we face are not fundamental weaknesses in our growth pattern. Positive steps to meet our obligation and assure ample capacity, increased acceptability, adequate reliability and higher economy will provide a healthy base on which to build unlimited growth.

Wins "Griffin" Award

MILWAUKEE, Wis.—William J. Walter, senior at Marquette University from Wakefield, Mich., has won the "Griffin Award" presented annually to the finance student who excels in courses related to investment banking, it was announced. Amounting to $100.00, the award was established last year by The Milwaukee Company.

The firm has established an identical annual "Griffin Award" at the University of Wisconsin. The 1959 winner has not been selected as yet.

In addition, both universities received plaques from the investment firm to be inscribed with the names of the winners.

Now First Monticello

MONTICELLO, N. Y.—The firm name of Rhulen Planning Co., Inc., 217 Broadway, has been changed to First Monticello Corporation.

Baron, Black Adds

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Max G. Hines has been added to the staff of Baron, Black, Kolb and Lawrence Incorporated, 253 North Canon Drive.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

Yields in the near-term money market continue to rise and this reflects the belief that the Treasury will be making full use of the long-Treasury bill in the May refunding and new cash offering. It is evident that as long as the budget is not in balance and there are no immediate prospects of this happening, the Treasury will have to be in the money or capital markets at very regular intervals. This does not give either one of these markets enough time to digest the issues that are offered, which means that an uncertain and cautious tone will prevail.

The competitive position of the government bond market has been put under a bit more pressure since there is evidence that certain investors are taking losses in these securities and putting the proceeds in tax-exempt obligations. The tax-free yield is more attractive than is available in Treasuries.

Frequent Treasury Issues A Price Depressant

The dull defensive tone in the government market appears to be caused by the growing attention that is being given to the May operation of the Treasury which will embody not only the refunding of maturing issues but also the raising of new money. There will be coming due next month $2,750,000,000 of special bills and $1,817,000,000 of certificates of indebtedness. Then the Treasury will be coming into the market after the refunding is taken care of, for between $2,000,000,000 and $3,000,000,000 of new money in order to meet the cash needs for the current fiscal year which ends on June 30.

The fact that the Treasury has to be continually coming into the market for either refunding purposes or for the raising of new funds does not allow very much time for the digesting of the issues which are used for these purposes. Accordingly, there is no improvement in the demand of government issues since there is no shortage of these securities, and if there should be any appreciable price betterment in these obligations the Treasury will offer securities that will put a ceiling on the uptrend in these quotations.

Better Yields Available In Other Securities

There is little doubt in money market circles but what the Treasury will make offerings whenever possible, if only in token amounts, of securities that will extend the average maturity of the government debt. This tends to limit the appreciation possibilities of the government bond market since it is evident that there will be no shortage of the debt lengthening obligations. On the other hand, the demand for such issues has not been sizable for a long time, since the usual buyers of these issues have been stock minded for a long period because they are concerned more with hedging against the ravages of inflation.

Also, the upward trend of taxes, which is affecting the revenues of many institutional investors, is not offset by making purchases of government bonds, but by making commitments in tax-exempt obligations. Likewise, those institutions that are not concerned with tax protection can get a better yield from corporate bonds than they can from long-term government issues.

Corporation Buying Coming To an End

The coming operation of the Treasury is expected to be in short-term issues mainly, with the long Treasury bill playing a featured role in this one. It is evident, however, that the government is not going to be able to sell these issues indefinitely to corporations by the method of having the commercial banks and dealers act as underwriters because, with the improvement in business, these corporations will have to use their liquid funds not only for the rebuilding of inventories but also for some expansion of facilities. This means that eventually the deposit banks will be the main buyers of government securities whether they be offered for refunding or new money purposes.

Reserves of New York and Chicago Banks to Increase

The Senate Banking and Currency Committee unexpectedly voted last week to abolish the central reserve city classification for reserve requirements of member banks of the Federal Reserve System. The effect of this move, if allowed to remain in the final version of the banking legislation, would reduce the reserve requirements of the New York City and Chicago banks. Under existing conditions this would free about $400,000,000 of reserves for the New York City banks. At present, the reserve requirement for the New York City and Chicago banks is 18% of demand deposits. Banks in other large cities have reserve requirements of 16½% and this figure would apply to the New York City and Chicago banks under the proposed legislation.

Joins Taussig, Day

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Mo. — Wallace L. Preston has become connected with Taussig, Day & Co., Inc., Holland Building.

With Dietenhofer Co.

(Special to THE FINANCIAL CHRONICLE)

SOUTHERN PINES, N. C.—Willis E. Kivette is with Dietenhofer and Heartfield, 670 Southwest Broad Street.

Robt. Lehman Named Foundation Chairman

Robert Lehman, senior partner of the New York investment banking firm of Lehman Brothers, has been elected Chairman of the Board of The Fannie and John Hertz Engineering Scholarship Foundation, at the second annual meeting of directors in Los Angeles, Calif.

Robert Lehman

Named President for the current year 1959 was Edwin L. Weisl, partner, Simpson, Thacher and Bartlett of New York, and Counsel for the United States Preparedness Committee headed by Senator Lyndon Johnson, of Texas. John D. Hertz, founder of the educational trust, will serve as Chairman of the Executive Committee. Other officers include Harry N. Wyatt, partner D'Ancona, Pflaum, Wyatt & Riskind of Chicago, who will become Assistant Chairman of the Executive Committee and Secretary of the Foundation; George E. Allen, partner Alvord and Alvord of Washington, D. C., who will serve as Vice-President; and Allan B. Hunter, partner Lehman Brothers, who will serve as Treasurer. It is the policy of the Foundation to elect the President and Chairman for one year. Those designated may succeed to the same office after a lapse of two years.

Directors announced the establishment of a Sponsored Scholarship Program through which persons, corporations and others interested in aiding in the defense of the United States could use the Foundation's facilities in granting engineering scholarships in their own names. All administrative expense in connection with such special awards will be absorbed by the Foundation. Subscribers will be asked to contribute an average of $1,000 per year for four college years, or to make a one-time contribution of $4,000 for each scholarship. All such funds will be used only for scholarship grants.

During 1959 the program will be placed upon a trial basis, and the number of new sponsored awards limited to 15. Ten have already been applied for. Subscriptions this year will be made available only to friends of the members of the Foundation. If successful, the program will be opened in the Spring of 1960, to all interested and qualified.

The Fannie and John Hertz Engineering Scholarship Foundation was established in September, 1957 by John D. Hertz, founder of the Yellow Cab Co. and Hertz Rent A Car System. It was created in response to reports that Russia was producing engineers at a 100% faster rate than the United States. Through the Foundation, the entire multi-million dollar fortune of the Hertz family will be devoted to the training of qualified and needy engineering students who will pledge to make their skills available for the country's defense in the event of a national emergency. The amount of scholarship awards varies with need. Awards may be used for sustenance, where called for, as well as for tuition and the usual school expense.

Earlier this year an administrative office of the Foundation was established in Los Angeles at 1314 Westwood Boulevard.

Directors of the Foundation are: George E. Allen; Victor Emanuel, President of Avco Manufacturing Corp.; Leonard S. Florsheim, Chicago industrialist; Arthur Hancock, Kentucky horse breeder and agriculturist; Fannie K. Hertz; John D. Hertz; J. Edgar Hoover, Director of the Federal Bureau of Investigation; Allan B. Hunter and Herman H. Kahn, partners Lehman Brothers; Robert Lehman; Floyd B. Odlum, Chairman of the Board, Atlas Corp.; Joseph H. Rosenberg, retired West Coast banker; Edward Teller, Director Livermore Branch of the Lawrence Radiation Laboratory, University of California; Edwin L. Weisl; and Harry N. Wyatt.

With Pacific Northwest

EUGENE, Ore.—Robert P. Carlon is now with Pacific Northwest Company, 11 West 11th Street.

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New Dimensions in The Electrical Future

financially far greater considerations of life, performance and service. Recently, this problem was compounded by the decision of the TVA to buy its first turbine-generator, and its largest, from a foreign manufacturer.

Prices and Productivity

We are hearing a good deal these days to the effect that productivity increases are causing unemployment. This might be a valid argument if the American consumer consumed at a fixed rate, but he doesn't. The fact is that improved productivity means lowered prices . . . lowered prices mean increased consumption . . . and increased consumption means increased employment. It is growth through productivity that has made eight million new jobs in the past 10 years and has put more than 63 million of our people at work at record-high wages. It is productivity that has enabled us to double the amount of goods we produce and consume every 25 years, and only productivity can enable us to continue to do that in the future. It is productivity that makes us equal with the vastly greater manpower of the nations that threaten us. When and if this nation ever acts to curb its productivity gains for any reason whatsoever, we are finished as a world power.

We are also hearing a good deal these days about industry being able to afford to pay wage increases in excess of productivity without raising prices, financing the added costs out of profits. Unfortunately, that is what has been going on—at least in the electrical equipment industry. In the five-year period 1952-1957, the margins in our industry declined about one-third as a consequence of financing a cost-price squeeze out of profits. The simple fact is that, in our economy, every man's income is another man's cost. Every increase in wage costs, unless and until matched by an increase in productive efficiency, is an increase in the cost of production. These costs must be recovered in increased prices. If industry were to pay a wage increase each year 1% in excess of improvement in productivity, and without any price increase, the last dollar of corporate profits would disappear sometime around the early spring of 1970. And if that happened, the problems I have discussed would have completely disappeared, because we would be enveloped by an economical and political system in which such problems are not permitted to exist, and, further, in which neither private business nor free labor unions are permitted to exist.

These problems we have—these problems of spiraling costs—of wage rates outrunning productivity gains—of wage increases costing us out of competition with foreign producers — these problems are larger than our industry. They are national problems, but our industry—the future of our industry—is intimately concerned with how our nation meets and solves them.

Offers Suggestion

Since I have posed the problems in the first place, may I close by suggesting, briefly and in all humility, a course of action we might take?

Speaking as a representative of the electrical industry, I suggest that we tackle the problem by dealing forcefully with the two basic factors of the inflationary equation: acceleration of the upward trend of productivity, and continued resistance to wage increases exceeding the rise in productivity.

What can we do to increase the rate of productivity increase?

First, we can assure that the tradition of our industry in this regard is maintained. The aggressive pursuit of this tradition, by the electric utilities and the electrical manufacturers, has provided the American economy a shining example of close customer-supplier cooperation making a striking contribution to an improved standard of living and to the fight against inflation. This long-term cooperation, aimed at constantly more efficient generation, transmission and distribution of electrical power, is something of which we can feel justifiably proud.

I pledge Westinghouse to continued efforts, not only to maintain this tradition, but also to enhance it. As evidence of this pledge, in spite of the cost-price squeeze of recent years, and in spite of the temporary lull in our business with utilities, we are currently spending, for apparatus research and development, substantially more than we have in the company's history. Also, we will have invested during the five-year period 1957 to 1962 more in facilities for utility equipment development and manufacture than in any other period in our history, to improve our technology and to make sure you can get deliveries when you need the equipment.

There is another effort we can make jointly as a contribution to accelerating the rate of productivity in this country. American industry is the mutual customer of both the producers of electric power and the producers of electric power equipment. We can make common cause in an intensified program to increase industrial productivity through powering up. We have a magnificent opportunity to promote jointly, even more intensively than we have to date, a higher rate of mechanization of the nation's manufacturing facilities through greater use of electric power. In this effort, too, I pledge the power industry the full cooperation of Westinghouse, not only in our sales activities, but also in enlarged research and development programs dedicated to the creation of new concepts of electrical automation.

With respect to the other factor in the equation of inflation: we must hold the line on wage costs; we must resist increases in excess of productivity. I must confess that this job involves some problems that our efforts to improve productivity do not. One of these is the development of a public awareness of the vital threat to the security of our economy posed by inflationary wage increases. As corporate citizens we will do our part to this end. But the nation's electric power companies, with their intimate community relations, and with their close and frequent contact with the public, are in a unique position to help create a climate of public opinion essential to correction of this massive problem. Inflation cannot be licked unless we dedicate ourselves to this purpose.

Closing Summation

In closing, let me say that while we face great problems, with the rich talent available to us, with the spirit of cooperation we have established, we face even greater opportunities.

Not since the days of George Westinghouse and Thomas Edison have so many new and exciting things been happening so fast in this industry of ours. It is working with new products and processes, new machines and methods, and most important, with new ideas and concepts and principles. In atomic power, we are all working in a whole new art.

Today there is almost no limit to what our technology can achieve, whether we apply that technology to industrial machinery or to household appliances, to electrical apparatus, or to the control system for a guided missile. This is true, above all, when we apply technology to electric power—that product of our industry which a philosopher has called "the most beautiful, the most versatile, the most powerful and the most docile force that man has ever had under his control."

Beyond that, industry needs and wants what we have to sell. The public needs and wants what we have to sell—and the public today has a huge pent-up purchasing power and the highest personal income in its history. And we have the programs to stimulate more widespread use of electrical power. These programs—Live Better Electrically, Power-Up, The Adequate Wiring Program, the Gold Medallion Home, the Total Electric Home, among others—will not only benefit our industry; they will enhance America's standard of living, and increase the dignity of the American worker.

But in the final analysis, the outcome of these efforts, and all of the others we are making together, is dependent on a solution of the overriding domestic economic problem of our time—inflation, and the evils that accompany it.

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The American Way In Tomorrow's World

So long as your visits are informative and helpful, you cannot visit our offices in Washington too often.

To continue in this practical vein, you are not going to win issues or stave off disaster without votes, and you do not have them now. Although the climate of opinion with regard to your industry in Washington has improved compared to earlier years, it has not improved enough to prevent your industry from losing ground. I must say you have been remarkably successful on the whole in Washington. And this, in spite of the fact that your industry has only a minority of staunch supporters in the Congress.

It will take votes to stop the trend. I am not suggesting that you run for political office or support candidates of one particular political party. But I do suggest you maintain a continuing interest in the philosophy of those who seek office.

Most legislators who continually support ideas and legislation that lead us nearer the welfare state would be highly indignant if accused of undermining our free enterprise system. But their votes are the more detrimental because the result chisels away at our system of government a little at a time while pretending to support it.

So far we have not even touched on labor and I am sure you would not expect me to speak to you without mentioning the subject. Certainly it ties in with some of your problems that we have been discussing.

Denies Charge of Labor-Baiting

Some labor leaders and some of my colleagues consider me a labor-baiter. I am not. I defy the contention that any man in the labor movement or in Congress has any more concern for America's working men and women, both union and non-union, than I have. My concern is for the worker. I fear some of my critics—those who parade as the champions of labor — are more concerned with the personal power of the labor boss and the influence he may have on their political fortunes than they are in the welfare of the worker.

I am not against the labor leader so long as he is the duly elected representative of labor and confines his activities to those things that concern the ones he represents. Where we part company is when the labor boss uses his position to defraud those he represents and to promote his own political ambitions.

As you know, I am a member of a Select Committee of the Senate—the McClellan Committee—investigating labor-management affairs. Some of the things we have turned up are scandalous. Laboring people — members and non-members of organized labor—have been intimidated, beaten and murdered. Money extracted from union members has been borrowed, never to be returned, or stolen outright. Union money has been used to elect or defeat candidates for public office. Criminals have held high office in labor organizations. Criminals, thugs and other racketeers have used organized labor to force their will on employers and on employees who wanted no part of them. Unfortunately, some employers have connived with unscrupulous labor leaders to sacrifice the welfare of the working people.

These things should be corrected by Federal law and yet as widely as these sickening atrocities have been publicized over the past three years, remedial legislation has yet to be enacted. You wonder why? The answer is very simple. The leaders of organized labor have become so politically powerful they are able to stop or to tone down proposed legislation to where it will not do the job.

Do not infer from what I have said that I think all leaders of organized labor are bad. Quite the contrary. The rotten apples we have dug out of the barrel comprise a very small percentage of those connected with labor. But the disturbing thing to me is that even upright leaders oppose corrective legislation because they are afraid it might infringe on their power.

Let any organization once acquire power, it will fight to keep it—that goes for either businesss or labor. There was a time in this country when business became too powerful politically. It abused that power to the extent that the people in righteous wrath clipped its wings. Now labor has reached the point where its powers must be controlled, otherwise we will soon be under a labor government, irrespective of what political party brand it may use for the purpose.

The State of Michigan has been taken over by labor through its control over the Democratic Party in that State. But labor is not satisfied with Michigan. It spent millions of dollars last year to influence elections in other states, including my State of Arizona, and over-all it enjoyed an alarming degree of success.

Notes Divisive Union Stand

Now where does all of this fit in with electric company problems? Organized labor should have no specific interest in promoting government power. Its interest really should be with the electric companies. You furnish 85 or 90% of union members with their personal power requirements, to say nothing of the power they use on their jobs to increase their productivity. I understand the unions representing your employees have publicly opposed any expansion of government power — Federal, state, or local. They have found their members fare much better under company ownership and operation than they do under government.

One would think with this being the case, other unions not directly connected with the electric power industry would take the same position. But they have not. They oppose the things that might benefit workers in your industry and support all types of government power. They do this in their publications and before committees of Congress.

Why do they? Obviously this stand fits into the general pattern of seeking political favor by seeming to give people something for nothing. Too often people seeking power are willing to cast principle aside in the interest of political expediency.

Government power is paraded as giving something to the people as their due. It matters not that the majority have to pay for it through taxation to give to a minority.

This give-away theory is bait for votes. There is nothing new in it. It was used in ancient times and it is being used today. Votes win elections. If union leaders can influence election of public officials, they build up their own political power and that is their objective. If you have to be sacrificed in the scramble, that's it.

These are among the reasons why it is so important for us to re-define and re-state our values. We can do this and we must if we are to survive.

Where have we fallen down? Why is it that conservatism—belief in the ultimate importance of the individual human being—or free enterprise—call it what you will, finds itself on thin ice today? It is not that our principles have failed, but rather that we have failed to translate them and make them meaningful in terms of today's problems. As certainly as we sit here today, if we don't find the answer to this, we won't be here tomorrow and there won't be any private electric companies.

The core of this problem, it seems to me, is to decide, and to help people decide, where to draw the line on what the government should do and should not do. The answer is not to have the government do nothing, but to have the government do the right thing.

One thing we have failed to point out convincingly is that government programs are always directed at the group and tend to submerge the individual. Yet when we lose sight of the individual we destroy all the important values we cherish.

We only have to look around us to see how far we have gone in this respect—growth of conformity, the decline of individual incentive, the search for security at all costs — these things are everywhere.

The philosophy of some leading labor officials is the perfect example of what happens when the individual is lost sight of in the search for security for the group. Labor has directed its attention at getting the most benefits, the most security for its group, and within its own framework has deprived the individual of liberty, freedom, and individuality. Where laws permit, the laboring man is deprived of his right to work unless he joins a union. In many unions he has no control over his union dues and is often deprived of the right to elect his own officers. He is deprived of recourse to law and justice through fear of brutality from union leaders. Often he is deprived of his right to feed his family when ordered out on strike, no matter how hard pressed he might be financially and irrespective of his individual desires.

It becomes urgent for us, therefore, to swing the focus of attention back to the individual as an individual.

Obviously we cannot lose sight of the material needs of people, but until we rediscover the individual, we will not make progress. Government cannot be a friend of the people if it ignores the individual.

Where then do we draw the line between government doing things for all the people and the individual doing things for himself? It seems to me this Administration has developed at least one standard to guide us; namely, if people can do something for themselves then there is no need for government to do it.

Clear-Cut Test

Now the electric power field is one clear-cut area in which this line can be drawn. You know as well as I do that there is no need for the government to assume a full and complete utility responsibility. Here, without question, people themselves are able to supply the nation's electric power needs.

This is where your interests merge with national policy and this is where your most vital problem of communication lies. And this is why it is important that you continue to exist within the framework of free enterprise, not because you are free enterprise, but because you are not government.

As long as you are not government you still stand for those values which place the individual first, which offer him the greatest opportunity for material and intellectual growth and, consequently, the most freedom and progress. Government cannot do this.

If at times I have given you cause for pessimism, don't think for one minute that I am pessimistic. In what I have been outlining I see hope for the conservative cause. We know with unshakable certainty that what we believe in is good. The pseudo liberals, who argue continually for greater government responsibility, have nothing to offer except more and more government. This is the only road they can take if they remain true to their philosophy. The ultimate result of this course is so obvious it needs no elaboration.

We conservatives on the other hand offer the only opportunity to go forward. Our beliefs are founded on proven results—values which have never failed in the past. Conservatism is based on the belief that only to the extent the individual's whole personality is developed to its ultimate potential can society advance in the best interests of all the people. The reason I am optimistic is because I know that what we stand for is sound. Let us never weaken in this belief.

New Slayton Office

ST. LOUIS, Mo.—The opening of a Chattanooga, Tenn. office of Slayton & Co., Inc., has been announced by Hilton H. Slayton, President.

At the same time, he disclosed the appointment of James H. Guffey as District Manager, and Supervisor of the new office which is located at 727 James Building.

With Midland Investors

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio—Floyd G. Barnett, William F. Harper, Lyle D. Irvine, Edgar J. Owen and Emerson C. Wollam are now with Midland Investors Company, 52 East Gay Street.

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As We See It

for whatever unemployment now exists or is likely to exist in the months immediately ahead. The officials and others that they would like to have carry the blame for it all are not free from responsibility, to be sure, but their fault lies in the fact that they have been doing a great deal too much of the sort of thing that Messrs. Meany, Reuther and the others would have them do now. Business generally has recovered much of the larger part of the headway it lost during the recent recession but many of the men formerly employed in industry are now unable to find work to their liking at wages that their union says they must get. The reason? Obviously business has found ways and means of getting the work done with fewer men. It has spent millions, yes hundreds of millions for expensive and complicated machinery and other devices in order to produce what the people want at less cost.

Of course, far-sighted businessmen would in any event have taken advantage of advances in technology to reduce costs in every way they could, but modern equipment costs a great deal of money. It becomes effective in reducing costs in a good many cases chiefly for the reason that the cost of doing the same things in any other way is even more expensive as a result of excessive wages, and the hundred and one restrictions imposed by organized labor which does not have to trouble itself about the anti-trust laws. No one can, of course, say with great precision just how much of the so-called automation and the like that has been so widely adopted by industry would have been profitable and would have been installed had the wage earner been more tractable and more reasonable in his wage demands, but there is no room at all for doubt that the tremendous movement toward greater and greater mechanization in recent years owes a substantial part of its vigor to the policies and the activities of such union leaders as Mr. Meany and Mr. Reuther.

They Had Help

Of course these labor leaders could not have been so effective in creating conditions which have contributed so materially to present-day unemployment had they not had the support of the politicians in Washington who long ago saw to it that they need not trouble themselves for a moment about competition or the lack of it among the unions or among the wage earners. Neither could they have succeeded time and time again to force higher and higher wages for less and less work—to the serious disadvantage of the consumer—had not Franklin Roosevelt and his followers so successfully popularized false notions about insuring prosperity by adding to the "purchasing power" of the wage earner. Nor could they still be at it so effectively had not the present Administration fallen so nearly in line with the teachings and the programs of the New Deal and the Fair Deal. In that sense, the unemployed today can with justice lay some of the blame for their plight at the doors of the politicians. But it hardly lies in the mouths of these union leaders, such as Mr. Meany and Mr. Reuther, to accuse any one of anything in this situation.

It is further a fact that the steps that these self-appointed spokesmen for the unemployed would have the government at Washington take for the avowed purpose of putting these men back to work could not fail in the long run to create a situation worse than it is at present. The fact is that we have in precisely this way built up a state of affairs in the industry of this country which appears at one and the same time to stimulate demand for more of the same medicine and to render it quite certain that not good but ultimate harm will come from the therapy. It is, of course, well known that these labor leaders with the blessings of such "liberals" as Senator Douglas and Congressman Bowles (to mention but two of the many now in Washington) would like nothing better than to have the Administration, subsidize many other elements in the population, pour borrowed funds into all sorts of strange programs, and finance it all at low interest rates by the simple process of manipulating the credit system. In that direction disaster lies.

Time for Better Understanding

It is time we got a better understanding of this thing we call unemployment and of its causes and remedies. The beginning of wisdom would be a realization that industry does not exist to give employment to anybody. It exists to give a profit to those who invest their funds and some of their energy and initiative to create it. They expect and are due that profit not because they employ men and women but because they produce goods or services that the people want at prices people can and are willing to pay. Full employment or a state in which there is a minimum of men and women who can not find work is not of itself any indication of an ideal state of affairs. There is usually no unemployment at all in the backward countries we are being asked daily to assist. Full employment is an unmitigated blessing only when all who wish to work are engaged in the production of goods and services actually desired by consumers in the amounts being produced—and at the prices asked. A properly functioning industry would as a matter of course keep us all as busy as we want to be. The nostrums now prescribed for unemployment would do less than nothing to promote a properly functioning industry.

Scientific Products Stock at $2.50 a Share

R. G. Worth & Co., Inc., of New York City, are publicly offering to bona fide residents of the State of New York an issue of 95,000 shares of common stock of Popular Scientific Products Corp. at $2.50 per share as a speculation.

Popular Scientific Products Corp. was incorporated in New York on Jan. 28, 1959 for the purpose of manufacturing and marketing consumer (packaged goods) products to be sold to a mass market, basically through the medium of supermarkets, chain drugstores, etc.

The net proceeds from the sale of the stock are intended to be used for the promotion, manufacture and sale of an individually foil-wrapped pure chocolate vitamin cube and other products.

Two With Mason Brothers

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif. — Hugo A. Carissimo and Frank W. Enos are now with Mason Brothers, First Western Building, members of the Pacific Coast Stock Exchange. Mr. Enos was formerly with Frank Knowlton & Co.

With Powell, Johnson

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif.—Edwin N. Petersen is now connected with Powell, Johnson & Powell, Inc., Security Building.

Warns on "Blank Check" for TVA

Guaranty Trust Co. sees dangerous precedent if Congress should authorize public power agency to finance capital needs via revenue bond issuance. Contends TVA operates under conditions that make a mockery of so-called "yardstick idea."

A dangerous "blank check" precedent may be established if Congress authorizes the Tennessee Valley Authority to finance its new requirements for outside capital by issuing revenue bonds to the public, according to the Guaranty Trust Company of New York.

"It is not difficult to picture one Federal activity after another being allowed to escape from Congressional and budgetary controls and achieving the financial and executive autonomy for which bureaucracy always strives," the bank said in the April issue of its business and economic review, "The Guaranty Survey."

"To the extent that this occurred," Guaranty pointed out, "the Federal budget and the public debt would become increasingly meaningless as measures of the true scope and financial position of the government, and the people's credit would be pledged and the people's money spent with less and less supervision by the people's elected representatives."

If the pending legislation to authorize TVA to issue and sell up to $750 million in bonds should be enacted, Guaranty said, "TVA would find itself in possession of a Congressional blank check which would free it from most of the controls and safeguards the government customarily and properly exercises over its agencies."

Moreover, the bank noted, payments to the government on its $1.2 billion appropriation investment in TVA would be subordinated to payments to bondholders. TVA could extend the repayment period to 120 years as compared with 40 years under present law. No provision whatever is made for repayment of or return on the government's additional investment of nearly half a billion dollars in TVA's power facilities derived from net income accumulated over past years.

The pending legislation would accomplish little toward making TVA the "yardstick" for power rates that it was originally supposed to be, Guaranty said, noting that "it has always operated under conditions that make a mockery of the 'yardstrick' idea." TVA's rates are less than half the average for private producers, largely because of freedom from Federal taxes, the bank said, and because it pays to state and local governments "in lieu of taxes" substantially less than a private company would pay.

"Altogether the pending legislation would have little effect on these special privileges," Guaranty said. "The 'yardstick' excuse for public power would still be as unrealistic as ever. The taxpayers of other areas would still be paying more than their fair share of taxes, because the consumers of public power would still be paying less than theirs."

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An Analytical Review of The Retail Trade Field

have fluctuated from a high of $23.6 billion on an annual basis in the third quarter of 1958 to a low $16.8 billion in the third quarter of 1955. Here levels of employment and trends of hiring and firing tend to have an impact. While this has had some effect, the fact that despite rising unemployment during both the past two recessions, and even currently, the actual level of employment has remained very high and hence retail volume has been well maintained.

What Is Retail Trade?

The generalities about retail trade, like any other generalities, tend to cover a multitude of variances which are of basic importance to the investor. In the first place the term "Retail Trade" is so broad that it masks the rather widely disparate types of operations that occur in this field. We have all varieties of activities from the sales of automobiles to the sale of aspirin, and all kinds of stores from the huge department stores to the neighborhood grocer. Nor have they all done equally well by a long shot. For example, whereas apparel stores in 1946 accounted for 8.7% of total retail trade, by 1956 they had dropped down to 6.1% and slumped further in 1957, although they may have picked up fractionally in 1958. Variety stores have made an equally poor showing going from 2.68% of total retail sales in 1942 to about 1.5% in 1957. On the other hand, food stores have held relatively stable, rising nicely last year. Department stores, after falling badly from the end of the war until 1955, have held steady since then, and in the past year probably gained a bit of the total retail pie. Actually, on a per store basis, the gain is even greater than shows up on the over-all basis as a considerable number of marginal stores have been eliminated.

Diverse Opportunities

What does this mean to us? It means that investing in retail shares should be discriminate, and that a statement that the outlook of retail trade is good, or bad, does not pertain equally to all the divisions. Or to put it more bluntly, the grocery chains have proven, on the whole, to be highly attractive investment situations, as have the better department stores, while the variety and apparel stores had best be avoided. Nor do I think that this has changed. Other changes will undoubtedly occur in the future and now such stores as the hard-line automotive supply stores may be coming into their own.

Even within the favored or fortunate groups there are widely diverse showings. This is easy to understand. Retailing is above all dependent upon the quality of the management. When the steel business is good, all of the steel companies benefit, although, of course, some more than others. This is not true of the retail picture. To give you a little local example—10 years ago in an area of a few blocks on Fulton Street in Brooklyn, there were six major department and specialty stores. They were all well established, all obviously influenced by the same level of purchasing power in the area, all available to the same consumers. Loesers, Namms, and Oppenheim Collins (Brooklyn) have since closed their doors—whereas, Abraham & Straus, Martins and Mays have made excellent showings.

Let me merely demonstrate this on a larger scale. Using the average sales of 1947-1949 as a base of 100, we see that in 1957 Federated Department Stores sales were 88.7% above the base—whereas, Interstate Department Stores showed a gain of only 4.5% and Gimbel Bros. only 24.2%. On profits, the showing is even more enlightening. Using the same base we see that Federated in 1957 was earning 84.5% more than in the base period and Associated Dry Goods 34.7% more, City Stores was earning 31.6% less and Allied Stores 10.8% less.

The grocery chain picture is equally dissimilar although here they all show sizable gains. Nonetheless, whereas Food Fair was 321% above the base period in sales, First National Stores was up only 54%. Earningwise, you have similar variances ranging from gains of 200.9% for Food Fair and 214.7% for Penn Fruit to a gain of only 35.9% for the A. & P., although this latter situation appears to be in the process of being corrected.

In summing up, one can say that 1959 looks quite favorable for the majority of the divisions in the retail field. Purchasing power has already reached new high levels, notwithstanding the level of unemployment, while the rising number of hours worked and improving outlook for business has thoroughly restored consumer confidence. In addition, current figures compared with the extremely poor ones of last year show that the cyclical effect is quite bullish. Department store sales thus far this year are 9% ahead of last year while total retail trade for the first two months ran some 7% above a year ago and when March is taken into the picture, may make an even more impressive showing.

While it is obvious that the excellent gains of the first half will not be continued percentagewise during the final and all important months of the year, nonetheless at this point, a good showing can generally be expected. Again, I would suggest that representation be limited to the better situated department stores, mail order companies, and hard-line chains, with continued interest expressed in the grocery chains.

Brown District Manager For Broad St. Sales

CHICAGO, Ill. — Robert H. Brown has been appointed a District Manager of Broad Street Sales Corporation, with headquarters at 231 South La Salle Street, it has been announced by Milton Fox-Martin, President of that organization.

Robert H. Brown

In his new position, Mr. Brown will have charge of the distribution of shares of the Broad Street Group of Mutual Funds through investment dealers in Northern Illinois, Northern Indiana, Minnesota, South Dakota and Wisconsin.

Immediately prior to joining Broad Street Sales Corporation, Mr. Brown was a partner of Brown, Bechard & Co., a Norfolk, Va., securities firm specializing in the retail distribution of mutual funds. Previously, Mr. Brown was a retail salesman with George B. Powell & Co., Inc., of Norfolk, Va.

To Form Schiff, Teller

Schiff, Teller & Brown, members of the New York Stock Exchange, will be formed as of April 23rd with offices at 25 Broad Street, New York City. Partners will be Irving Schiff, Jack P. Teller, and Lester D. Brown, member of the Exchange, general partners, and Herbert A. Dann, limited partner.

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Illusions Cost Too Much

edge of how to govern. Even now that democracy is accepted by many countries and has the secret allegiance of millions who are still suppressed by self-imposed minorities—even now democracy's friends are not certain that in any *real* emergency, when great knowledge, wisdom, and self-sacrifice must be demanded of a democratic people, they will justify their privileges and rise to the challenge.

Today democracy is being put to the test—perhaps the final and decisive test. An old authoritarianism in new clothing now claims that it alone can handle the problems of this technological and scientific age. The uncommitted world watches the contest. Upon us, as the strongest democracy, rests the responsibility of proving that a democratic people *can* govern wisely, act promptly, *and* voluntarily accept necessary sacrifices. In the contest between totalitarianism and democracy, we defend our Western way of life and not only our own freedom but that of all free peoples in the world.

In the hope that it will serve a useful purpose, I should like to explore some beliefs that—in my opinion—have become costly illusions. No more can be done in a short speech than to probe around the circumference of this large subject and essay a partial and tentative statement. It is not as important to list all our illusions as it is to recognize the need to take stock periodically and, if necessary, to readjust beliefs, habits, and attitudes to the realities of a rapidly changing world. I shall limit myself to a discussion of illusions that arise from what I believe to be misconceptions about our high standard of living.

Our Most Dangerous Illusion

To raise this standard year after year appears to have become our nation's highest objective. It is widely believed that we have answered every question one might raise about the progress, power, or international position of the United States if we can but show that this year's Gross National Product exceeds last year's—never mind that this year's dollars have depreciated in value! I should like to state emphatically that I regard the belief that our high standard of living guarantees political and military supremacy—automatically, as it were—as potentially our most dangerous illusion.

The inference we draw is in the nature of a *non-sequitur*, or at least one that needs to be qualified in important respects. The proper conclusion to be drawn from the premise is that a high standard of living guarantees an exceedingly pleasant and agreeable life. It *may* also, provided proper action is taken, insure political and military supremacy. It all depends on how the nation's industrial productivity is utilized. Of course, without such productivity no nation can today be powerful, for power depends upon ability to produce large amounts of complicated military hardware. But there the relationship between productivity and power ends. When industrial production is largely devoted to consumer goods and services, even a very productive country may find itself outpaced militarily by another whose over-all productivity is smaller but concentrated in the military sector. It is now no longer possible to quickly convert manpower and industrial plants from civilian to military production when war threatens or has already broken out. Not only will there not be time enough to do this, but today's armaments must be produced in plants designed specially for the purpose. This is a consequence of a revolution in military technology that has enormously increased the complexity of armaments.

The nature of modern war gives an edge to totalitarian countries since they need not *persuade* their people to forego comfort for preparedness. The decision to do so is made by the small group who have arrogated to themselves the life-long job of ruling over their voiceless compatriots. It is natural for this group to look upon their country as a personal possession to be carefully developed so as to enhance its value. Given their avowed aim of world conquest, the development of military and political strength will necessarily take precedence over all other developments. Only insofar as it contributes to this strength will the desire of their people for goods and services take on importance. Ordinarily, modern methods of propaganda are sufficient to keep the civilian standard of living at a low level, for propaganda can delude people into believing that they are better off than others, or that sacrifice is necessary to defend the fatherland against imminent attack. Thus deluded they will work obediently for small personal gain.

We used to think that a totalitarian economy could *never* be as productive as a free one. We must now revise this belief. Such an economy *can* be more productive in items that enhance political and military power; it will *probably* never be as productive in items that enhance the people's comfort and well-being. It is the former, however, that counts most in the race for world supremacy.

In democracies the people decide—through their voting power—how much of the national product shall be collected in taxes and invested in the public sector of the economy; how much retained to support a high material standard of living for themselves. Except in periods of national emergency, it is hard for *all* the people to feel that their personal fate is inextricably involved with that of their country and that in *any* conflict between personal advantage and national strength, enlightened self-interest must choose the latter. On the other hand, for a small group of totalitarian rulers this sense of involvement with their country comes without conscious effort. Then again, it requires self-sacrifice of a high order for a democratic people to decide voluntarily that they will forego some of the fruits of their own productivity in order to safeguard the right of future citizens to live in freedom and decency, whereas it is easy for totalitarian rulers to demand sacrifices of their people since the rulers themselves do not share in these sacrifices. This is only another way of saying that in a democracy the state exists for the people, whereas in a totalitarian country the people exist for the state. This fundamental difference must be factored into all our attempts to compare the technological and productivity levels of democratic and totalitarian societies.

Cites Technological Paradox

What counts then is not productivity *per se* but how a nation's productivity is used. Strange as it may seem to us, at the present state of technological development, our high civilian standard of living may prove an actual liability in the contest with the totalitarian powers. And for the following reasons:

First, by combining a high technological level in the scientific and military sector with an almost preindustrial standard of living for the mass of their people, modern totalitarian countries in wartime get the best of both types of civilization—the technical advantages of an industrial nation with regard to ability to wage war, and the hardihood and resilience of a preindustrial society with regard to ability of the civilians to fall back upon their own resources if need be, and to survive under hardships that might break a more civilized people accustomed to modern amenities.

Self-sufficient communities, used to a simple and frugal life, give a country at war great civilian strength. To illustrate, let me refer to a book on *Soviet Strategy in the Nuclear Age* by Raymond L. Garthoff. He reports that, although Russia in but a few months during 1941 lost control of 40% of her population; 60% of her coal, iron, steel and aluminum production; 40% of grain production; 95% of key military industries; 4 million soldiers and nearly two-thirds of her tanks and aircraft, she was not beaten but survived and eventually returned to the attack. This is not to minimize the importance of the help she received from us. It is merely to point out that Russia was able to bear destruction comparable to that of a nuclear war and rally again. We must not underestimate the military advantage that totalitarian countries possess because they combine advanced levels of technology in the public sector with frugality in the private sector of their economy.

It is true that people used to an affluent life have individual possessions on which they can draw when war cuts off or reduces the supply of civilian goods. But they have also become so used to comfort that they may have trouble maintaining morale and efficiency if wartime shortages lower their living standards too drastically. It would seem prudent to play it safe and count the low civilian standard of living in totalitarian countries as a plus factor for them which we must counterbalance in some way.

Excessively High Interdependence

A *second* reason why our high standard of living may prove a liability is that the intricate system of interlocking economic relationships that maintains our affluent society can easily be disrupted by the breaking of but a few links. To illustrate this point, take the family car, a key item in the American standard of living. Because we prefer to ride to work in our own car, mass transportation is not commercially profitable and has, therefore, not been adequately developed. Obviously, transportation by private car costs a great deal more in oil and service than mass transportation, especially transportation by rail which utilizes fuel far more economically than automotive transportation. If the oil supply were shut off or limited by the enemy in wartime, some American communities would find themselves without adequate means to transport workers from home to plant or office.

Most Americans now live in huge metropolitan belts which are spreading across the countryside. When population density reaches a given point, there is simply not enough room within the modern megalopolis to accommodate both man *and* his private car. Flight from urban centers into the suburbs is no solution; it merely aggravates the morning and evening rush. Transportation by private car becomes increasingly costly in time and money. In peacetime this can be borne but in wartime our dependence on private transportation by automobile could prove a liability. So far we have not drawn the conclusion that when mass transportation becomes a vital necessity it must be provided, if need be at public expense. Certain national attitudes, abetted by those interested in the *status quo*, prevent our facing this very real problem and dealing with it effectively. A return to public mass transportation would indeed lower the standard of living somewhat but more on the side of prestige than on that of real comfort and efficiency. Yet this lowering of a single prestige factor would give the economy greater strength to meet emergencies.

It is advisable that we study the subject of transportation in the light of the population shift to urban centers. The totalitarian countries appear to have solved the problem in their usual ruthless but efficient way. We cannot copy them. We must devise our own solutions. The urgency of our problem is highlighted by the totalitarian solution of the problem for it gives them presently an advantage. Russia's industrial complexes are spread all over the country whereas ours still remain centralized, though we are conscious of the vulnerability of this centralization and are trying to disperse. Each Russian complex is designed to be self-sustaining, with workers living close to the plants, and farms further out. This elminates, or at least reduces, the cost of transporting the workers to and from their places of work. If need be, they can cover the distance on foot.

An even more decentralized, self-contained system of industrial-farm-residential communities is now being established in China whose rulers are planning to go much further than Russia along this line. China's 650 million people are being organized into "people's communes" in which absolue Communism prevails and everyone works at his assigned industrial or farm task—even family kitchens are being replaced by communal mess halls. This anthill existence must surely be the lowest standard of life to which any human society has ever sunk. But the advantage to the state is obvious. Each of these communes will be small enough to need little in the way of mechanical transportation, but large enough to be agriculturally and industrially self-sustaining.

So much effort and so large a part of a country's natural resources must go into modern transportation systems that the housing of workers close to their places of work gives Russia and China an advantage. One can readily see that their communities are less vulnerable in wartime than the American metropolis surrounded by its bedroom suburbs, with the worker linked to his place of work by a car moving along highways that become inadequate almost the moment they are built.

Resource Consumption Faster Than Growth

The *third* reason why our high standard of living may become a liability is inherent in the nature of today's technological civilization. Ours is the first civilization in this history of mankind which rests upon utilization of resources that do not renew themselves; the first that consumes its very foundations and does this faster the more it succeeds in raising the material standard of living of all its people.

Everything nonliving is finite unless it is recreated by the power of the sun's rays. This we have trouble believing, for in all his past experience man was a puny Lilliputian whose impact on nature was insignificant and who felt lost in what seemed to him a vast, empty world. Previous civilizations were based on consumption of renewable resources—crops, trees, wind, water, and muscle power. They used nonrenewable resources either not at all or in such minute quantities that hardly a dent was made in nature's store of these treasures. Seventeenth century England, for example, consumed but 360 tons of steel annually! It is only in this latest second of man's hour on earth that a small percentage of the world's people have ceased living entirely off income and have begun using up resources capital.

Few of us are willing to accept the consequences of this revolutionary change in man's dependence on nature. We twist and squirm to avoid admitting that we must accommodate ourselves to a world finite in size and limited in resources. And so we delude ourselves by dwelling with satisfaction on the recurrence of raw material gluts on world markets and profess to see in them proof that resources exhaustion is a fable. Temporary surpluses are, of course, irrelevant to the basic fact that sooner or later even the largest store of capital will be exhausted if one keeps drawing from it. Market surpluses merely show that we have been overactive in scooping raw materials out of the earth, and have therefore collected them faster than we were able to transform them into machine-made goods.

Draws a Malthusian Specter

Realists that we imagine ourselves to be, we have nevertheless invented a modern American fairy tale: *The Curves that Never Cross*. One is our population curve mounting upward in geometric progression — presently doubling in 40 years, tripling in 65, quadrupling in 80 years; the other is our nonrenewable resources curve, descending even more rapidly. We believe that in science we possess a genie in the bottle who will keep these two curves from ever crossing!

I am constantly astonished to what extremes intelligent people will go to avoid facing the limitations of mankind. I have seen it seriously proposed that the United States at one stroke solve its problem of population growth and resources exhaustion by packing 10,000 people a day off into space, there to dig for minerals which will then be sent back to earth. Like the suggestion that we can feed an infinite number of human beings on seaweed—which personally I find a most distasteful prospect — this "solution" to resources exhaustion disregards man's biological needs and limitations. He does not, after all, live on bread alone, or excuse me, on seaweed alone. He needs enough space around him to retain a sense of individuality and freedom; he needs contact with nature, and he will deteriorate as a human being if these necessities are denied him.

Even should we decide that man is to be reduced to but two functions, tending his machines and consuming their products, the "space solution" overlooks the fact that to supply the army of space-borne emigrants with enough food, oxygen, water, and fuel and to clothe them in the proper space suits would make such tremendous inroads into our resources capital that the whole thing strikes me as a highly fanciful venture. I don't believe we know as yet just what we must provide to make sure these latter-day pilgrims will safely land on their space tarkets and be able to return to earth, should they wish to do so, but we can get an inkling when we remember that merely to get them into orbit will require about 100 pounds of fuel per pound of pay load!

We cannot realistically appraise our position relative to that of our totalitarian opponents unless we eschew science fiction and accept the fact that we live on a finite earth; unless we are fully aware of our dependence on nonrenewable raw materials and understand that these resources are like uninvested capital — capital which draws no interest. We must fully comprehend that the rate at which this capital is used up is an exponent of population growth and the increase in living standards. Under these circumstances, the *rate* of capital consumption is obviously an important factor in the relative position of competing nations. For when national rates of capital consumption differ significantly, the nation that uses its capital faster than its opponent will in time be in a less favorable position; the long-run advantage lies with nations whose austere standard of life conserves their resources capital.

Our high standard of living makes such heavy inroads into our capital of nonrenewable raw materials that, because of it, we bequeath to future generations of Americans a diminished national interitance, thus placing them in a weakened position in the contest with the totalitarian powers. Of course, we have a perfect right to do this for we are a free people. There is nothing to prevent us from emulating Madame de Pompadour and shrugging off responsibility with the frivolous phrase: After us the deluge. But let us not delude ourselves. Let us face up to the fact that when we use up the nation's capital in nonrenewable resources we mortgage the future for the sake of the pleasures of today.

Russia and the empire over which she exercises control now possess all the fuels and minerals needed for their industries. Our own raw materials position has been worsening in the last few decades.

Living Off the World

From an exporter of copper, lead, zinc, petroleum, iron, oil, and lumber we have become an importer of these materials. Though two world wars have made great inroads, the main reason for this change from exporter to importer has been our lavish consumption of resources to sustain a continuously rising standard of living for our rapidly growing population. At mid-century we consumed annually 18 tons per person in materials; including 14,000 pounds of fuels and the metals winnowed from 5,000 pounds of ores. According to the Paley Report, "there is scarcely a mineral or fossil fuel of which the quantity used in the United States since the outbreak of the First World War did not exceed the total used throughout the world in all the centuries preceding." Not only are we consuming our own resources capital, we are also making heavy inroads into the resources capital of the rest of the world. Robert C. Cook in the symposium *Perspectives on Conservation* remarks: "we appear to have grievously impaired the rights of the people of many lands. The fantastic increase in the levels of living in the United States has been at the expense not only of our own resources, but of

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Illusions Cost Too Much

those of the rest of the world as well. The gargantuan scale of this drain of the world's resources was set forth by the Twentieth Century Fund in 1955." According to the Fund, with but 6% of the world's population, *the United States consumes today as much of many raw materials as all others combined.* This means that per capita we deplete irreplaceable natural resorces eight times faster than the rest of the world.

Of course, we *pay* for these resources but this may be small consolation for the more thoughtful citizens of backward countries who watch this drain on their national resources. It cannot be halted because the money it brings is needed to keep the wolf from the door. But logic and reason have little impact on strong emotions. The native reaction is apt to be that here go the resources that might in the future have supported a higher technological civilization in their own country; they go to enrich still more what is already the richest country on earth. In a world where the majority of the people are undernourished and ill-housed, where most of them own fewer possessions than the average American family discards, the spectacle of our affluence is more likely to win us enmity than friendship. Our loss, of course, is Russia and China's gain. Their own standard of living is not so high as to cause envy, yet high enough relative to conditions in most backward nations that it can be made to seem effective proof of communism's alleged efficiency.

Detects Smugness and Complacency

One might say that our very success in realizing man's age-old ambition to escape poverty and backbreaking toil works to our disadvantage because it arouses envy. This is true but it is not the whole picture. Our material wealth is also resented because we seem to have carried it to excess. But most of all, perhaps, because we have been using our high material standard to support a claim that Americans are more intelligent, better educated, and all-around more competent than other people. As a nation we thus take an attitude that is quite similar to one that used to prevail in class societies where the handsome, the rich, and the wellborn looked complacently upon the misery of the masses, firmly convinced that the misery was well-deserved and that *their own* favored circumstances were but the just desert due superior human beings.

In our personal lives, few of us would take this attitude. It runs counter to everything America stands for. The ancestors of nearly all Americans came here because they were certain that poverty was no sign of inferiority, nor wealth one of human excellence. It is strange that in judging nations we now tend to feel that superiority is proved by ownership of more cars, telephones, or TV sets than are found elsewhere. We pay lip service to American ideals, but what has us virtually mesmerized is the sheer quantity of all the material objects we possess. It is difficult for us not to be smug about this and to urge the poor countries of the world to do as we do so that they too will become as rich and advanced as we are!

Not Superior—Just Good Luck

Yet when one seeks for the causes of our affluence one is struck less by our alleged superiority than by our extraordinary good fortune. Three factors are mainly responsible for our standard of living—ample natural resources, a mass market, and modern technology.

Our wealth in resources is a fortuitous circumstance for which present-day Americans can take little credit. No other emigrants from Europe, setting forth across the seas, found so large and rich and virtually empty a land as those coming to the United States; nor one so favorably situated geographically and climatically. In taking the country from the Indians we concluded the most advantageous real estate deal in the history of mankind.

Our mass market comes through population growth and the historical accident that 17th and 18th century relations between England, France, and Spain were such as to preclude the carving up of this continent in the manner that Africa was carved up in the 19th century. When we won independence, this was already a huge country. The ease with which we expanded across the continent was a result of the weakness of the countries whose colonies we absorbed.

The third factor which produces our rich society — modern technology—is of European origin. To be brought to maximum use, technology needs a resources-rich area with a mass market. We were the first country large enough to make maximum use of technology. The European countries were too small to benefit fully by their own technical inventiveness. Not until Russia began to apply technology to the exploitation of her own vast land were we faced with competition on something close to equal terms. For some years now Russia's industrial productivity has grown at a rate faster than our own. It remains to be seen whether Western European productivity will not catch up with ours once the European coal, iron, atom, and common market community is fully established.

Not a Unique Achievement

Modern technology is thought by many Americans to be a unique American achievement. This illusion is nourished by our mass media, advertising having made of bragging a fine art. To look at the splendid color layouts and the jubilant reports of new discoveries, inventions, gadgets, and nostrums, one would never guess how much we owe to Europe in basic research — that fountainhead of technology — or how impressive is Europe's scientific creativity—the most important human talent in this scientific age.

What would you consider the single most important modern technical development? It is utilization of electric power. Our present way of life would grind to a halt if electricity ceased to flow. We have no other energy that could take over all the functions performed today by electricity. Europeans developed it. What are the other principal forms of energy we use?—steam, internal combustion, atomic energy. The first two were invented and developed by Europeans; in nucleonics they did nearly all the theoretical work. What are our most important modern weapons? The list is long but let me remind you that the tank, the jet fighter, and the guided missile originated in Europe; the atomic and hydrogen bombs were developed here, it is true, but largely by European-educated scientists. Or take transportation. Steam and diesel-driven locomotives, refrigerator cars, and the automobile — all came from Europe. Among means of communication, wireles, radar, and sonar were invented abroad. Most of our great medical discoveries came from there—more vaccines and innoculations are European than American; more antibiotics, too—such as the sulphas and penicillin. Reading the list of Nobel prize winners in physics and chemistry is a sobering experience. During the first half-century that these awards were made, England received in proportion to population 2½ times; Germany, 3 times; Holland, 4 times; and Switzerland, 5 times as many awards as we. In the field with which I am most familiar—physics and nuclear power—nearly all the important theoretical work has been done by Europeans. In theoretical physics, Europe has produced some 15 to 20 men of high originality in the last hundred years against one American; of 12 important discoveries that contributed to our understanding of the atom and nuclear fission, 11 were made by Europeans, one by an American. Between 1934 when Fermi published his epoch-making report on fission and 1940 when war closed down many European universities and laboratories, 133 major scientific papers on atomic fission were published — only half a dozen of these by Americans.

Our contributions to basic research and invention have been relatively small because we have concentrated our efforts on applying modern technology to the production of more and better goods. We have done this so successfully that poverty has ceased to be the lot of the mass of our people. It survives among persons who have had exceptionally bad luck or who are mentally, emotionally, or physically handicapped to such an extent that they cannot meet the problems that normal people are able to handle. Having accomplished this we ought to cease our intense preoccupation with production of material things and turn to other unsolved problems. There are many of these.

Favors Government Fostered Cultural Education

A good case could be made for using our surplus productive capacity and leisure to develop a mass culture on a level as high as any previously attained by privileged minorities. It seems doubtful that this can be accomplished on a commercial basis alone, even if private help is added. We may have to follow the example of other Western democracies where public support of cultural activities, notably universities, theatres, art galleries and music, has long been accepted as the only means of supporting high level cultural activities.

Oscar Wilde once remarked: "Civilization requires slaves. The Greeks were quite right there. Unless there are slaves to do the ugly, horrible, uninteresting work, culture and contemplation become impossible." Modern technology supplies each of us with hundreds —even thousands—of mechanical slaves to whom we are shifting more and more of the world's dirty, debilitating, and routinely boring work. This gives us the means and the time for a vast upgrading of our *nonmaterial* standard of living. Instead we keep on collecting — squirrel-like —more and more goods. And so we miss the marvelous opportunities modern technology could give us, perhaps because of ancient fears rooted in centuries of human want and insecurity. It is as if we were the Sorcerer's Apprentice who forgot the word which would stop the magic broom.

Condemns Planned Obsolescence

Our machines keep grinding up the nation's capital of irreplaceable resources and turning them into a flood of goods which overwhelms us. We no longer produce to supply what we need; we now consume in order to clear away what the machine produces — a topsy-turvy state of affairs. To dispose of the flood of machine-made goods we have had to create a new industry; a ten billion dollar industry to service the machine by persuading us to buy its products. We have the strange situation where gifted men devote all their time and their considerable talents in the art of communication to creating artificial discontent in others and to stilling the voice of prudence so that we will mortgage our children's and our country's future to buy more than we need. By investing articles designed to be of practical use with a spurious prestige value, these talented people induce us to discard what is still perfectly satisfactory and buy new models — *planned obsolescence* is the term for this bit of modern witchcraft.

Today thrift has become not only old-fashioned but antisocial; disinterest in material possessions is made to seem a kind of treason to the American way of life because it puts a brake on the speed with which we use up our resources capital and throw last year's models on the scrap heap. To do both as rapidly as possible has come to be considered a major objective of our native genius. Thus have we carried the noble aim of plenty for everyone to such excess that men become the servants of their machines.

Meanwhile two vitally important tasks are neglected; tasks that in my opinion are far more important than producing new gadgets, new models of existing gadgets, better packaged goods, and more and still more material things. These tasks are conservation of the material foundation of our civilization and development of our human resources. The first involves less wasteful utilization of raw materials and the invention of substitutes for vanishing resources; the second better education for our children. We must not delude ourselves into believing that because we were able to create the wealthiest society in history, we shall have no trouble solving these two other tasks as well. Quite different human qualities are needed and must be encouraged.

Rewards for Ideas Over Application of Ideas

Today we still overvalue the producers of material goods and undervalue the preservers of the materials base of modern technology and the developers of our children's minds. Respect and wealth go to men who make their living using up our limited resources capital; we even favor them by tariffs and special tax benefits. But meager rewards go to men who by reason of their intellectual endowments and their long and arduous course of higher studies are able to help us find substitutes for exhausted resources. We support those who flood the market with unsalable goods and neglect the institutions which train future scientists and engineers who may discover how to prevent future shortages of goods. The manipulator of our intricate machines is usually better paid than the inventor who built the machines. It is significant that we were one of the last great nations to join the International Copyright Union because for a long time we saw nothing wrong in a practical businessman making a profit by pirating the intellectual output of others. We have always favored those who know how to make money by *using* ideas and material over those who think up the ideas or create new materials.

Conservation, too, is something that rarely excites our interest. We shall not really buckle down to conserve efficiently and intelligently what is left to us until we face the fact that even this huge country is not limitless. Conservationists have been marshalling an abundance of facts to prove that we are running out of space and getting poorer in resources. But various groups who find that conservation measures make utilization of our resources less profitable to them have the contrary interest of perpetuating the illusion that we shall always have much space and vast resources.

Queries Forest and Synthetics Data

Because we tend to measure everything by size rather than by quality, it is easy to convince us by quoting statistics. A good case in point are forestry statistics which are often cited to prove that we now manage our forests so well that we actually have a surplus of new growth over what we cut annually. Let us not rejoice prematurely. What these statistics do not show is that our forests are still declining qualitatively—half a century after Theodore Roosevelt and Clifford Pinchot launched the Great Campaign to Save Our Forests. The real test of scientific forest management is the softwood saw timber account. This remains well in the red. Moreover, it is still true that what we harvest is predominantly high quality saw timber cut from our few remaining virgin stands, while much of what we grow is the scrubby stuff that reseeds itself on cutover land and has little commercial value.

Nor do the statistics show the very large losses suffered by forest fires, insects and the like—at least partly a result of less than perfect forest management. True, some forests are well managed today but many are in poor condition. We have a long way to go. Statistics which leave out the element of quality prevent our recognizing how far we still lag behind forestry standards that have long prevailed in Europe. There is a forest in Leiria, Portugal, that was planted seven hundred years ago and has been cut, and carefully replanted ever since. It is as beautiful and valuable today as it was in the thirteenth century.

All statistics are tricky and must be used with caution lest we be misled. Outgo and input statistics on timber are better today than 50 years ago partly because we now use only half as much wood per capita as we did then. This reduction is a result of a shift from wood to fossil fuels and synthetics, that is from renewable to nonrenewable raw materials. It is part of a general trend that is symptomatic of modern technological societies. Similarly we have shifted from natural to synthetic rubber; from silk and cotton to "miracle" fabrics. These shifts to nonrenewable materials contribute to the rapid exhaustion of these resources and must be regretted from a long-range point of view, much as they may add to present comfort and pleasure.

Our tendency to disregard quality when we make comparisons has helped to perpetuate another illusion — the illusion that only this country educates *all* its children beyond grade schools. Until recently, the deterioration of the quality of American public education has been hidden by statistics showing huge numbers of youngsters in their late teens still going to school and more of them obtaining diplomas and degrees every year. Had we given thought to the *quality* of the schooling they received and to the kind of scholastic performance represented by these diplomas and degrees, we should long since have stopped deluding ourselves that we have "the best schools in the world."

This has been an unfair and one-sided paper. There has not been time to give a balanced picture of our own and our opponents' strength and weakness. I have dwelt only on *our* illusions not on *theirs*. It has always seemed best to me to correct our own weaknesses rather than to look complacently on those of our adversaries.

I am convinced that our single-minded preoccupation with production and consumption of ever larger numbers of material things is a liability in the race that the totalitarians have forced upon us. I realize that the sanctity of the American standard of living is fiercely defended by a formidable array of groups and organizations whose economic well-being depends on the continuation of today's frenetic production and consumption of manufactured goods. To question the validity of a philosophy of continuous material growth is not popular. Of course, no sensible man will go counter to opinions held by the majority of his fellow citizens unless he believes that the reasons that once justified these opinions no longer exist; that persistence in holding on to what has now become an illusion is detrimental. It is *not* admiration for our opponents that induces me to bring out their strong points, but simply the desire to seek the truth; in searching for chinks in our own armor, I do *not* advocate that we copy slavishly what our adversaries do.

There are different ways to express devotion to one's country. For some people, love expresses itself solely in fulsome admiration of every aspect of the American way of life; for others critical analysis is part of all true devotion.

I have criticized our illusions because, in the present period of intense rivalry between democracy and totalitarianism, they prevent our making the fullest use of all our potentialities. But, in closing I should like to affirm my conviction that our potentialities are so great that, if we would but divest ourselves of illusions, seek out the truth no matter how displeasing it may at times be, and set our goals high, there is literally nothing we could not accomplish. Let us take full advantage of the opportunities offered us by this great land of ours and by our democratic institutions that enable us to develop what is best in us. Let us make full use of our greatest asset — the free human mind — which can work wonders if it is permitted to embark on voyages of discovery beyond the frontiers of knowledge.

Form Diversified Mutual

(Special to THE FINANCIAL CHRONICLE)

LONG BEACH, Calif.—Diversified Mutual Funds, Ltd. has been formed with offices at 110 Pine Avenue to engage in a securities business. Officers are Eugene R. Cuthberton, President; Robert M. Blakey, Vice-President; and John W. Pares, Secretary.

Norman Sherwin Opens

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Norman V. Sherwin is conducting a securities business from offices at 582 Market Street.

Mikki M. Ferer Opens

Mikki M. Ferer is engaging in a securities business from offices at 50 West 45th Street, New York City, under the firm name of M. Ferer Securities.

With Leward Lister

BOSTON, Mass. — Andrew J. McCarthy is now connected with Leward M. Lister & Co., 80 Federal Street.

Frank Drucker

Frank Drucker, associated with Burnham and Company, New York City, passed away April 11.

Alvin C. True

Alvin C. True, associated with Emanuel, Deetjen & Co., New York City, has passed away.

Emotional Elements Render Business Fluctuations Inevitable, Rukeyser Maintains

Publicist asserts business is unduly stimulated by non-economic factors, including armament building and strike-fearing inventory buildups. Declares impairment of the currency would dampen the country's growth potential, maintaining real growth cannot be manipulated, but results from creative ideas of inventors, engineers and merchandisers.

If human beings became pure thinking machines and divested themselves of emotion, then perhaps the wistful hope of economic stability would be fulfilled.

Merryle S. Rukeyser

This view was expressed by Merryle Stanley Rukeyser before the Ad-Sell League of Omaha, on March 17, one of the oldest and largest men's forums in the Middle West. Mr. Rukeyser is an economist, business consultant, and writer of a nationally syndicated column entitled "Everybody's Money."

"A non-stop boom," said Mr. Rukeyser, who is author of "Financial Security in a Changing World" and six other books on economics, "is not feasible because of pulsating variations in human sentiments of optimism and caution. But opportunities for sustainable growth are heightened by improvement in economic tools. These should include a sound monetary system, a a sensible governmental taxing and spending program, and a more scientific approach to the cost sheet of enterprisers.

Restraints on Recovery

"This current period of recovery is restrained somewhat by the pricing system, which tends to dull the enthusiasm of customers. Prices, in the final analysis, must be in balance with costs, and costs are inflated by high taxes, on the one hand, and high labor costs, on the other. Progress is made when inventors and process engineers outstrip the cost-raising maneuvers of politicians and pressure groups.

"On the demand side, business is unduly stimulated by non-economic factors, such as armament building, on the one hand, and an effort to increase steel and other inventories before new wage contracts add to costs. Pressures for annual mark-up of money wage rates create a demand for offsetting improved, labor-saving tools of production and for improved methods. If technology were static in face of the pressures for marking up the money cost of an hour of human energy, the upward pressures would tend to be self defeating.

"In connection with the current Great Debate between President Eisenhower and his critics on the impact of heavy Federal spending on national economic growth, the issues centers on the claim that by Federal pump priming expenditures the average rate of economic growth can be stepped up from the historic 3% per annum to 5%. This discussion is as realistic as the discussion by medieval savants as to how many angles could dance on the end of a needle.

Dampening of Growth Potential

"Nobody in private enterprise puts a ceiling on growth. In the competitive system, each strives for as big a slice of the market as he can get. Historically, this has averaged out at an annual overall increment of 3%. Under a private enterprise system, growth depends on the confidence of business enterprisers and the savers who finance them. If riotous government spending impairs the currency and discourages long-term bond investment, there would be a dampening of the growth potential. Authentic growth cannot be manipulated, but is the resultant of the creative ideas of inventors, process engineers and merchandisers.

"Since the beginning of this century, the American people have elected to take the fruits of economic gains in two major ways —one in the form of greatly increased leisure with the shorter work week and another in the form of more and better goods to the human toiler in exchange for a week's work. Optimum results depend on heightening incentives to become more productive.

"D-day will come in May when the negotiations for a new labor contract in the steel industry gets under way," Mr. Rukeyser pointed out. "In setting the new wage pattern, those at the bargaining table can do more to check inflation than Washington public officials.

"An outstanding public need is to recognize that economic progress must be measured in terms of providing workers with more and better things in exchange for a week's work, not in manipulating the dollar in a manner that cuts down, instead of increasing, true purchasing power. President Eisenhower's current battle for sound money way prove historically as significant as his earlier wartime invasion of Normandy.

Currency Impairment a Delusion

"The current trend is to recognize that the illusory benefits of currency inflation are a snare and a delusion. This generation has been enlightened by the miracle in West Germany which has been accomplished through loyalty to sound economic principles. Under de Gaulle, France too is turning away from inflationary procedures. The Conservative party in Great Britain under Prime Minister Macmillan had the courage to raise the bank discount rate of 7% in order to correct maladjustments in the international balance of payments.

"These political and economic trends in Western Europe parellel a tendency among academic leaders, especially in Great Britain, to turn away from the soft money theories of John Maynard Keynes. The beginnings of a similar change, with a bit of a time lag, are also discernible among economic savants in American universities. The free world is thus being greatly strengthened in its survival capabilities vis-a-vis Communism by the new intellectual fashion of making clear that inflation is inconsistent with sustained social and economic growth.

Opportunity for Labor Leaders

"On the domestic scene, labor leaders can become towers of national strength if they relate demands for improved returns to union card holders to visible improvement in productivity. Statesmanship will entail sufficient fairness to distribute the fruits of greater output per man-tool hour equitably among workers, customers, and investors. Otherwise the incentives for sustained expansion become impaired.

"These subtle economic policy decisions can be made better through intelligent negotiation rather than through industrial warfare. Yet the sophisticated are predicting that with economic recovery this year there will be an increase in the number of strikes. Employers are trying to develop some defensive solidarity against strikes through emulating the mutual help scheme originated by six airlines and approved by the Civil Aeronautics Board. Hawaiian sugar growers have similarly undertaken to distribute among all employing groups the cost of work stoppages."

Hogle Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Aurelio R. D'Antonio has been added to the staff of J. A. Hogle & Co., 507 West Sixth Street. He was previously with Atlas Securities, Inc.

Joins Beckman Staff

(Special to THE FINANCIAL CHRONICLE)

LODI, Calif.—Elwood R. Beckman has joined the staff of Beckman & Company, 321 North California Street.

Norman Roberts Adds

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, Calif. — John S. Tomlinson and James P. Ellis have been added to the staff of Norman C. Roberts Company, 625 Broadway.

Pillsbury With Reynolds

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Robert K. Pillsbury has become associated with Reynolds & Co., 629 Second Avenue, South. In the past he was with First National Bank of Minneapolis.

Hazel, District Mgr. For Broad St. Sales

ST. LOUIS, Mo. — Robert L. Hazel has been appointed a District Manager of Broad Street Sales Corporation, with headquarters in St. Louis, Mo., it has been announced by Milton Fox-Martin, President of that organization.

Robert L. Hazel

As a District Manager, Mr. Hazel will have charge of the distribution of shares of the Broad Street Group of Mutual Funds in the states of Colorado, Southern Illinois, Southern Indiana, Iowa, Missouri, Nebraska and Wyoming.

Mr. Hazel previously was associated with the investment firm of H. I. Josey & Co., of Oklahoma City.

Joins Tabor & Co.

(Special to THE FINANCIAL CHRONICLE)

DECATUR, Ill.—George H. Hubbard is now with Tabor & Co., 139 West Main Street, members of the Midwest Stock Exchange.

With Jamieson Co.

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Elwood S. Rustad is now connected with Jamieson & Company, First National Soo Line Building.

Coast Exch. Members

Two new member firms of the Pacific Coast Stock Exchange through membership in the Los Angeles Division were announced by Thomas P. Phelan, Los Angeles Division President.

The membership of Jacob M. Alkow of Alkow & Co. became effective through the transfer of the membership of Milton Toboco of Toboco & Co., Inc. Alkow & Co., Inc., with head office in New York and member of the New York Stock Exchange, recently acquired the business of Toboco & Co. and Mr. Alkow is President of the firm.

The membership of Frank W. Jones, Chairman of Diversified Mutual Funds, Ltd., represents an additional new member firm. Diversified Mutual Funds, Ltd., was organized with headquarters in Los Angeles to develop a sales organization for the distribution of Funds and other securities.

Bache & Co. Schedules Management Seminar

A management seminar, to be attended by partners, executives and key personnel of the New York headquarters of the investment firm of Bache & Co., will be held at the Westchester Country Club, Rye, N. Y., Thursday through Sunday, April 23-26, Harold L. Bache, managing partner, has announced. The first in a series, this initial gathering is expected to result in subsequent regularly scheduled meetings during the year with partners and executives of Bache's out-of-town branches in attendance.

Named Directors

Disque D. Deane, a partner in Eastman Dillon, Union Securities & Co., and W. J. Keary, New York financial consultant and former partner in Union Securities Corporation, have been elected directors of McLean Industries, Inc., according to an announcement by M. P. McLean, President of the company. Mr. McLean also announced the election of E. A. Hirs as Executive Vice-President of Waterman Steamship Corp., a McLean Subsidiary.

Joins Taylor & Co.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Patrick J. Logan has joined the staff of Taylor and Company, 439 North Bedford Drive.

Two With Paine, Webber

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Cecil R. Middleton and Forrest P. Moran are now connected with Paine, Webber, Jackson & Curtis, 626 South Spring Street.

Spear Leeds Partner

Spear, Leeds & Kellogg, 111 Broadway, New York City, members of the New York Stock Exchange, on April 2nd admitted Val J. Connellan to partnership in the firm.

McDonnell Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Robert H. Gorham is with McDonnell & Co. Incorporated, Russ Building.

Paul T. Sullivan

Paul T. Sullivan, head of Paul T. Sullivan & Co., Scarsdale, N. Y. passed away March 26 at the age of 62 following a brief illness. Mr. Sullivan had been in the investment business for 40 years, establishing his own firm in 1947.

Edward T. Volz

Edward T. Volz, manager of the institutional and out-of-State dealer sales department of Rauscher, Pierce & Co., Inc., San Antonio, passed way April 5 at the age of 51.

Continued from page 4

The State of Trade and Industry

production equipment and methods and expand their markets. Steel imports have been rising for several years, while exports have declined; auto manufacturers find imports mounting as their overseas sales drop in like proportion. Another trend: Many of our corporations are building or buying plants overseas to compete in Europe's new six-nation common market.

"Rising wages and prices are beginning to outrun the compensating power of American efficiency," Mr. Moran concludes.

The cause? "A substantial part is Government-induced inflation. Some folks talk as though inflation is merely a future threat, but we have been having inflation for some time.

"From inflation spring the wage increases that exceed productivity gains and the consequent price rises now beginning to challenge our competitive marketing ability. The inflation we have permitted through the past years of deficit spending by the Government is now hitting us in world markets."

The way to handle inflation is to "stop inflating," declares the business analyst. "What is beginning to happen to our international trade is one more sharp warning that the time to stop is long past and we had better wait no longer.

"Our Congress, the labor leaders, and our public ought to consider that warning before they let either the protectionists or the inflationists drive us out of home and foreign markets."

The Labor Department's Statistical Bureau report that the 295,000 housing units that were put under construction during the first three months of 1959 exceeded any prior quarter in history. The 120,000 units started in March also represent a new high for that month.

Secretary of Labor James P. Mitchell, in a statement on the first-quarter record, said the figures "mean our economy is punching confidently ahead."

"They mean more jobs for more people building more houses," Mr. Mitchell said. "New housing starts also mean new appliances, new furniture, and of course, increased demand for building materials.

"For many trades from lumberman to plumber, this is good news."

Nationwide Bank Clearings Up 16.8% Above 1958 Week

Bank clearings this week will show an increase compared with a year ago. Preliminary figures compiled by the "Chronicle" based upon telegraphic advices from the chief cities of the country, indicate that for the week ended Saturday, April 11, clearings for all cities of the United States for which it is possible to obtain weekly clearings will be 16.8% above those of the corresponding week last year. Our preliminary totals stand at $23,408,843,809, against $20,037,332,838 for the same week in 1958. Our comparative summary at the principal money centers was as follows:

Week Ended April 11—	1959	1958	%
New York	$12,252,896,025	$10,148,642,699	+20.7
Chicago	1,134,238,658	1,142,254,227	— 0.7
Philadelphia	982,000,000	971,000,000	+ 1.1
Boston	691,712,391	577,305,128	+19.8

Synthetic Lubricant Sales Seen Rising

Synthetic lubricant sales will rise significantly in the next few years as commercial airlines switch from piston-type aircraft to turboprop and turbojet planes, reports "Chemical Week," the McGraw-Hill publication.

Experts estimate civilian world-wide requirements for synthetic lubricants will soar to about one million gallons a year by 1962. This is based on the announced orders of 876 turboprop and turbojet transports by world airlines for delivery from 1959 to 1963. Last year, about 200,000 gallons were used by commercial airlines, mainly in turboprop operations.

Record Output of Steel During March

Steel production set a monthly record during March, when steelmaking furnaces poured 11,567,000 net tons of ingots and steel for castings, according to the preliminary report of American Iron and Steel Institute.

The total for the first quarter of 1959 was 30,487,323 net tons, largest amount produced since the first quarter of 1957 when the figure was 31,585,042 tons. In the first quarter of 1958 the output was only 18,790,857 tons.

The record March production was more than 5.3 million tons above the output of March, 1958, and more than 1.9 million tons above the production of February, 1959.

Only two previous months have had output exceeding 11 million tons. They were: October, 1956 (11,048,513 tons) and January, 1957 (11,008,762 tons).

According to the American Iron and Steel Institute's index of steelmaking, the March, 1959 production was 162.6 in terms of the basic index of average production during the period 1947-1949. This compared with 149.5 during February, 1959 and 87.9 during March, 1958.

The index figure for the first quarter of this year was 147.6, compared with 91.0 during the first quarter of last year.

Based on the Jan. 1, 1959 capacity rating of 147,633,670 net tons of raw steel annually, the steelmaking facilities were utilized at an average of 92.3% of capacity during March, 1959, compared with 84.8% in February, 1959. The per cent of capacity figure for first quarter of 1959 was 83.7.

Steel Industry Stockholders Pass Million Mark

The total number of steel company stockholders rose to a record high level last year and crossed the one-million-mark for the first time, according to American Iron and Steel Institute.

At the end of 1958, the figure was 1,026,825, an increase of nearly 39,000 since the end of 1957. The totals exclude the duplication of holders of more than one class of stock of a single company, but do not exclude the holders of stocks of more than one company.

The industry has approximately 43% more stockholders than employees.

The employment total in all activities was 719,492 wage and salary workers at the end of 1958. Of this total, about 547,902 persons were employed in the production and marketing of iron and steel.

Critical Months Approaching for Steel Users

The next two months will be critical ones for steel users hoping to build a safe inventory against the possibility of a steel strike, according to "The Iron Age," national metalworking weekly.

"Iron Age" said that from here on in it will be a race against time for both the mills and their customers. The mills already are falling behind in their delivery promises for some products. This means that at least a part of June will be used to clean up delivery of tonnages ordered for May shipment.

The metalworking weekly added that practically all products are sewed up tight until the end of June, which may be a strike deadline if steel labor and steel management are unable to agree on a new collective bargaining contract.

It is now becoming apparent, said "Iron Age," that there's more to the steel boom than strike hedging. The business recovery has been stronger than expected, and more steel is being used than anticipated. This has offset to some extent the drive to build up stocks.

"Iron Age" said the auto companies have even started to line up steel for their 1960 models. Scattered orders in new sizes for next year's cars are starting to hit the mills. Auto firms are just placing the orders, not making releases. But the moves indicate they want to be sure to get on the books. Most expect to issue the releases for May or June delivery.

Steel service centers (warehouses) also are running into problems. In the Midwest, service centers actually are out of some sizes and gauges of sheet, and are beginning to have some trouble with certain bar sizes.

Allocation of steel to service center customers is becoming increasingly common. This is something that hasn't happened to steel warehouses since the steel shortage of 1955.

"Iron Age" said defense priorities are becoming more of a factor in the steel market. A few defense contractors are insisting that their priorities be honored by the mills. Some mills report the priorities have been used to get better delivery on light plate for government installations. Bars, too, have been put under priority, particularly for West Coast construction work.

Priorities may have a more critical effect in the months ahead, notably in stainless and high alloys for aircraft and missile work. Strike hedge buying already is firming up demand for these products.

Steel Production Shows Further Increase

The American Iron and Steel Institute announced that the operating rate of steel companies will average *164.8% of steel capacity for the week beginning April 13, equivalent to 2,648,000 tons of ingot and steel castings (based on average weekly production for 1947-49) as compared with an actual rate of *164.4% of capacity and 2,641,000 tons a week ago.

Actual output for April 6 week was equal to 93.3% of the utilization of the Jan. 1, 1959 annual capacity of 147,633,670 net tons. Estimated percentage for the week of April 13 is 93.5%.

A month ago the operating rate was *163.8% and production 2,631,000 tons. A year ago the actual weekly production was placed at 1,285,000 tons, or 80%.

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*Index of production is based on average weekly production for 1947-1949.

Sharp Increase in Steel Imports Cited

Foreign steel producers, paying relatively low wages compared with those in the United States, are claiming an increasing share of this country's market for many steel products, according to American Iron and Steel Institute.

The latest available data from six foreign nations—each a major source of steel imports to this country last year—show steelworkers' estimated average hourly earnings as follows:

Country	1957 Average Hourly Earnings	Per Cent Below U.S.A.
West Germany	$ .678	76.8
Luxemburg	.892	69.4
Belgium	.775	73.4
United Kingdom	.805	72.4
Japan	.406	86.1
Australia	.989	66.1
United States, 1957	2.917*	

*American Iron and Steel Institute.

Among the steel mill products from foreign countries which made inroads into domestic markets during 1958 are the following:

Concrete Reinforcing Bars—Of the 2.5 million tons of this product available (domestic shipments, plus imports, minus exports) 18% came from foreign nations, against 7% in 1957.

Barbed Wire—For the second successive year, imports of this product accounted for more than half of the total supply in the United States.

Nails—Thirty per cent of the available tonnage of this product was imported, against over 20% in 1957.

Pipe and Tubing—Imports in this product category during 1958 totaled 200,000 net tons and have accounted for a larger percentage of available supplies in every year since 1955.

Plain Wire—During 1958, this country imported a record total of more than 130,000 net tons, accounting for well over 5% of available supplies, against less than 3% in the previous year.

The imports of the above products during 1958 are readily related to the six nations listed above as paying lower wages to their steelworkers than are paid in the United States.

West Germany was the leading source of steel pipe and tubing imports during 1958. Belgium and Luxemburg together constituted a major source of wire and concrete reinforcing bars. The United Kingdom was a high-ranking source of pipe and wire. Japan led as a source of nails. Australia ranked second as a source of pipe and tubing imports.

High Demand for Steel to Be Sustained

Strike or not, metalworking will use 6 million to 6.5 million tons of finished steel a month during the third quarter. That's about the current rate of consumption, and it's unlikely that we'll see a change of pace, "Steel" magazine reported April 13.

Here is why demand will hold: Big users like the automotive, appliance, furniture, and farm equipment industries are at peak production. Their demands will not increase. Steel requirements for construction, pipelines, and the oil country will probably rise during the summer, but vacation shutdowns in other industries will offset the gains.

So metalworking will probably do much better in the third quarter than originally expected, whether or not there is a steel strike. With two exceptions (employment and some capital goods) the economy has regained prerecession peaks.

If we have a strike that lasts more than six weeks, consumers will start using steel at a slow rate. After six weeks, inventories will have fallen from 22 million tons to around 12 million, and they will be out of balance.

If there is no strike, look for consumers to cut their inventories by about 3 million tons during the third quarter. Steelmaking operations may drop to 55% of capacity in July or August, but they will probably average 63 or 64% for the quarter.

Last week, steelmakers ran their furnaces at 93.5% of capacity and turned out 2,647,000 net tons of steel for ingots and castings.

Spring auto sales are blooming for the first time in three years. Sales may confirm 5.5 million car forecasts for 1959. Ford car production will be boosted 20% in April and more steel may be ordered for June delivery. Material that was bought originally for strike protection has probably been pressed into immediate service.

Second only to the automotive industry as a steel user, construction will probably be a better customer this year than it was in 1958. During the first quarter, the value of new construction put in place was a record $10.9 billion.

Despite the high level of steel operations, "Steel's" composite scrap price fell 83 cents to $36.17 a ton, the lowest since July, 1958.

Truck Output Sets Three-Year Record

United States passenger car production remained near its 1959 peak in the week ended April 10, while truck output shot to its highest level in more than three years, according to Ward's Automotive Reports.

The week's truck program of 26,230 units topped last week (25,956) by 1% and the same week a year ago (16,863) by 55.5%. It also was the greatest truck-making effort since the week ending Feb. 4, 1956 (26,690).

Ward's viewed the increasing truck activity as a sign of growing strength in the nation's general economy and forecast that truck makers will produce 111,000 units in April, highest monthly volume since November, 1955. Output in March was 109,801 units.

Assembly lines scheduled 133,027 cars, just short of last week's 133,878 units and 56.5% greater than the 84,997 turned out in the corresponding week last year. Best 1959 count to date was recorded Jan. 12-17 (135,953).

So far this year, truck volume is running 35.7% ahead of 1958, 349,279 units to 257,474, through the first 10 days in April of each year. Car output is 32% higher this year, 1,816,266 units to 1,375,584.

On the car-making scene, Ward's said Saturday operations will be quite prevalent this week. Scheduled for six-day assembly were nine plants—Rambler in Kenosha, Wis., currently operating at all-time high rates; Plymouth-Dodge in Newark, Del.; Lincoln - Thunderbird in Wixom, Mich.; and Ford Division in Atlanta, Ga.; Chester, Pa.; Dallas, Tex.; Dearborn, Mich.; Louisville, Ky.; and San Jose, Cal. Louisville also builds Edsel cars.

Ward's said the only car assembly plants in the country failing to put in a full week were Chevrolet's Baltimore, Md., and Tarrytown, N. Y., factories, which worked four days.

Electric Output 11.5% Above 1958 Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, April 11, was estimated at 12,604,000,000 kwh., according to the Edison Electric Institute.

For the week ended April 11 output declined by 14,000,000 kwh. below that of the previous week, but showed a gain of 1,297,000,000 kwh. or 11.5% above that of the comparable 1958 week.

Car Loadings 14.3% Above Corresponding 1958 Week

Loadings of revenue freight for the week ended April 4, 1959, totaled 590,133 cars, the Association of American Railroads announced. This was an increase of 73,866 cars, or 14.3% above the corresponding week in 1958, but a decrease of 53,959 cars, or 8.4% below the corresponding week in 1957.

Loadings in the week of April 4 were 13,622 cars, or 2.3% below the preceding week, due to the observance on April 1 of the Eight-Hour-Day Holiday in the coal fields.

Lumber Shipments Again Exceed Production

Lumber shipments of 477 mills reporting to the National Lumber Trade Barometer were 6.2% above production for the week ended April 4, 1959. In the same week new orders of these mills were 2.7% below production. Unfilled orders of reporting mills amounted to 44% 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 2.3% above production; new orders were 5.2% above production.

For week ended April 4, as compared with the previous week, production of reporting mills was 3.1% below, shipments were 0.6% above; new orders were 6.6% below. For the latest week, as against the corresponding week in 1958 production of reporting mills was 17.9% above; shipments were 17.4% above; and new orders were 2% above.

Business Failures Rise in Week Ended April 9

Commercial and industrial failures climbed to 337 in the week ended April 9 from 284 in the preceding week, reported Dun & Bradstreet, Inc. At the highest level in any week since May 22 of last year, casualties came close to the 342 in the comparable week of 1958, and exceeded the 308 in 1957. Some 8% more businesses succumbed than in prewar 1939 when there were 313.

Liabilities of $5,000 or more were involved in 272 of the week's casualties as against 241 in the previous week and 304 a year ago. Among small failures, those with liabilities under $5,000, the toll jumped to 65 from 43 and exceeded considerably the 38 of this size in the similar week last year. Thirty concerns failed with liabilities above $100,000, rising from 24 a week earlier.

Wholesale Food Price Index Unchanged

The Wholesale Food Price Index, compiled by Dun & Bradstreet, Inc., stood at $6.16 on April 7, unchanged from the prior week. There was a decline of 8.3% from the $6.72 of the similar date a year ago which was the highest level reached in 1958.

Higher in price this week were wheat, corn, oats, bellies, and butter. Commodities quoted lower were flour, rye, barley, hams, lard, sugar, cocoa, eggs, and steers.

The Dun & Bradstreet Wholesale Food Price 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 High

The general commodity price level hit a new high for 1959 on April 8 when it reached 280.51. Declines followed but the week ended above last week's figure as a result of substantial gains in prices of bellies, hides and packer's calfskin. The Daily Wholesale Commodity Price Index, compiled by Dun & Bradstreet, Inc., increased to 279.59 on April 13 from 278.73 the week before but was below the 280.89 level of one year ago.

Light marketings and good export and domestic demand brought corn prices to new highs in several markets. May wheat, offered by the Commodity Credit Corp for export at low prices, helped depress wheat prices. Rye prices finished lower for the second week after holding firm most of the week. For the third consecutive week oats moved up in price, with trading hampered by lack of offerings. Soybeans were held back by Farmers as prices continued to rise.

Flour was in small demand but ended the week several points ahead of the prior week. Domestic sales of rice were moderate but negotiations for substantial shipments to the Near and Far East are pending, which, if completed, would absorb a good part of the government surplus. Prices of rice held steady.

After a week of heavy trading, sugar prices were off a fraction at the closing. Coffee prices remained steady with volume moderately active. Cocoa dropped in price on light trading.

Hog prices fluctuated considerably during the week in active trading but finished lower following a substantial increase in receipts. Supplies of cattle were small but prices on steers slipped at the end of the week. Lamb trading was moderately active, with prices showing a sharp decline.

Prices on the New York Cotton Exchange were strong in the early part of the week but ended unchanged after profit taking reduced the gains. United States exports of cotton in the week ended last Tuesday were about 52,000 bales, compared with 47,000 bales in the preceding week and 105,000 bales in the same week in 1958. Exports for the current season through April 7 were estimated at 2,123,000 bales as compared to 3,885,000 bales for the comparable period a year ago.

Retailing Down in Post-Easter Week

Consumer buying fell noticeably in the post-Easter week from the prior week and was down appreciably from the similar calendar week last year, which was the 1958 pre-Easter week. Sales, however, moderately exceeded those of the post-Easter week a year ago. The most noticeable year-to-year declines occurred in apparel, while volume in household goods was up moderately from the like 1958 week. Scattered reports indicate that sales of new passenger cars remained ahead of year earlier levels.

The total dollar volume of retail trade in the week ended April 8 was 9% to 5% below the similar calendar week a year ago, according to spot estimates collected by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1958 levels by the following percentages: New England —5 to —1; Mountain —6 to —2; West North Central and East South Central —7 to —3; East North Central —9 to —5; South Atlantic —10 to —6; Middle Atlantic and West South Central —11 to —7; Pacific Coast —12 to —8.

Although post-Easter sales promotions offset some declines, sales of women's apparel fell considerably from both the prior week and a year ago. Volume in women's accessories and Spring coats was down sharply from last year and interest in dresses and suits showed moderate declines. The call for men's apparel was down appreciably from the same 1958 week, especially furnishings and hats; decreases in men's suits and sportswear were less noticeable.

Retailers of household goods reported moderate gains from both the prior week and a year ago. Increased buying of Summer lawn tables and chairs boosted furniture sales slightly over a year ago. Appreciable gains occurred in volume in refrigerators, air-conditioners, and color television sets. Purchases of floor coverings, and linens remained close to a year ago, but garden implements showed a marked increase.

Nationwide Department Store Sales Down 13%

Department store sales on a country-wide basis as taken from the Federal Reserve Board's Index for the week ended April 4, dropped 13% below the like period last year. In the preceding week, for March 28, an increase of 16% was recorded. For the four weeks ended April 4 a gain of 7% was registered.

According to the Federal Reserve System department store sales in New York City for the week ended April 4 showed an 18% decrease from that of the like period last year. In the preceding week, March 28, an increase of 36% was reported and for the March 21 week a 16% increase was recorded. For the four weeks ended April 4 a decrease of 2% was noted over the volume in the corresponding period in 1958.

Cites Electronics Revolution in France

France's top producer of electronic computing equipment in Europe describes electronic revolution occurring abroad, calls for greater cooperative exchange, and claims GAMMA 60 will be the world's first data processing machine to handle several independent problems at the same time.

A top French industrialist declared recently that France is in the midst of an electronics revolution which has immeasurably strengthened the scientific and technical structure of Western Europe.

Mr. Georges Vieillard, founder and general manager of the Compagnie des Machines Bull, Paris, manufacturer of the GAMMA calculator and largest producer of electronic computing equipment in Europe, said that "this revolution had helped France expand its plant and equipment at the highest rate on the continent" in an interview at the Hotel Pierre.

Mr. Vieillard called for greater exchange of scientific, engineering and other technical personnel between the United States and France.

"Both countries have a great deal to offer one another in this area and can only gain from closer cooperation."

France not only rebuilt devastated areas, Mr. Vieillard said, but increased industrial production 50% above highest pre-World War II level, according to official figures.

By the end of 1956, the overall index of industrial production was 42% above the 1953 level. The 1957 total exceeded 1956 by 9% while for the first ten months of 1958 French production rose another 7%, Mr. Vieillard pointed out.

Mr. Vieillard said that electronics computing equipment was being used in every area of the French economy and particularly by such government and scientific organizations as the French Atomic Energy Commission, Center of Theoretical Chemistry, French National Railroads, banks, insurance companies, gas and electric companies, industrial and commercial organizations.

Hails GAMMA 60 as World's Best

The Compagnie des Machines Bull general manager said that by the end of 1959 or early 1960 the GAMMA 60 would be in production.

"It will be the first data processing machine in the world which can handle several independent problems at the same time."

Mr. Vieillard gave some examples of speed:

The GAMMA 60 transistorized data processing computer will add, 100 microseconds; multiply, 300 microseconds; imput (120 digits, memory time only); 242 microseconds; memory access; 11 microseconds (six decimals or four alphanumerics or single address instruction). It has fixed and floating arithmetic.

It can read 300 punched cards a minute; print 120-character lines at 300 per minute. Printing speed can be increased by using more than one printing unit. The GAMMA 60 comprises ten types of units: arithmetic, logic, comparer, translator, printer, card reader, paper tape, magnetic tape, magnetic drum and card punch. It is designed so that the memory is kept busy all the time.

Mr. Vieillard pointed out that the Compagnie des Machines Bull had climbed from 31st place in 1956 in listing of French companies on the Bourse on the basis of capitalization to the 22nd position in 1957.

"As of Dec. 31, 1958 our firm was in 12th place."

Railroad Securities

Norfolk & Western-Virginian Merger

Substantial savings in operations are forecast when the Norfolk & Western and Virginian Railways are finally consolidated. Some estimates are that a minimum of some $12,000,000 annual savings can be made, while some place the eventual figure at $20,000,000 a year.

While both of these coal carrying roads are regarded as highly efficient carriers, better utilization of facilities could bring about substantial operating economies. For example, tidewater coal traffic for the entire new system will be moved over the Virginian main line. Prevailing grades on the Virginian to tidewater are more favorable than those on the Norfolk & Western. Also, eastbound trains would use the Virginian's yard at Roanoke which should reduce yard expenses. Coal now moving over the N. & W. in 130 to 140 car trains could be heading toward the docks in 200 car trains and without the use of pusher service now required on the N. & W. and this would be another saving.

After coal reaches tidewater it would be transferred to the N. & W. to be handled at its modern facilities at Lamberts Point. Handling costs will be reduced since the equipment can dump more than 50 tons of coal per minute and this will mean additional savings.

Better utilization of equipment also will be a factor. It is estimated 37 fewer diesels will be needed to handle the combined volume of the two roads. In addition, the freight car fleet will have improved turn-around time making for better utilization of the cars.

Besides the savings to be attained by the rerouting of coal to tidewater, there probably are many duplicate functions and facilities. Also, some tax savings might accrue from elimination of unnecessary facilities. The disposal of duplicate waterfront property should provide benefits through sale and tax reductions. It is believed the combined roads will have sufficient equipment so that additional purchases will not be necessary, which will mean debt and interest charges will not be increased.

Much depends on the future of bituminous coal. Domestic consumption has been improving, while export demand continues at a low level. Continued growing demand from the domestic utilities insures good movement of soft coal. European reserves of high-grade coking coal are down. With steel output on the Continent expected to expand, it is believed demand for coal from this source will improve.

The consolidation plan provides for a tax-free exchange of stock on the basis of 0.55 shares of N. & W. for each share of Virginian common. Norfolk & Western will issue a 6%, $10 par cumulative non-callable preferred to be exchanged for the outstanding Virginian 6%, $10 par issue. This is one of the last of the railroad consolidation plans proposed and it has moved more rapidly than any of the others.

Continued from page 2

The Security I Like Best

land be purchased at a 50% discount?

In addition, shareholders own one of the most efficient newsprint producers in the paper industry. Since 1952, $75 million or some $72 a share has been spent on new plants and improvements. According to management, two new giant paper machines at the company's East Millinocket (Maine) Mill "are today making newsprint of excellent quality at a speed higher than that of most machines in the industry". As a result the company's "break even" point has been substantially reduced.

Great Northern is the largest domestic newsprint producer supplying between one-quarter and one-third of the nation's production. 220 leading U. S. newspapers in the area east of the Mississippi are its principal customers. Newsprint is still the company's most important product but increased emphasis is being placed on the production of higher profit margin specialty papers. In 1958 sales of specialty papers jumped 25% and amounted to 15% of the company's production. Included in this category are such items as light weight catalog paper and magazine grade papers.

Great Northern pioneered in the use of hardwoods in the production of pulp for newsprint. Since 1953 hardwoods have increasingly supplemented the traditional softwoods in pulp making. As a result the company's extensive stands of maples, birches, and poplars are now being used which means there should never, in the future, be any problem of obtaining ample supplies of wood.

As already noted, last year earnings slipped to 29 cents a share (after deducting dividends on the preferred stock which has since been retired. Without the preferred issue the common earned 61 cents a share in 1958) from the record $5.44 earned in 1956. 1958 profits also exclude 34 cents a share profit on the sale of timberlands. There were two reasons for the decline. First, consumption of newsprint contracted moderately as the business recession deepened. Second, sales to newspapers in the deep south dropped sharply as new and expanded newsprint mills in that area went into production.

Looking further ahead, this adverse trend should be more than offset by favorable developments. Specifically, the Whitney interests which control Great Northern, recently gained control of the New York Herald Tribune and the nationally syndicated Sunday supplement Parade Magazine. As present contracts expire, these publications could absorb substantial amounts of Great Northern's output.

Per share earnings should rebound to about $3.00 this year and an increased dividend later in the year appears probable. It should also be pointed out that reported earning power is currently understated. In 1956 depreciation charges totalled $6.9 million and rose to $8.1 million last year. **1958 cash flow earnings reached a record $8.80 a share.** Since capital expenditure will drop sharply in 1959 and subsequent years, reported net income should show a commensurate increase.

On Dec. 31, 1958 shareholders equity was $57.79 a share. However, this figure is an understatement. For instance, the value of timberlands is carried on the books at only $5.8 million whereas, the going market value probably exceeds $100 million. Add to this the $75 million spent on new plants and improvements during the past six years, $20 of working capital per share and deduct the $43 million indebtedness, and the actual net asset value of each common share approximates $150. From these figures it is apparent why Great Northern Paper qualifies as the "Security I Like Best" for investors seeking real value for each dollar they invest.

Smith, Barney Group Offers Philco Debs.

Public offering of $22,000,000 Philco Corp. 4¼% convertible subordinated debentures due April 15, 1984 is being made today (April 16) by an underwriting group headed by Smith, Barney & Co. The debentures are priced at 100% plus accrued interest.

The debentures are convertible into Philco common stock at $33⅓ a share on or before April 15, 1969 and thereafter at $40 per share.

The issue will have the benefit of a mandatory annual sinking fund of $880,000 commencing in 1969 and designed to retire 60% of the debentures before maturity. In addition to the required sinking fund the company may make an optional sinking fund payment annually of not more than the required payment, also beginning in 1969. The debentures will be redeemable for the sinking fund at 100% plus accrued interest. They also are redeemable at the option of the company as a whole or in part at any time at prices ranging from 104¼% to 100%, plus accrued interest.

The business of Philco Corp. and its subsidiaries is divided into two major categories: "Consumer Products" and "Government and Industrial." Consumer Products include television receivers, refrigerators and freezers, home laundry equipment, radios, phonographs, room air conditioners and electric ranges. Government and Industrial operations include research and development work, and the development and manufacture of guided missiles and torpedoes, radar equipment, high frequency and microwave radio and television communications equipment, electronic computers, transistors, vacuum and cathode ray tubes and high frequency diodes.

Walter E. Heller Sells Notes Privately

Walter E. Heller & Co. announces the placement with institutional investors of a total of $4,000,000 of notes.

Included in this amount were: $3,000,000 of 5½% subordinated notes and $1,000,000 of 5% convertible junior subordinated notes, both series due 1974.

F. Eberstadt & Co. and Dean Witter & Co. negotiated the transactions.

Heller, a major commercial financing and factoring organization, will use the net proceeds from the private sale to expand general funds, thereby enabling the company to increase its present volume of business. The company in 1958 had gross income of $19,253,022 and net income of $3,775,829, both record figures.

Heller was founded in 1919, headquarters in Chicago, maintains offices in New York and Atlanta, and has subsidiaries in Chicago and Los Angeles.

Stern Bros. Adds

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—John E. Rein has been added to the staff of Stern Brothers & Co., 1009 Baltimore Avenue, members of the Midwest Stock Exchange.

Rise of U. S. Bonds in Banking System Seen as Fiscal Irresponsibility

Writing in *Monetary Notes*, Dr. Walter E. Spahr calls attention to the shortening of maturities in Federal debt from 1953-1958, and the continued increasing use of the banking system to finance our Federal Government. Why, he asks, is the answer always that we cannot undertake proper methods of government financing and, also, return to a trustworthy currency?

One of the country's foremost monetary experts reveals the extent to which we continue to widen the gap between fiscal intentions and fiscal practices at the expense of our economic health.

Walter E. Spahr

For the past 25 years, Dr. Walter E. Spahr has chronicled our country's monetary and fiscal experience as a member of the not too well known Economists' National Committee on Monetary Policy whose office is in New York City. This non-profit, educational-research committee of monetary economists has managed to keep itself alive as a surprisingly effective conscience and watch dog of our monetary system commencing with the tinkering of the price of gold between 1933 and 1934. Dr. Spahr is the committee's Executive Vice-President. At present the committee is undertaking an investigation of our monetary-banking policies and practices.

Shortened Maturities

In the committee's April monthly newsletter, Dr. Spahr writes that the:

"Federal debt stood at $285,830,611,241 on Feb. 4, 1959. On June 30, 1953, it was $256,863,000,000. The average length of the Federal debt, June 30, 1953, was five years, eight months. In November, 1958, it was four years, nine months.

"On July 27, 1953, 56 members of the Economists' National Committee on Monetary Policy issued . . . [a] statement to encourage the United States Treasury to turn from banks to savers as a proper means of marketing Federal debt and to institute a redeemable currency both as an aid to the Treasury in returning to a better type of financing and to give this Nation an honest and sound currency."

* * *

Monetization of Federal Debt

"According to the *Federal Reserve Bulletin* for January, 1959, pp. 23 and 33, all commercial banks held $67,320,000,000 of U. S. Government obligations on Nov. 26, 1958, as compared with $56,910,000,000 on Nov. 27, 1957, an increase of $10,410,000,000.

"On Nov. 26, 1958, all member banks of the Federal Reserve System held $55,328,000,000 of U. S. Government obligations as compared with $45,823,000,000 on Nov. 27, 1957, an increase of $9,505,000,000.

On Nov. 26, 1958, Federal Reserve banks held $25,578,000,000 of U. S. Government securities (bought outright, and $156,000,000 held under repurchase agreement) as compared with $23,167,000,000 (bought outright, and $151,000,000 under repurchase agreement) on Nov. 27, 1957, an increase of $2,411,000,000 (bought outright). In that year the Federal Reserve System monetized Federal debt to the extent of $11,916,000,000. And, to the degree that Federal Reserve Banks add to member bank reserves by monetizing Federal debt, the possibilities of expanding deposit currency are multiplicative in nature because of fractional reserve requirements.

"Monetization of Federal debt—that is, conversion of Federal debt into bank deposits or Federal Reserve notes—is an improper procedure. It tends to depreciate the value of the people's currency, and it creates a variety of other economic distortions.

"Our Federal Government, during the last two decades in particular, has shown a remarkable degree of irresponsibility in financing itself in this manner; and there is no evidence of any important tendency to improve the management of Federal fiscal affairs. There are always excuses offered as to why a return to an honest and sound currency and to proper methods of government financing cannot be undertaken *at this time.* The campaign commitments of the present Administration in 1952 and practices since constitute a deplorable record of promise versus lack of fulfillment. All our political Administrations and Congresses since early 1933 have been heavy and profligate spenders and monetizers of Federal debt. From the *Annual Report of the Board of Governors of the Federal Reserve System for 1945*, p. 1: 'Approximately $95 billion, or 40%, of the borrowing [of the Federal Government between June 30, 1940, and the end of 1945], was raised by selling government securities to the commercial banking system.' Such procedure has been a most potent factor in driving down the purchasing power of our dollar 58% since 1939, in giving us the highest index of wholesale prices since 1749, and probably in causing our relatively heavy loss of Treasury gold in 1958 and since.

"There are many thoughtful citizens who believe that nothing will stop our government in its profligate and foolish spending and monetization of Federal debt until disaster engulfs this Nation; and it seems reasonably clear that there is nothing of importance in the current picture which indicates that this widespread belief is not well grounded."

Two With Midland Inv.

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio—Patrick W. Doyle and Donald E. Wood have become connected with Midland Investors Company, 52 East Gay Street.

Joins Samuel & Engler

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio—George W. Arensberg has joined the staff of Samuel and Engler Company, 16 East Broad Street.

With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

ZANESVILLE, Ohio—Howard Biel is now connected with Merrill Lynch, Pierce, Fenner & Smith Incorporated, Masonic Temple Building.

Gustave Mahler

Gustave Mahler, Vice-President of Schroder Rockefeller & Co., Inc., passed away March 29 at the age of 54.

Frederick L. Free

Frederick L. Free, of Frederick L. Free & Co., New York City, passed away April 10.

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 19	§93.5	*93.3	92.9	47.6
Equivalent to—					
Steel ingots and castings (net tons)	April 19	§2,648,000	*2,641,000	2,631,000	1,285,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	April 3	7,128,585	7,193,220	7,212,920	6,267,435
Crude runs to stills—daily average (bbls.)	April 3	†8,199,000	8,007,000	8,207,000	7,214,000
Gasoline output (bbls.)	April 3	28,405,000	28,060,000	27,461,000	25,124,000
Kerosene output (bbls.)	April 3	2,184,000	1,802,000	2,393,000	2,203,000
Distillate fuel oil output (bbls.)	April 3	13,784,000	13,281,000	15,103,000	11,506,000
Residual fuel oil output (bbls.)	April 3	6,681,000	6,867,000	7,500,000	6,785,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	April 3	213,448,000	212,954,000	207,015,000	214,754,000
Kerosene (bbls.) at	April 3	18,616,000	17,883,000	18,985,000	16,912,000
Distillate fuel oil (bbls.) at	April 3	78,694,000	76,672,000	80,616,000	74,545,000
Residual fuel oil (bbls.) at	April 3	58,710,000	55,917,000	54,835,000	54,750,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	April 4	590,133	603,755	595,930	516,247
Revenue freight received from connections (no. of cars)	April 4	561,207	576,443	578,825	497,474
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	April 9	$469,800,000	$338,300,000	$372,100,000	$354,588,000
Private construction	April 9	206,500,000	121,600,000	202,200,000	171,649,000
Public construction	April 9	263,300,000	216,700,000	169,900,000	182,939,000
State and municipal	April 9	119,700,000	144,500,000	144,800,000	142,432,000
Federal	April 9	143,600,000	72,200,000	25,100,000	40,507,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	April 4	6,835,000	*7,920,000	7,715,000	6,283,000
Pennsylvania anthracite (tons)	April 4	308,000	373,000	394,000	318,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	April 4	117	141	118	134
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	April 11	12,604,000	12,618,000	12,996,000	11,307,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	April 9	337	284	311	342
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	April 7	6.196c	6.196c	6.196c	5.967c
Pig iron (per gross ton)	April 7	$66.41	$66.41	$66.41	$66.49
Scrap steel (per gross ton)	April 7	$36.50	$37.83	$41.17	$33.50
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	April 8	31.225c	31.425c	29.725c	24.400c
Export refinery at	April 8	30.450c	30.425c	30.025c	21.725c
Lead (New York) at	April 8	11.000c	11.000c	11.500c	12.000c
Lead (St. Louis) at	April 8	10.800c	10.800c	11.300c	11.800c
‡Zinc (delivered) at	April 8	11.500c	11.500c	11.500c	10.500c
Zinc (East St. Louis) at	April 8	11.000c	11.000c	11.000c	10.000c
Aluminum (primary pig. 99.5%) at	April 8	24.700c	24.700c	24.700c	24.000c
Straits tin (New York) at	April 8	102.500c	102.625c	102.250c	92.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	April 14	84.96	85.36	85.50	96.92
Average corporate	April 14	89.64	89.78	90.06	95.77
Aaa	April 14	92.93	93.23	93.97	102.13
Aa	April 14	91.77	91.91	92.64	99.36
A	April 14	89.92	89.92	90.06	95.92
Baa	April 14	84.55	84.30	84.04	86.65
Railroad Group	April 14	88.40	88.13	88.67	91.05
Public Utilities Group	April 14	89.37	89.51	89.92	97.78
Industrials Group	April 14	91.34	91.48	91.77	98.73
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	April 14	3.97	3.92	3.88	2.76
Average corporate	April 14	4.44	4.43	4.41	4.02
Aaa	April 14	4.21	4.19	4.14	3.62
Aa	April 14	4.29	4.28	4.23	3.79
A	April 14	4.42	4.42	4.41	4.01
Baa	April 14	4.82	4.84	4.86	4.66
Railroad Group	April 14	4.53	4.55	4.51	4.34
Public Utilities Group	April 14	4.46	4.45	4.42	3.89
Industrials Group	April 14	4.32	4.31	4.29	3.83
MOODY'S COMMODITY INDEX	April 14	390.2	391.0	388.0	394.7
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	April 4	357,953	306,512	369,514	335,027
Production (tons)	April 4	295,358	318,345	315,717	279,404
Percentage of activity	April 4	89	95	96	88
Unfilled orders (tons) at end of period	April 4	498,653	433,180	474,212	404,209
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	April 10	111.52	110.79	110.56	110.01
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS					
Transactions of specialists in stocks in which registered—					
Total purchases	Mar. 21	3,291,090	3,020,690	2,613,450	1,480,690
Short sales	Mar. 21	572,550	552,410	432,080	320,550
Other sales	Mar. 21	2,637,930	2,500,500	2,121,280	1,168,910
Total sales	Mar. 21	3,210,480	3,052,910	2,553,360	1,489,460
Other transactions initiated on the floor—					
Total purchases	Mar. 21	650,670	548,370	582,480	408,520
Short sales	Mar. 21	61,800	43,500	60,000	61,700
Other sales	Mar. 21	584,430	580,510	465,700	385,050
Total sales	Mar. 21	646,230	623,010	525,700	446,750
Other transactions initiated off the floor—					
Total purchases	Mar. 21	1,030,530	940,450	763,435	508,951
Short sales	Mar. 21	199,700	206,430	139,270	77,730
Other sales	Mar. 21	959,780	974,350	796,565	473,433
Total sales	Mar. 21	1,159,480	1,180,780	935,835	551,163
Total round-lot transactions for account of members—					
Total purchases	Mar. 21	4,972,290	4,509,510	3,959,365	2,398,161
Short sales	Mar. 21	834,050	801,340	631,350	459,980
Other sales	Mar. 21	4,182,140	4,055,360	3,383,545	2,027,393
Total sales	Mar. 21	5,016,190	4,856,700	4,014,895	2,487,373
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE—SECURITIES EXCHANGE COMMISSION					
Odd-lot sales by dealers (customers' purchases)—†					
Number of shares	Mar. 21	2,225,820	2,220,551	1,939,608	1,153,211
Dollar value	Mar. 21	$108,293,867	$111,268,421	$99,429,957	$50,187,447
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Mar. 21	2,029,208	1,981,563	1,683,681	1,022,426
Customers' short sales	Mar. 21	6,166	6,375	8,545	20,782
Customers' other sales	Mar. 21	2,023,042	1,975,188	1,675,136	1,001,644
Dollar value	Mar. 21	$99,449,928	$99,242,727	$81,199,968	$44,598,437
Round-lot sales by dealers—					
Number of shares—Total sales	Mar. 21	567,350	536,890	440,080	293,470
Short sales	Mar. 21				
Other sales	Mar. 21	567,350	536,890	440,080	293,470
Round-lot purchases by dealers—					
Number of shares	Mar. 21	758,190	770,350	734,768	423,110
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. 21	950,580	924,410	740,140	748,920
Other sales	Mar. 21	21,798,840	21,413,570	18,586,090	11,104,450
Total sales	Mar. 21	22,749,420	22,337,980	19,326,230	11,853,370
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	April 7	119.5	119.5	119.3	119.6
Farm products	April 7	90.9	90.9	90.5	99.4
Processed foods	April 7	107.1	107.3	107.2	110.5
Meats	April 7	100.4	100.4	99.3	108.7
All commodities other than farm and foods	April 7	127.9	127.9	127.7	125.8

*Revised figure. †Includes 930,000 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 IRON AND STEEL INSTITUTE:			
Steel ingots and steel for castings produced (net tons)—Month of February	9,603,000	9,317,385	5,782,323
Shipments of steel products (net tons)—Month of January	6,186,168	5,512,369	5,215,417
AMERICAN ZINC INSTITUTE, INC.—Month of February:			
Slab zinc smelter output all grades (tons of 2,000 pounds)	71,174	76,481	68,354
Shipments (tons of 2,000 pounds)	66,490	70,941	59,511
Stocks at end of period (tons)	200,461	195,777	189,189
BUSINESS INVENTORIES — DEPT. OF COMMERCE NEW SERIES — Month of Jan. (Millions of dollars):			
Manufacturing	$49,500	$49,200	$52,900
Wholesale	11,900	12,000	12,600
Retail	24,100	24,000	24,500
Total	$85,500	$85,200	$90,000
COAL OUTPUT (BUREAU OF MINES)—Month of March:			
Bituminous coal and lignite (net tons)	34,330,000	32,840,000	32,471,000
Pennsylvania anthracite (net tons)	1,667,000	1,557,000	1,501,000
COKE (BUREAU OF MINES)—Month of Feb.:			
Production (net tons)	5,526,814	*5,614,696	4,078,567
Oven coke (net tons)	5,436,617	*5,532,755	4,041,122
Beehive coke (net tons)	90,197	*81,941	37,445
Oven coke stock at end of month (net tons)	3,709,108	*3,792,667	3,347,045
CONSUMER CREDIT OUTSTANDING—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—REVISED SERIES—Estimated short and intermediate term credit in millions as of Feb. 28:			
Total consumer credit	$44,071	$44,415	$43,017
Instalment credit	33,751	33,768	33,278
Automobile	14,223	14,155	15,030
Other consumer goods	8,767	8,881	8,277
Repairs and modernization loans	2,116	2,125	2,041
Personal loans	8,645	8,607	7,930
Noninstalment credit	10,320	10,647	9,739
Single payment loans	3,563	3,464	3,404
Charge accounts	4,004	4,504	3,754
Service credit	2,753	2,679	2,581
DEPARTMENT STORE SALES—FEDERAL RESERVE SYSTEM—1947-49 Average = 100—Month of March:			
Adjusted for seasonal variation	141	*139	131
Without seasonal adjustment	127	*106	116
DEPARTMENT STORE SALES SECOND FEDERAL RESERVE DISTRICT FEDERAL RESERVE BANK OF NEW YORK—1947-49 Average = 100—Month of February:			
Sales (average monthly), unadjusted	90	105	82
Sales (average daily), unadjusted	100	104	91
Sales (average daily), seasonally adjusted	127	129	115
INTERSTATE COMMERCE COMMISSION—			
Index of Railway Employment at middle of March (1947-49 = 100)	63.9	63.00	65.6
LIFE INSURANCE—BENEFIT PAYMENTS TO POLICYHOLDERS — INSTITUTE OF LIFE INSURANCE—Month of December:			
Death benefits	$264,500,000	$214,800,000	$255,400,000
Matured endowments	88,800,000	65,400,000	67,200,000
Disability payments	10,000,000	9,200,000	8,800,000
Annuity payments	47,200,000	46,500,000	40,300,000
Surrender values	135,800,000	103,700,000	119,100,000
Policy dividends	199,900,000	97,000,000	190,400,000
Total	$746,200,000	$536,600,000	$681,200,000
LIFE INSURANCE PURCHASES — INSTITUTE OF LIFE INSURANCE — Month of Jan. (000,000 omitted):			
Ordinary	$3,486	$4,382	$3,454
Industrial	459	499	464
Group	779	2,132	1,595
Total	$4,724	$7,013	$5,513
MONEY IN CIRCULATION—TREASURY DEPT. As of Jan. 31 (000's omitted)	$31,125,000	$32,193,000	$30,576,000
MOODY'S WEIGHTED AVERAGE YIELD OF 100 COMMON STOCKS — Month of Mar.:			
Industrials (125)	3.28	3.26	4.35
Railroads (25)	4.60	4.50	6.92
Utilities (not incl. Amer. Tel. & Tel.) (24)	3.80	3.84	4.54
Banks (15)	3.95	3.69	4.71
Insurance (10)	2.53	2.48	3.08
Average (200)	3.43	3.41	4.50
MOTOR VEHICLE FACTORY SALES FROM PLANTS IN U. S.—AUTOMOBILE MANUFACTURERS' ASSN.—Month of March:			
Total number of vehicles	686,439	579,415	430,095
Number of passenger cars	576,365	479,097	357,466
Number of motor trucks	109,804	100,158	72,289
Number of motor coaches	270	160	340
NONFARM REAL ESTATE FORECLOSURES—FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION—Month of Dec.	3,522	3,339	2,877
PORTLAND CEMENT (BUREAU OF MINES)—Month of February:			
Production (barrels)	16,710,000	*18,604,000	14,125,000
Shipments from mills (barrels)	14,785,000	*14,416,000	10,854,000
Stocks (at end of month—barrels	36,605,000	*34,838,000	36,383,000
Capacity used (per cent)	54	55	50
RAILROAD EARNINGS CLASS I ROADS (ASSOCIATION OF AMERICAN RRs)—Month of February:			
Total operating revenues	$748,269,119	$784,227,845	$693,038,346
Total operating expenses	609,210,746	644,544,329	599,522,796
Taxes	74,185,789	78,905,591	60,442,244
Net railway operating income before charges	39,793,694	36,160,074	9,067,596
Net income after charges (estimated)	19,240,000	22,000,000	**10,000,000
REAL ESTATE FINANCING IN NONFARM AREAS OF U. S. — HOME LOAN BANK BOARD—Month of Dec. (000's omitted):			
Savings and loan associations	$982,801	$931,797	$665,816
Insurance companies	142,671	128,249	124,674
Banks and trust companies	507,744	474,026	325,019
Mutual savings banks	164,640	154,097	112,507
Individuals	299,427	272,492	260,132
Miscellaneous lending institutions	531,300	471,376	362,853
Total	$2,628,583	$2,432,037	$1,851,001
UNITED STATES EXPORTS AND IMPORTS BUREAU OF CENSUS — Month of Dec.: (000's omitted):			
Exports	$1,513,600	$1,596,200	$1,638,600
Imports	1,253,400	1,089,000	1,141,100
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of March 31	$282,153,039	$285,215,969	$272,728,185
General funds balance	4,438,286	5,274,249	6,075,602
Net debt	$277,714,753	$279,941,720	$266,652,583
Computed annual rate	2.801%	2.781%	2.725%

*Revised figure. **Deficit.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

Academy Life Insurance Co. (4/27)
March 31 filed 310,000 shares of common stock (par 30 cents) to be offered for subscription by common stockholders on the basis of 0.525 shares of additional stock for each share held of record April 24, 1959 (for a 20-day standby). **Price**—To be supplied by amendment. **Proceeds**—For additional working capital. **Office**—405 Exchange National Bank Bldg., Denver, Colo. **Underwriters**—Boettcher & Co., Inc. and Bosworth, Sullivan & Co., Inc., both of Denver, Colo.

Adam Consolidated Industries, Inc. (4/20-24)
March 30 filed $1,500,000 of convertible subordinated debentures, due 1974. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Office**—404 Fifth Ave., New York, N. Y. **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. (4/22)**
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**—$8 per share. **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.

Alabama Power Co. (4/30)
April 3 filed $20,000,000 of first mortgage bonds due 1989. **Proceeds** — For property additions and improvements. **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. **Bids**—Expected to be received up to 11 a. m. (EDT) on April 30.

Alaska Juneau Gold Mining Co.
Dec. 29 filed 640,660 outstanding shares of common stock, of which 300,000 shares are to be offered currently and the remaining 340,660 shares in the future. **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Office**—6327 Santa Monica Boulevard, Los Angeles, Calif. **Underwriter**—Lester, Ryons & Co., Los Angeles, Calif. No public offering expected.

Alaska Mines & Metals Inc.
Feb. 25 filed 1,431,200 shares of common stock (par $1), of which 1,000,000 shares are to be offered publicly and 431,200 shares are to be reserved for sale to the holders of 6% debentures due 1962 issued by DeCoursey-Brewis Minerals Ltd., the company's parent (payment for the shares by such debenture holders may be made by delivery of debentures at par plus interest with premium for Canadian exchange rate). Purchasers will receive common stock purchase warrants on all shares purchased for cash or for the 6% debentures of the parent at the rate of one for each five shares purchased. **Price**—$1.25 per share. **Proceeds**—For general corporate purposes and working capital. **Office**—423 Fourth Ave., Anchorage, Alaska. **Underwriter**—To be named by amendment.

Allied Publishers, Inc., Portland, Ore.
Nov. 28 (letter of notification) 22,000 shares of common stock (par $1). **Price**—$8.50 per share. **Proceeds**—For general corporate purposes. **Office**—665 S. Ankeny St. Portland 14, Ore. **Underwriter**—First Pacific Investment Corp., Portland, Ore.

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 Agricultural Chemical Co. (5/4-8)**
April 10 filed 216,093 shares of common stock (following three-for-one stock split expected to become effective May 5, 1959). **Price**—To be related to current market at time of offering. **Proceeds**—For capital expenditures. **Office**—100 Church Street, New York, N. Y. **Underwriter**—Hayden, Stone & Co., New York.

American Asiatic Oil Corp.
Nov. 24 filed 100,000,000 shares of capital stock. **Price**—Two cents per share. **Proceeds**—To selling stockholders. **Office**—Magsaysay Building, San Luis, Ermita, Manila, Republic of Philippines. **Underwriter** — Gaberman & Hagedorn, Inc., Manila, Republic of Philippines.

American Biltrite Rubber Co., Inc. (4/20-24)
March 31 filed 325,000 shares of common stock (no par). **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. (4/24)**
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 on or about April 24, 1959. **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 M. A. R. C., Inc. (5/4-8)
April 13 filed 400,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Proceeds**—For expansion and working capital. **Underwriters**—Auchincloss, Parker & Redpath, New York; and Wilson, Johnson & Higgins, San Francisco, Calif.

American Mutual Investment Co., Inc.
Dec. 17, 1957, filed 490,000 shares of capital stock. **Price**—$10.20 per share. **Proceeds** — For investment in first trust notes, second trust notes and construction loans. Company may develop shopping menters and build or purchase office buildings. **Office**—900 Woodward Bldg., Washington, D. C. **Underwriter**—None. Sheldon Magazine, 1201 Highland Drive, Silver Spring, Md., is President.

American Research & Development Corp. (4/20-24)
March 31 filed 100,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Office**—200 Berkeley St., Boston, Mass. **Underwriter**—Lee Higginson Corp., New York.

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.

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.

Ampex Corp.
March 12 filed 204,191 shares of common stock (par $1) being offered for subscription by common stockholders at the rate of one new share for each 10 shares held on 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. (4/20-24)**
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.

Arkansas Western Gas Co. (5/1)
April 6 filed $1,000,000 of sinking fund debentures due 1984 (convertible until April 1, 1969). **Price**—To be supplied by amendment. **Proceeds**—For property additions and improvements **Underwriters**—Snow, Sweeney & Co., Inc. and A. C. Allyn & Co., Inc., both of New York.

Armstrong Uranium Corp.
Jan. 16 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price** — 10 cents per share. **Proceeds**—For mining expenses. **Office**—c/o Hepburn T. Armstrong, Round Up Heights, Cheyenne, Wyo. **Underwriter**—Bruno-Lencher, Inc., Pittsburgh, Pa.

Associated Bowling Centers, Inc.
Nov. 24 filed 300,000 shares of 20-cent cumulative convertible preferred stock (par one cent) and 50,000 outstanding shares of common stock (par one cent). The preferred shares are to be offered for public sale for the account of the company and the common shares will be offered for the account of a selling stockholder. **Price**—To be supplied by amendment. **Proceeds**—To acquire new Bowling centers and increase working capital (part to be used in defraying cost of acquisition of stock of owner of a Brooklyn (N.Y.) bowling center. **Office**—135 Front St., N. Y. **Underwriter** — To be named by amendment. **Offering**—Expected in two weeks.

★ **Associated Women Investors, Inc.**
April 6 (letter of notification) 25,000 shares of common stock (par $2). **Price**—$3 per share. **Proceeds**—For payment on mortgages and payment on properties. **Address**—P. O. Box 1003, Tampa, Fla. **Underwriter**—None.

Atlantic Research Corp. (4/20-24)
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. **Office**—Alexandria, Va. **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. Statement effective April 7.

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. Statement effective March 31.

Bankers Fidelity Life Insurance Co.
Feb. 28, 1958, filed 258,740 shares of common stock (par $1), of which 125,000 shares are to be offered publicly and 133,740 shares to employees pursuant to stock purchase options. **Price**—To public, $6 per share. **Proceeds**—For expansion and other corporate purposes. **Office**—Atlanta, Ga. **Underwriter**—None

Bankers Preferred Life Insurance Co.
Jan. 30 (letter of notiifcation) 100,000 shares of common stock (par $1.60). **Price**—$3 per share. **Proceeds**—For expenses incidental to operation of an insurance company. **Office**—Suite 619, E. & C. Bldg., Denver, Colo. **Underwriter**—Ringsby Underwriters, Inc., Denver 2, Colo.

Bargain City, U. S. A., Inc. (4/24-27)
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.

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.

● **Billups Western Petroleum Co. (5/15)**
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**—In the neighborhood of $22 per share. **Proceeds**—To be used in 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.

★ Biophysical Electronics, Inc., Philadelphia, Pa. (5/1)
April 1 (letter of notification) 60,000 shares of common stock (par 10 cents). **Price**—$2.50 per share. **Proceeds**—For general corporate purposes. **Underwriter**—R. L. Scheinman & Co., New York.

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.

★ Border Farms, Inc.
April 8 (letter of notification) 2,500 shares of common stock (no par) and 5,000 shares of 6% cumulative preferred stock. **Price**—$10 per share. **Proceeds**—For operating expenses. **Address** — P. O. Box 747, Portales, N. Mex. **Underwriter**—None.

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.

★ Britalta Petroleums, Ltd.
March 30 filed 1,150,000 shares of capital stock of which 1,000,000 shares are owned by Wilshire Oil Co. of Texas stockholders and 150,000 shares are issuable upon exercise of share purchase warrants, exercisable on or before Dec. 31, 1960 at $5 per share. **Office**—630 Eighth Avenue, S. W., Calgary, Canada.

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.

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.

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NEW ISSUE CALENDAR

April 20 (Monday)
Adam Consolidated Industries, Inc.____Debentures
(Dempsey-Tegeler & Co.) $1,500,000
American Biltrite Rubber Co., Inc.______Common
(Goldman, Sachs & Co.) $325,000 shares
American Research & Development Corp.____Com.
(Lee Higginson Corp.) 100,000 shares
Anken Chemical & Film Corp.__________Common
(R. W. Pressprich & Co. and Riter & Co.) 225,000 shares
Atlantic Research Corp.____________Common
(Johnston, Lemon & Co.) 110,000 shares
Central Louisiana Electric Co., Inc.______Bonds
(Bids noon EST) $5,000,000
Chemical Milling International Corp.____Common
(Aetna Securities Corp.) $300,000
Coastal States Life Insurance Co.________Common
(The Johnson, Lane, Space Corp.) 74,728 shares
Cooper Tire & Rubber Co.____________Debentures
(Paine, Webber, Jackson & Curtis and Prescott, Shepard & Co., Inc.) $3,500,000
Dalton Finance, Inc.______________Debentures
(Paul C. Kimball & Co.) $500,000
Electro Networks, Inc.______________Common
(Charles Plohn & Co.) $270,000
Florida Steel Corp.________________Debentures
(Offering to stockholders—underwritten by McDonald & Co. and Kidder, Peabody & Co.) $2,135,700
Genisco, Inc.____________________Common
(Lester, Ryons & Co.) 3,400 shares
International Tuna Corp.____________Common
(Gates, Carter & Co.) $175,000
Reon Resistor Corp.________________Common
(Charles Plohn & Co.) $300,000
Wometco Enterprises, Inc.____________Common
(Lee Higginson Corp.) 325,000 shares

April 21 (Tuesday)
Diamond State Telephone Co.________Debentures
(Bids 11:00 a.m. EST) $5,000,000
Fed-Mart Corp.___________________Common
(Eastman Dillon, Union Securities & Co.) $1,877,700
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
General Telephone & Electronics Corp.__Common
(Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp.) 800,000 shares
Lockwood, Kessler & Bartlett, Inc.______Common
(Francis I. du Pont & Co.) 150,000 shares

April 22 (Wednesday)
Aida Industries, Inc._______________Preferred
(Darius, Inc.) $50,000
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
Dynacolor Corp.__________________Debentures
(Lee Higginson Corp.) $1,600,000
Greater All American Markets, Inc.______Common
(J. Barth & Co.) 300,000 shares
Lithium Corp. of America______________Common
(Bear, Stearns & Co. and John H. Kaplan & Co.) 50,484 shares
Long Island Trust Co.______________Common
(Offering to stockholders—underwritten by A. M. Kidder & Co.) $1,403,720
Penn-Texas Corp.__________________Common
(Offering to stockholders—underwritten by Bear, Stearns & Co.) 1,500,000 shares
Southern Italy Development Fund_________Bonds
(Morgan Stanley & Co.) $30,000,000

April 23 (Thursday)
Chadbourn Gotham, Inc._____________Debentures
(Offering to stockholders—underwritten by R. S. Dickson & Co., Inc.) $3,000,000
Laguna Niguel Corp.__________________Units
(Paine, Webber, Jackson & Curtis) $9,000,000
Moog Servocontrols, Inc._____________Common
(Kidder, Peabody & Co. and Blunt Ellis & Simmons) 130,000 shares

April 24 (Friday)
American Independent Reinsurance Co.___Common
(Offering to stockholders—underwritten by Francis I. du Pont & Co. and Goodbody & Co.) 514,500 shares
Bargain City, U. S. A._______________Common
(Bear, Stearns & Co.) $4,500,000

April 27 (Monday)
Academy Life Insurance Co.____________Common
(Offering to stockholders—underwritten by Boettcher & Co., Inc. and Bosworth, Sullivan & Co., Inc.) 310,000 shares
Airtek Dynamics, Inc.________________Common
(S. D. Fuller & Co.) 150,000 shares
DeJur-Amsco Corp.__________________Common
(H. M. Byllesby & Co., Inc.) $1,000,000
DeJur-Amsco Corp.__________________Common
(H. M. Byllesby & Co., Inc.) 225,000 shares
Dorsey Corp._____________________Preferred
(Blair & Co., Inc.) $1,250,000
Dorsey Corp.______________________Common
(Blair & Co., Inc.) 150,000 shares
Glickman Corp.____________________Common
(Bache & Co.) $33,577,000
Investment Corp. of Florida____________Common
(Aetna Securities Corp. and Roman & Johnson) $1,237,500
Krupp Manufacturing Co.______________Common
(Hallowell, Sulzberger, Jenks, Kirkland & Co. and Woodcock, Hess, Moyer & Co., Inc.) $125,000
Maine Public Service Co.______________Common
(A. G. Becker & Co. Inc.; Merrilly Lynch, Pierce, Fenner & Smith, Inc.; and Kidder, Peabody & Co.) 50,000 shares
Pittsburgh Standard Conduit Co.________Common
(Lee Higginson Corp.) 75,000 shares
Precon Electronics Corp.______________Common
(Charles Plohn & Co. and Netherlands Securities Co., Inc.) $875,000
Republic Foil Inc.__________________Common
(Offering to stockholders—underwritten by Laird & Co., Corp.) 70,196 shares
Southern Nevada Power Co.____________Preferred
(White, Weld & Co.) $1,500,000
Washington Gas Light Co._____________Preferred
(Offering to stockholders—underwritten by The First Boston Corp. and Johnston, Lemon & Co.) $10,000,000

April 28 (Tuesday)
Loral Electronics Corp.________________Common
(Kidder, Peabody & Co. and Model, Roland & Stone) 250,000 shares
Maine Fidelity Life Insurance Co.________Common
(Offering to stockholders—underwritten by P. W. Brooks & Co., Inc.) 100,000 shares
Public Service Co. of Colorado____________Bonds
(Bids 11 a.m. EDT) $20,000,000

April 29 (Wednesday)
Di-Noc Chemical Arts, Inc.____________Debentures
(Offering to stockholders—underwritten by Blair & Co., Inc.) $947,200

April 30 (Thursday)
Alabama Power Co.____________________Bonds
(Bids 11 a.m. EDT) $20,000,000
Permanent Filter Corp.________________Common
(William R. Staats & Co.) 140,000 shares
Puritan Chemical Corp.________________Common
(Dunne & Co.) $625,000

May 1 (Friday)
Arkansas Western Gas Co.____________Debentures
(Snow, Sweeney & Co., Inc. and A. C. Allyn & Co., Inc.) $1,000,000
Biophysical Electronics, Inc.____________Common
(R. L. Scheinman & Co.) $200,000

May 4 (Monday)
American Agricultural Chemical Co.______Common
(Hayden, Stone & Co.) 216,093 shares
American M. A. R. C., Inc.______________Common
(Auchincloss, Parker & Redpath and Wilson, Johnson & Higgins) 400,000 shares
Continental Tobacco Co., Inc.___________Common
(Best Securities, Inc.) $125,000
Crown Self-Service Stores, Inc.__________Common
(Charles Plohn & Co.) $1,250,000
Seaboard Plywood & Lumber Corp.______Common
(Peter Morgan & Co.) $450,000
Textron, Inc.____________________Debentures
(Blair & Co., Inc.; G. H. Walker & Co. and Scherck, Richter & Co.) $30,000,000

May 5 (Tuesday)
Arkansas Power & Light Co.____________Preferred
(Bids 11:30 a.m. EDT) $7,500,000

May 6 (Wednesday)
Great Northern Ry.____________Equip. Trust Ctfs.
(Bids to be invited) $4,500,000

May 11 (Monday)
Coil Winders, Inc.___________________Common
(Bertner Bros. and Earl Edden Co.) $300,000
Magma Power Co.____________Preferred & Common
(J. Barth & Co.) $6,300,000
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 14 (Thursday)
Marine Midland Corp.____________________Common
(Offering to stockholders) 442,300 shares

May 15 (Friday)
Billups Western Petroleum Co.________Debentures
(The Johnson, Lane, Space Corp.) $5,000,000

May 18 (Monday)
Interstate Power Co.____________________Preferred
(Kidder, Peabody & Co.) $4,000,000

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
Gulf States Utilities Co.__________________Common
(Bids to be invited) 250,000 shares

May 20 (Wednesday)
Interstate Power Co.______________________Bonds
(Bids 11 a.m. EDT) $6,000,000

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 16 (Tuesday)
United Gas Improvement Co.________________Bonds
(Bids to be invited) $10,000,000

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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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 & Co. **Bids**—Expected to be received up to noon (EST) on April 20.

★ **Century Brick Corp. of America**
April 6 (letter of notification) 150,000 shares of common stock. **Price**—$2 per share. **Proceeds**—To be added to general funds of the company. **Office**—1020 G. Daniel Baldwin Building, 1005 State Street, Erie, Pa. **Underwriter**—Summit Securities, Inc., New York, N. Y.

● **Chadbourn Gotham, Inc. (4/23)**
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 as of record April 23, 1959 (for a 14-day standby). **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.

★ **Chance (W. R.) & Associates, Inc.**
March 31 (letter of notification) 10,000 shares of common stock (par $2) and $100,000 principal amount of 8% convertible bonds. **Price** — For common stock, $5 per share; the bonds, at face amount. **Proceeds**—For research and development costs and additional working capital. **Office**—Waldorf, Maryland. **Underwriter**—None.

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.

★ **Chemical Milling International Corp. (4/20-24)**
April 3 (letter of notification) 150,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For general corporate purposes. **Office**—Los Angeles, Calif. **Underwriter**—Aetna Securities Corp., New York.

● **City Lands, Inc., New York**
Jan. 13 filed 100,000 shares of capital stock. **Price**—$20 per share. **Proceeds**—To invest in real estate. **Office**—Room 3748, 120 Broadway, New York, N. Y. **Underwriter**—Model, Roland & Stone, New York. Statement has been withdrawn.

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.

Coastal States Life Insurance Co. (4/20-24)
March 31 filed 74,728 shares of common stock (par $1.25). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Office**—Atlanta, Ga. **Underwriters**—The Johnson, Lane, Space Corp. Savannah, Ga.; and Walston & Co., Inc., New York.

★ **Coil Winders, Inc. (5/11-15)**
April 7 (letter of notification) 150,000 shares of common stock (par 20 cents). **Price**—$2 per share. **Proceeds**—For machinery and equipment, to retire loans and notes; for research and development; and working capital. **Business**—Manufactures components for U. S. Government and the electronic industry. **Office**—40 New York Avenue, Westbury, N. Y. **Underwriters**—Bertner Bros. and Earl Edden Co., both of New York.

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 System, 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.
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, being 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 April 9, 1959; rights to expire on or about April 22. **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.

★ **Crown Self-Service Stores, Inc. (5/4-8)**
April 10 filed 250,000 units, each unit consisting of one share of common stock and two common stock purchase warrants. **Price**—$5 per unit. **Proceeds**—For establishment of proposed new stores, to pay accounts payable (trade), to be applied to extinguish long- and short-term loans, and the balance to increase working capital. **Office**—368 E. 87th Street, Chicago, Ill. **Underwriter**—Charles Plohn & Co., New York.

Cryogenic Engineering Co.
Sept. 22 (letter of notification) 150,000 shares of class A common stock (par 10 cents). Price—$2 per share. Proceeds — For repayment of loan; purchase of plant and office equipment; raw materials and supplies; and for working capital, etc. Office—U. W. National Bank Bldg 1740 Broadway, Denver, Colo. Underwriter—L. A. Huey Denver, Colo.

Cycon, Inc.
March 25 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Office**—Mearns Bldg., 142-148 N. Washington Ave., Scranton, Pa. **Underwriter**—Sano & Co., New York, N. Y. **Offering**—Expected in May.

Dalton Finance, Inc. (4/20-24)
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. (4/27-4/30)**
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. (4/27-4/30)**
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.

★ **Delta Pharmaceuticals, Inc.**
April 3 (letter of notification) 20,000 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—For working capital. **Office**—3160 N. W. 41st Street, Miami, Fla. **Underwriter**—None.

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 up to 11 a.m. (EST) on 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. (4/27-30)**
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. (4/22)**
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.

Eckert Mineral Research, Inc.
March 27 (letter of notification) 150,000 shares of common stock (par 50 cents). **Price**—$2 per share. **Proceeds**—For mining and selling of ore. **Office**—110 E. Main St., Florence, Colo. **Underwriter**—Harris Securities Corp., New York, N. Y.

★ **Electric City Supply Co.**
April 6 (letter of notification) 300,000 shares of class A common stock (par 25 cents). **Price**—$1 per share. **Proceeds**—For inventory, equipment, working capital, etc. **Office**—901 S. Lake Street, Farmington, N. Mex. **Underwriter**—Investment Service Co., Denver, Colo.

● **Electro Networks, Inc. (4/20-24)**
April 2 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$2.70 per share. **Proceeds** — To purchase test equipment, and for general working capital. **Office**—1920 Park St., Syracuse, N. Y. **Underwriter**—Charles Plohn & Co., New York, N. Y.

★ **Elliott-Automation Ltd. (of England)**
April 13 filed American depositary receipts for 80,000 ordinary registered shares. **Depositary**—Guaranty Trust Co. of 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.

★ **Euchler Homes, Inc.**
March 27 (letter of notification) 30,000 shares of 60-cent cumulative convertible preferred stock (no par). **Price**—$10 per share. **Proceeds** — To acquire and develop additional lands. **Office**—2001 El Camino Real, Palo Alto, Calif. **Underwriters** — J. C. Strauss & Co., and York & Co., both of San Francisco, Calif.

Eurofund, Inc.
Feb. 26 filed 2,500,000 shares of common stock (par $1). Price—$20 per share. Proceeds—For investment. Office—14 Wall St., New York. Underwriter—Glore, Forgan & Co., New York. Offering—Temporarily postponed.

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. (4/21)**
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.

★ **Fireman's Fund Insurance Co.**
April 1 filed $3,000,000 of interests in the Fireman's Fund Savings and Supplemental Retirement Plan, and 50,420 shares of the Insurance Company's common stock which may be acquired pursuant to said Plan.

★ **First Investors Corp.**
April 9 filed (by amendment) an additional $100,000 of Periodic Payment Plans (DW and DWN) and Single Payment Plans (DWP). **Proceeds**—For investment.

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.

★ **Florida-Southern Land Corp.**
April 13 filed 2,000,000 shares of common stock. **Price** —$2 per share. **Proceeds** — For construction of motel units and other facilities. **Office** — Tom's Harbor, Fla. **Underwriter**—Alkow & Co., Inc., New York.

Florida Steel Corp. (4/20)
March 31 filed $2,135,700 of convertible subordinated debentures due May 1, 1971, to be offered for subscription by common stockholders at the rate of $100 of debentures for each 50 shares of stock held on April 17; rights to expire on or about May 4. **Price**—To be supplied by amendment. **Proceeds**—To retire existing long-term bank loans, and for additional working capital. **Underwriters**—McDonald & Co., Cleveland, Ohio; and Kidder, Peabody & Co., New York.

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.

● **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. Statement effective April 2.

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) on May 13 at Room 654, 101 Indiana Ave., N. W., Washington 25, D. C., but bidding has been postponed.

General Builders Corp., New York
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 is offering holders of its outstanding common stock and its outstanding cumulative preferred stock of record April 8, 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 being 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. Subscription warrants will expire on May 11, 1959. **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. Statement effective April 2.

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. (4/21)**
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.

★ **General Underwriters Inc.**
April 6 (letter of notification) 225,000 shares of common capital stock (par 25 cents). **Price** — $1 per share. **Proceeds**—For furniture inventory and improved merchandising methods, to finance the real estate department and insurance policy loans. **Office**—211-215 Pine St., Pine Bluff, Ark. **Underwriter**—Lovan Securities Co., Inc., Pine Bluff, Ark.

General Waterworks Corp.
March 31 filed 16,131 shares of $5 voting preferred stock (par $100) and 66,131 shares of 80-cent dividend voting second preferred stock (convertible—par $1). The company proposes to offer one share of the 80-cent dividend second preferred stock for each share of New Rochelle Water Co. and one share of its $5 preferred and one share of the 80-cent dividend second preferred for each share of New Rochelle $3.50 preferred (including accumulated unpaid dividends from November, 1950). The offer is conditioned upon acceptance by holders of 80% of New Rochelle stock. **Office**—3219 Philadelphia Pike, Claymont, Del.

★ **Genisco, Inc., Los Angeles, Calif. (4/20)**
April 6 (letter of notification) 3,400 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholder. **Underwriter**—Lester, Ryons & Co., Los Angeles, Calif.

● **Glickman Corp. (4/27-30)**
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.

★ **Glide Control Corp.**
April 10 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds** —For manufacture, marketing and distributing of automatic throttle control devices for motor vehicles. **Office** —1608 Centinela Blvd., Inglewood, Calif. **Underwriter**—Reilly, Hoffman & Co., Inc., New York.

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.

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.

Great American Realty Corp.
March 30 filed 900,000 shares of class A stock (par 10 cents). **Price**—To be supplied by amendment. **Proceeds** —For working capital. **Office**—15 William Street, New York. **Underwriter**—To be supplied by amendment.

● **Greater All American Markets, Inc. (4/22)**
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.

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.**
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. **Offering**—Expected any day.

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. "Stop order" proceedings instituted by SEC in April.

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.

Idaho Power Co. (5/13)
April 1 filed $15,000,000 of first mortgage bonds due 1989. **Proceeds**—To be used for partial payment of short-term bank loans made for construction of new operating facilities. **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.
April 1 filed 150,000 shares of common stock (par $10). **Price**—To be supplied by amendment. **Proceeds**—To be used for partial payment of short-term bank loans made for construction of new operating facilities. **Underwriters** —May be Blyth & Co., Inc., Lazard Freres & Co., Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Smith, Inc., all of New York.

Imperial Growth Fund, Inc.
March 2 filed 600,000 shares of common stock. **Price**—At market. **Proceeds** — For investment. **Office** — 60 Marquette Ave., Minneapolis, Minn. **Underwriter** — Minneapolis Associates, Inc., Minneapolis, Minn.

Indiana Steel Products Co.
Feb. 26 filed 42,193 shares of common stock (par $1) being offered for subscription by common stockholders at the rate of one share for each seven shares held as of April 1, 1959; rights to expire on April 17, 1959. **Price**—$37 per share. **Proceeds**—For construction, machinery and equipment, and to provide additional funds for working capital and other corporate purposes. **Office** —405 Elm St., Valparaiso, Ind. **Underwriter**—Kalman & Co., Inc., St. Paul, Minn.

Industrial Minerals Corp., Washington, D. C.
July 24 filed 600,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—To develop and operate graphite and mica properties in Alabama. **Underwriters**—Dearborn & Co. and Carr-Rigdom & Co., both of Washington, D. C., on a best efforts basis. Statement effective Nov. 18.

International Bank, Washington, D. C.
Dec. 29 filed $5,000,000 of notes (series B, $500,000, two-year, 3% per unit; series C, $1,000,000, four-year 4% per unit; and series D, $3,500,000, 6-year, 5% per unit). **Price** —100% of principal amount. **Proceeds** — For working capital. **Underwriter**—Johnston, Lemon & Co., Washington, D. C. **Offering**—Indefinitely postponed.

★ **International Tuna Corp. (4/20-24)**
April 3 (letter of notification) 175,000 shares of class A common stock (par 50 cents). **Price** — $1 per share. **Proceeds**—For equipment and working capital. **Office** —Pascagoula, Miss. **Underwriter**—Gates, Carter & Co., Gulfport, Miss.

Interstate Power Co. (5/20)
April 7 filed $6,600,000 of first mortgage bonds due 1989. **Proceeds** — To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and Salomon Bros. & Hutzler (jointly); Merrill Lynch, Pierce, Fenner & Smith, Inc.; Kidder, Peabody & Co. and Lehman Brothers (jointly); White, Weld & Co. **Bids** — Expected to be received up to 11 a.m. (EDT) on May 20.

● **Interstate Power Co. (5/18-19)**
April 7 filed 80,000 shares of cumulative preferred stock (par $50). **Price**—To be supplied by amendment. **Proceeds**—For construction program. **Underwriter**—Kidder, Peabody & Co., New York.

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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.

★ **Investment Corp. of Florida (4/27-5/1)**
April 13 filed 275,000 shares of common stock. **Price**—$4.50 per share. **Proceeds**—For acquisition and development of land in Florida. **Office** — 1750 East Sunrise Boulevard, Fort Lauderdale, Fla. **Underwriters**—Aetna Securities Corp., New York; and Roman & Johnson, Fort Lauderdale, Fla.

Investors Commercial Corp.
April 6 filed 105,000 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Office** — 180 W. Randolph St., Chicago, Ill. **Underwriter**—Paul C. Kimball & Co., Chicago, Ill.

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.

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.

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. Company 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.

● **Laguna Niguel Corp. (4/23)**
April 1 filed 900,000 shares of class A stock (no par) and 900,000 shares of class B stock (no par) to be offered in units, each consisting of one class A and one class B share. **Price**—$10 per unit. **Proceeds**—To make payments in connection with acquisition of certain properties, to repay bank loans, for working capital and other corporate purposes. **Office**—621 South Spring St., Los Angeles, Calif. **Underwriter**—Paine, Webber, Jackson & Curtis, New York and Los Angeles.

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 (4/22-24)**
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.

● **Lockwood, Kessler & Bartlett Inc. (4/21)**
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.

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.

● **Loral Electronics Corp. (4/28)**
April 1 filed 250,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To increase inventories and for general corporate purposes. **Office**—825 Bronx River Ave., New York, N. Y. **Underwriters**—Kidder, Peabody & Co. and Model, Roland & Stone, both of New York.

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.

● **Magma Power Co. (5/11-15)**
April 3 filed 100,000 shares of 6% convertible preferred stock (par $10) and 500,000 shares of common stock (par 10 cents) to be offered in units consisting of one preferred share and five common shares. **Price**—$63 per unit. **Proceeds**—For drilling and exploration program; and for working capital, and general corporate purposes. **Office**—Virginia & Truckee Bldg., Carson City, Nev. **Underwriter**—J. Barth & Co., San Francisco, Calif.

● **Maine Fidelity Life Insurance Co. (4/28)**
March 30 filed 100,000 shares of capital stock (par $1.50) to be offered for subscription by holders of outstanding stock at the rate of one new share for each two shares held on April 22, 1959 (after giving effect to the 2-for-1 stock split scheduled for April 22, 1959). **Price**—To be supplied by amendment. **Proceeds**—To increase capital and surplus. **Office**—83 Exchange St., Portland, Maine. **Underwriter**—P. W. Brooks & Co., Inc., New York.

Maine Public Service Co. (4/27-30)
April 1 filed 50,000 shares of common stock (par $7). **Price**—To be supplied by amendment. **Proceeds**—For repayment of bank loans incurred for construction purposes. **Underwriters**—A. G. Becker & Co., Inc., Merrill Lynch, Pierce, Fenner & Smith, Inc., and Kidder, Peabody & Co., all of New York.

● **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.

Mergenthaler Linotype Co., Brooklyn, N. Y.
March 17 filed 116,541 shares of capital stock, being 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 Employees Stock Option Plan. **Price**—$45 per share. **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. (4/23)**
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.

★ **Morrell (John) & Co.**
April 13 filed 11,900 shares of capital stock, representing the number of shares initially issuable upon exercise of stock options under the company's 1957 Restricted Stock Option Plan, plus an additional 28,100 shares which remain available for the purpose of stock options under said Plan.

★ **Mortgage Corp. of America**
April 10 filed $1,000,000 of 4⅝% collateral trust notes, due May 1, 1969-79. **Price**—100% of principal amount. **Proceeds**—For repayment of loan. **Office**—100 St. Paul Street, Baltimore, Md. **Underwriter**—None.

★ **Mutual Investment Fund, Inc., New York**
April 8 filed (by amendment) an additional 1,000,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment.

National Gypsum Co.
April 6 filed 1,014,300 shares of common stock, to be offered in exchange for all but not less than 98% of the outstanding common shares of Huron Portland Cement Co. in the ratio of 7/10 of a share of National stock for each share of Huron stock.

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 Tea Co.**
April 8 filed 211,315 shares of common stock, deliverable upon exercise of options which have been or may be issued by the company to officers and other key employees pursuant to the company's Restricted Stock Option Plans.

Naylor Engineering & Research Corp.
Sept. 29 (letter of notification) 300,000 shares of cumulative voting and non-assessable common stock. **Price**—At par ($1 per share). **Proceeds**—For organizational expenses and first three months' operational expenses. **Office**—1250 Wilshire Blvd., Los Angeles 17, Calif. **Underwriter**—Waldron & Co., San Francisco 4, Calif.

Nedow Oil Tool Co.
May 5 (letter of notification) 150,000 shares of common stock (par one cent). **Price**—$2 per share. **Proceeds**—To pay loan; to acquire fishing tools for leasing; and for working capital. **Office**—931 San Jacinto Bldg., Houston, Tex. **Underwriter**—T. J. Campbell Investment Co., Inc., Houston, Tex.

● **New York Shipbuilding Corp.**
March 3 filed 621,353 shares of common stock. **Price**—To be supplied by amendment. To be offered from time to time either on the New York Stock Exchange at price prevailing at time of sale or by public or private sale at related prices. **Proceeds** — To Merritt - Chapman & Scott Corp., the selling stockholder. **Underwriter**—None. Statement effective March 26.

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.

Office Buildings of America, Inc.
April 6 filed 91,809 shares of class A stock (par $1) and 10,201 shares of class B common stock (par $1) to be offered in units of nine class A shares and one class B share. **Price**—$100 per unit. **Proceeds**—To be available for investment in real estate syndicates and other real estate. **Office**—9 Clinton St., Newark, N. J. **Underwriter**—None.

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.

Oil, Gas & Minerals, Inc.
April 2 filed 260,000 shares of common stock (par 35 cents. **Price**—$2 per share. **Proceeds**—To retire bank loans and for investment purposes. **Office**—513 International Trade Mart, New Orleans, La. **Underwriter** — Assets Investment Co., Inc., New Orleans, La.

O. K. Rubber Welders, Inc.
Dec. 15 filed 60,600 shares of common stock, $43,333.33 of 3¼% debentures maturing on or before May 6, 1965. $692,000 of 6% debentures maturing on or before Dec 31, 1974 and $123,000 of 7% debentures due on or before May 6, 1965. The company proposes to make a public offering of 25,000 shares of common stock at $10 per share. The remaining shares and the debentures are subject to an exchange offer between this corporation O. K. Rubber, Inc., and O. K. Ko-op Rubber Welding System, on an alternative basis. **Proceeds**—Of the public offering, will be used for additional working capital and/or to service part of the company's debt. **Office**—551 Rio Grande Ave., Littleton, Colo. **Underwriter**—None.

Oppenheimer Fund, Inc.
Dec. 5 filed 100,000 shares of capital stock. **Price**—At market (about $10 per share). **Proceeds**—For investment. **Office**—25 Broad St., New York. **Underwriter**—Oppenheimer & Co., New York.

● **Ozark Air Lines, Inc.**
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 Apr. 14, 1959; rights to expire on Apr. 23. **Price**—$4.25 per share to stockholders; $4.75 to public. **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.

Paddock of California
March 30 filed 51,847 outstanding shares of common stock (par $1) to be offered "only to stockholders and directors of The Refinite Corp. and will not be offered to the general public." **Price**—$3 per share. **Proceeds**—To selling stockholders, The Refinite Corp. **Office**—8400 Santa Monica Boulevard, Los Angeles, Calif. **Underwriter**—None.

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

★ **Park & Shop Alexandria Corp.**
April 3 (letter of notification) 2,500 shares of common stock. **Price**—At Par ($100 per share). **Proceeds**—To prepare lots and purchase equipment and for working capital. **Office**—124-126 S. Royal Street, Alexandria, Va. **Underwriter**—None.

Pearson Corp.
March 30 (letter of notification) 175,000 shares of common stock (par 25 cents). **Price**—$1 per share. **Proceeds** —To repay short-term loan and for working capital. **Office**—1 Constitution St., Bristol, R. I. **Underwriter**—R. A. Holman & Co., Inc., New York, N. Y.

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.

★ **Penberthy Instrument Co. Inc.**
March 26 (letter of notification) 35,062 shares of class A common stock (par $2.50) and 1,635 shares of class B common stock (par $2.50). **Price**—For class A stock, $5.50 per share; for class B stock, $6.25 per share. **Proceeds**—For equipment, new products program and working capital. **Office**—4301 6th St. South, Seattle 8, Wash. **Underwriter**—None.

● **Penn-Texas Corp., New York City (4/22-24)**
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 on or about April 21, 1959; rights to expire on or about May 6, 1959. **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.

● **Permanent Filter Corp. (4/30)**
April 7 filed 140,000 shares of common stock, of which 120,000 shares are to be offered for account of the company and 20,000 shares for account of selling stockholder. **Price**—To be supplied by amendment. **Proceeds** — For land and buildings and working capital. **Underwriter**—William R. Staats & Co., Los Angeles, Calif.

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.

★ **Philippine Oil Development Co., Inc.**
April 10 filed 221,883,614 shares of capital stock, to be offered for subscription by holders of outstanding stock at the rate of one new share for each two shares held. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Office**—Soriano Building, Plaza Cervantes, Manila (P. I.). **Underwriter**—None.

★ **Phillips Petroleum Co.**
April 9 filed 750,000 shares of common stock, reserved for issuance upon exercise of options granted or to be granted to certain key employees of the company and its subsidiaries pursuant to the Key Employee Stock Option Plan.

★ **Pioneer Plastics Corp., Sanford, Me.**
April 15 filed 150,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds** — To selling stockholders. **Business** — Producer of decorative laminated plastics. **Underwriter**—Reynolds & Co., Inc., New York.

★ **Pittsburgh Standard Conduit Co. (4/27-5/1)**
April 9 filed 75,000 shares of capital stock (par $5). **Price** — To be supplied by amendment. **Proceeds** — To repay sort-term bank loans, for working capital and other corporate purposes. **Underwriter**—Lee Higginson Corp., New York.

Precon Electronics Corp. (4/27-30)
April 6 filed 175,000 shares of common stock (par 75 cents). **Price** — $5 per share. **Proceeds** — For working capital; to reimburse the predecessor for certain development expenses; for inventories and work in process; and other general corporate purposes. **Office**—120 E. 41st St., New York, N. Y. **Underwriters**—Charles Plohn & Co. and Netherlands Securities Co., Inc., both of New York, N. Y.

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.

★ **Publishers Co., Inc.**
April 7 (letter of notification) 150,000 shares of class A common stock (par 10 cents). **Price** — $2 per share. **Proceeds** — To reduce short term borrowings, purchase collection and advertising machinery, finance sales and for working capital. **Office**—1116 18th Street, N. W., Washington 6, D. C. **Underwriter**—None.

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. **Business**—Manufacturers and packager of proprietary drug items. **Underwriter** — Richard Bruce & Co. Inc., 26 Broadway, New York 4, N. Y.

★ **Puritan Chemical Corp. (4/30)**
March 30 filed 500,000 shares of capital stock (par 10 cents). **Price**—$1.25 per share. **Proceeds**—For working capital and general corporate purposes. **Office**—2 South Broadway, Lawrence, Mass. **Underwriter**—Dunne & Co., New York.

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.

★ **Rapid-American Corp., New York**
April 13 filed $7,209,640 of convertible subordinated debentures due April 30, 1964, to be offered for subscription by common stockholders in the ratio of $100 of debentures for each 10 common shares held. **Price**—To be supplied by amendment. **Proceeds**—To be applied in part to the repurchase and retirement of the company's 5¾% convertible subordinated debentures presently outstanding, in full, at par plus accrued interest to the date of payment, and the balance for general corporate purposes. **Underwriter**—None.

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.

● **Reon Resistor Corp. (4/20-24)**
April 2 (letter of notification) 150,000 shares of common stock (par one cent). **Price**—$2 per share. **Proceeds**—To purchase new equipment; for payment of chattel mortgage and loans and for general working capital. **Office**—117 Stanley Ave., Yonkers, N. Y. **Underwriter**—Charles Plohn & Co., New York, N. Y.

● **Republic Foil Inc. (4/27)**
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 27, 1959; rights to expire on or about May 11. **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.

Richwell Petroleum Ltd., Alberta, Canada
June 26 filed 1,998,716 shares of common stock (par $1). Of this stock, 1,174,716 shares are to be sold on behalf of the company and 824,000 shares for the account of certain selling stockholders. The company proposes to offer the 1,174,716 shares for subscription by its shareholders at the rate of one new share for each three shares held (with an oversubscription privilege). The subscription period will be for 30 days following issuance of subscription rights. **Price**—To be supplied by amendment. **Proceeds**—To pay off demand note, to pay other indebtedness, and the balance if any will be added to working capital. **Underwriter** — Pacific Securities Ltd., Vancouver, Canada.

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.

● **Seaboard Plywood & Lumber Corp. (5/4-8)**
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.

Servonics, Inc.
March 25 (letter of notification) 133,000 shares of common stock (par $1). **Price**—$1.50 per share. **Proceeds**—For general corporate purposes. **Office**—822 N. Henry St., Alexandria, Va.

Shares in American Industry, Inc.
Dec. 12 filed 50,000 shares of common stock. **Price**—At market. **Proceeds**—For investment. **Office** — 1033-30th St., N. W., Washington 7, D. C. **Investment Advisor**—Investment Fund Management Corp. **Former Name**—Shares in America, Inc.

Sheridan-Belmont Hotel Co.
Aug. 19 (letter of notification) $250,000 of 6% convertible debentures due Sept. 15, 1963 to be offered for subscription by common stockholders on a pro rata basis. **Price**—At par. **Proceeds**—For working capital. **Office** — 3172 North Sheridan Rd., Chicago 14, Ill. **Underwriter**—None.

Silver Creek Precision Corp.
March 30 filed 1,550,000 shares of common stock (par 10 cents), of which 200,000 shares are to be offered for the account of the company, and 1,350,000 shares for account of selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Office**—Central Ave. and Mechanic St., Silver Creek, N. Y. **Underwriter**—Maltz, Greenwald & Co., New York.

SIMCA Societe Anonyme, of France
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.

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.

★ **Socony Mobil Oil Co., Inc.**
April 10 filed $23,000,000 of interests in the Employees Savings Plan of the company, together with 460,000 shares of capital stock which may be acquired pursuant to said plan.

★ **Sorrels-Johnson Corp.**
April 8 (letter of notification) 188,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For construction, machinery and equipment; material and supplies and for working capital. **Address**—Timber Ridge Ranch, Woodland Park, Colo. **Underwriter**—None.

Southern Italy Development Fund (4/22)
April 3 filed $30,000,000 of guaranteed external loan bonds (guaranteed as to payment of principal and interest by the Republic of Italy). This will include $5,000,000 of four-year bonds due May 1, 1963; $5,000,000 of five-year bonds due May 1, 1964; and $20,000,000 of 15-year sinking fund bonds due May 1, 1974. **Price**—To be supplied by amendment. **Proceeds**—For public works and improvement projects. **Underwriter**—Morgan Stanley & Co., New York.

★ **Southern Natural Gas Co.**
April 14 filed $2,950,000 of participations to be offered to eligible employees under the company's Stock Pur-

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chase Plan, together with 71,951 shares of common stock which may be acquired pursuant to the plan.

● Southern Nevada Power Co. (5/11)
April 6 filed $5,500,000 of first mortgage bonds, series D, due 1989. **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.; Eastman Dillon, Union Securities & Co. and Kidder, Peabody & 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, 433 South Spring Street, Los Angeles 13, Calif.

● Southern Nevada Power Co. (4/27-28)
April 6 filed 75,000 shares of cumulative preferred stock (par $20). **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, will be used to repay temporary bank loans. **Underwriter**—White, Weld & Co., New York.

● Southern Union Gas Co.
March 19 filed 442,731 shares of 4.64% cumulative convertible second preferred stock being 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 (with an oversubscription privilege); 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 Power Co. (5/12)
April 13 filed $16,000,000 of first mortgage bonds, series A, due May 1, 1989. **Proceeds**—For construction expenditures, and to prepay and discharge some $12,000,000 of bank loans made for that purpose. **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.

Sports Arenas (Delaware) Inc.
Nov. 18 filed $2,000,000 of 6% 10-year convertible debentures (subordinated), due Jan. 1, 1969. **Price**—To be supplied by amendment. **Proceeds**—$750,000 to pay AMF Pinspotters, Inc. for bowling alley beds; $350,000 to pay for other installations, fixtures and equipment; $85,000 to expand two present establishments by increasing the number of alley beds by eight at Yorktown Heights and by six at Wilton Manor Lanes, Fort Lauderdale; $300,000 for deposits on leaseholds, telephones and utilities; and $395,000 for working capital. **Underwriter**—None.

Sports Arenas (Delaware) Inc.
Nov. 18 filed 461,950 shares of common stock (par one cent). **Price**—At the market (but in no event less than $6 per share). **Proceeds**—To selling stockholders. **Office**—33 Great Neck Rd., Great Neck, N. Y. **Underwriter**—None.

★ Standard Electric Co., Inc.
March 31 (letter of notification) 10,000 shares of common stock (par $25). **Price**—$27.50 per share. **Proceeds**—To purchase equipment, erect and equip a semi-fireproof building and for working capital. **Office** — 3016 Austin Highway, San Antonio, Texas. **Underwriter** — Bache & Co., San Antonio, Texas.

Standard Packaging Corp.
April 1 filed 43,067 outstanding shares of common stock and 28,834 outstanding shares of $1.20 convertible preferred stock (par $20) to be offered from time to time on the New York Stock Exchange or off the Exchange. **Price**—Related to the then current market price on said Exchange. **Proceeds**—To Estate of D. Samuel Gottesman, deceased. **Underwriter**—None.

Sterling Television Co., Inc.
March 31 (letter of notification) 200,000 shares of Class A stock (par 25 cents). **Price**—$1 per share. **Proceeds**—For general corporate purposes, and to acquire television film series for distribution. **Office**—6 East 39th St., New York 16, N. Y. **Underwriter**—R. A. Holman & Co., Inc., New York 5, N. Y.

● Strategic Minerals Corp. of America, Dallas, Tex.
Mar. 31, 1958, filed $2,000,000 of first lien mtge. 6% bonds and 975,000 shares of common stock (par 10 cents). **Price**—For bonds, 95% of principal amount; and for stock $3 per share. **Proceeds**—To erect and operate one or more chemical processing plants using the Bruce - Williams Process to beneficiate manganese ores **Underwriter**—Southwest Shares, Inc., Austin, Texas. "Stop order" proceedings instituted by SEC in March, 1959.

★ Suburban Life Insurance Co.
April 3 (letter of notification) 30,000 shares of 6% cumulative preferred stock (par $1). **Price**—$10 per share. **Proceeds**—For expenses for operation of an insurance company. **Office**—7906 Georgia Avenue, Silver Spring, Md. **Underwriter**—None.

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.

★ Telephone Utilities, Inc., Ilwaco, Wash.
March 31 (letter of notification) 6,000 shares of preferred stock (par $25) and 50,000 shares of common stock (par $1). **Price**—Of preferred, at par ($25 per share); and of common, $3 per share. **Proceeds** — To complete purchase of The Island Empire Telephone & Telegraph Co. and other telephone companies. **Underwriter**—None.

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.

★ Textron Inc. (5/4-8)
April 8 filed $30,000,000 of 5% subordinated debentures due May 1, 1984, with warrants attached for the purchase of 600,000 shares of common stock (at the rate of 20 common shares for each $1,000 debenture). **Price**—To be supplied by amendment. **Proceeds**—To be used in part to redeem and retire all the outstanding 4% preferred stock, to reduce or retire short-term indebtedness incurred in January, 1959, and the balance for general corporate purposes. **Underwriters**—Blair & Co. Inc., New York; G. H. Walker & Co., Providence, R. I.; and Scherck, Richter Co., St. Louis, Mo.

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.

★ Thompson Ramo Wooldridge Inc.
April 10 filed 153,711 shares of common stock, to be offered pursuant to the company's 1951 Stock Option Plan and its 1956 Plan for Stock Options.

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.

United Employees Insurance Co.
April 16 filed 2,000,000 shares of common stock (par $5). **Price** — $10 per share. **Proceeds** — For acquisition of operating properties, real and/or personal, including office furniture, fixtures, equipment and office space, by lease or purchase. **Office** — Wilmington, Del. **Underwriter**—None. Myrl L. McKee of Portland, Ore., is President.

United 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.

United States Glass & Chemical Corp.
Nov. 26 filed 708,750 outstanding shares of common stock. **Price**—At market. **Proceeds** — To selling stockholders. **Office**—Tiffin, Ohio. **Underwriter**—None.

★ United States Steel Corp.
April 10 filed $70,000,000 of interests in the company's Savings Fund Plan for Salaried Employees, together with 396,000 shares of common stock which may be acquired pursuant to said Plan.

United Tourist Enterprises, Inc.
Jan. 28 filed 4,500,000 shares of class A common stock (par 50 cents). **Price**—$2 per share. **Proceeds**—For development and construction of a "Western Village" and for construction of a Grand Estes Hotel and Convention Hall, to be constructed in the immediate vicinity of Estes Park Chalet, located in Larimer County, Colo. **Office** — 330 South 39th Street, Boulder, Colo. **Underwriter**—Mid-West Securities Corp., Littleton, Colo.

★ Universal Oil Products Co.
April 13 filed 153,000 shares of capital stock to be reserved for stock options to company's officers and employees, of which 114,750 shares have been optioned at $23.03¾ per share. The remaining 38,250 shares may be optioned in the future at 95% of the then fair market value.

Uranium Corp. of America, Portland, Ore.
April 30, 1957 filed 1,250,000 shares of common stock (par 16 cents). Price—To be supplied by amendment (expected to be $1 per share). Proceeds—For exploration purposes. Underwriter—To be named by amendment. Graham Albert Griswold of Portland, Ore., is President.

Utah Minerals Co.
April 11 (letter of notification) 900,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Office**—305 Main St., Park City, Utah. **Underwriter**—Walter Sondrup & Co., Salt Lake City, Utah.

Utah Oil Co. of New York, Inc.
May 6 (letter of notification) 300,000 shares of capital stock. Price — At par ($1 per share). Proceeds — For development of oil and gas lands. Office—574 Jefferson Ave., Rochester 11, N. Y. Underwriter—Frank P. Hunt & Co., Inc., Rochester, N. Y.

● Victoreen Instrument Co.
March 4 filed 247,159 shares of capital stock (par $1) being 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 as of April 16, 1959 (with an oversubscription privilege); rights to expire on May 7. **Price**—$9.75 per share. **Proceeds**—For working capital. **Underwriter**—None.

Washington Gas Light Co. (4/27)
April 7 filed 100,386 shares of convertible preferred stock to be offered for subscription by common stockholders of record April 27, 1959 at the rate of one new share for each 14 common shares held; rights to expire on May 12, 1959. **Price** — To be supplied by amendment. **Proceeds** — For construction program. **Underwriters**—The First Boston Corp., New York; and Johnston, Lemon & Co., Washington, D. C.

★ Western Holdings Ltd. (Union of South Africa)
April 9 filed American depositary receipts for 50,000 ordinary registered shares. **Depositary**—Guaranty Trust Co. of New York.

Western Massachusetts Companies
March 13 filed 177,626 shares of common stock (par 50 cents), of which 161,626 shares are being 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 are being offered the privilege of subscribing for 16,000 shares up to 3:30 p.m. (EST) on April 16. **Price**—$25 per share. **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 Utilities Corp.
March 30 (letter of notification) 36,000 shares of common stock (par $1). **Price**—$8.25 per share. **Proceeds**—To repay outstanding bank loans and for working capital. **Office**—300 Montgomery Street, San Francisco 4, Calif. **Underwriter**—Dean Witter & Co., Chicago, Ill.

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.

Wilmington Country Club, Wilmington, Del.
Oct. 27 filed $500,000 of debentures due 1991 (non interest bearing) and 800 shares of common stock (par $25) to be offered to members of this club and of Concord Ltd. **Price**—$375 per common share and $1,000 per debenture. **Proceeds** — To develop property and build certain facilities. **Underwriter**—None.

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

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.

★ Bank of Montreal (5/1)
April 7, it was announced Bank will offer to its stockholders of record April 17, 1959 the right to subscribe on or before July 10, 1959 for 675,000 additional shares of capital stock on the basis of one new share for each eight shares held. **Price**—$32 per share, payable in 10 monthly installments from July 10, 1959 to April 8, 1960. **Subscription Agent**—Royal Trust Co., Montreal, Canada.

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**—Scheduled for April 23.

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 Electrodynamics Corp.
April 6 it was reported that the company is planning early registration of $7,600,000 25-year convertible subordinated debentures due 1984, to be offered for subscription by common stockholders on the basis of $100 principal amount of debentures for each 14 shares held. **Underwriter**—Blyth & Co., Inc., New York. **Offering**—Expected in May.

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 821,256 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).

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. **Registration**—Expected today (April 16).

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 22. **Offering**—Expected some time in May.

★ Fairfield County Trust Co.
April 6 bank offered stockholders of record March 31 the rights to subscribe on or before April 28 for 48,625 additional shares of capital stock (par $10) at rate of one new share for each eight shares held. **Price**—$32.50 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—Merrill Lynch, Pierce, Fenner & Smith, Inc., New York.

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.

★ Great Northern Ry. (5/6)
Bids are expected to be received by the company on May 6 for the purchase from it of about $4,500,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc., Salomon Bros. & Hutzler.

★ Gulf States Utilities Co. (5/19)
April 7 it was reported that the company plans to issue and sell 250,000 additional shares of common stock. **Underwriter**—To be determined by competitive bidding. Probable bidders: Merrill Lynch, Pierce, Fenner & Smith, Inc. and Lehman Brothers (jointly); The First Boston Corp.; Carl M. Loeb, Rhoades & Co.; Stone & Webster Securities Corp. **Bids**—Expected to be received on May 19.

Jersey Central Power & Light Co.
Feb. 10 it was announced that the company is contemplating the sale of $8,000,000 of first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Kidder, Peabody & Co.; Salomon Bros. & Hutzler and Merrill Lynch, Pierce, Fenner & Smith Inc. (jointly); Lehman Brothers and Blair & Co., Inc., (jointly). **Offering**—Expected during August.

Kansas City Power & Light Co.
Dec. 29 it was reported that the company plans to issue and sell $20,000,000 of first mortgage bonds. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Blyth & Co., Inc. (jointly); Equitable Securities Corp.; White, Weld & Co. and Shields & Co. (jointly); Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Eastman, Dillon, Union Securities & Co. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly). **Offering**—Expected in May or June.

★ Long Island Trust Co. (4/22)
April 9 it was announced bank plans to offer to its stockholders the right to subscribe for 70,186 additional shares of capital stock (par $5) at the rate of one new share for each six shares held of record April 21, 1959; rights to expire on May 8. **Price**—$20 per share. **Proceeds**—To increase capital and surplus. **Meeting**—Stockholders will vote April 21 on increasing authorized capitalization and changing par value of shares from $10 to $5. **Underwriter**—A. M. Kidder & Co., New York.

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.

North American Equitable Life Assurance Co.
Dec. 1 it was announced that the company plans an offering of 950,000 shares of capital stock. **Price** — $10 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—John M. Tait & Associates, Cincinnati, Ohio.

Northern Illinois Gas Co. (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.

Pennsylvania Electric Co.
Feb. 10 it was announced that the company is planning the sale of $15,000,000 of first mortgage bonds. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Kidder, Peabody & Co.; Eastman Dillon, Union Securities & Co., Merrill Lnych, Pierce, Fenner & Smith Inc. and White, Weld & Co. (jointly); The First Boston Corp. and Harriman Ripley & Co. Inc. (jointly). **Offering**—Expected about mid-year.

★ Philadelphia Electric Co.
April 8 it was announced company plans to offer about 640,000 additional shares of common stock to common stockholders on the basis of one new share for each 20 shares held. **Proceeds**—For construction program. **Underwriters**—Drexel & Co. and Morgan Stanley & Co. **Offering**—Expected in June.

Public Service Electric & Gas Co. (6/2)
Jan. 30 it was reported that the company plans sale of $30,000,000 to $40,000,000 debentures. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn Loeb & Co. and Lehman Brothers (jointly); Morgan Stanley & Co. and Drexel & Co. (jointly). **Bids**—Tentatively expected to be received on June 2.

San Diego Imperial Corp.
March 16 it was reported that the company plans to offer an additional 1,278,720 shares of common stock. **Proceeds**—For further acquisitions. **Underwriter**—J. A. Hogle & Co., Salt Lake City and New York.

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.

Spector Freight System, Inc.
Feb. 16 this company sought ICC approval for issuance of 200,000 shares of class A common stock (par $1), of which 60,000 shares will be sold for the account of selling stockholders **Proceeds** — To pay outstanding loans and for additional working capital. **Underwriter**—A. G. Becker & Co., Inc., Chicago, Ill.

Teleflex Ltd., Toronto, Canada
March 24, R. C. Dobson, President, announced that the company plans to raise approximately $1,000,000 in the near future, partially through debt financing and partially through the sale of additional common stock. **Underwriter** — To be named later. **Registration** — Expected about May 1.

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.

★ United Gas Improvement Co. (6/16)
April 7 it was reported that the company plans to issue and sell $10,000,000 of first mortgage bonds due 1984. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Merrill Lynch, Pierce, Fenner & Smith and Eastman Dillon, Union Securities & Co. (jointly); The First Boston Corp.; Kuhn, Loeb & Co. and Blyth & Co., Inc. (jointly); Kidder, Peabody & Co.; Drexel & Co. and Eastman Dillon, Union Securities & Co. **Bids**—Expected to be received on June 16. **Registration**—Planned for around May 15.

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 $14,000,000 of first mortgage bonds due 1989. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Eastman Dillon, Union Securities & Co. (jointly); The First Boston Corp. and Harriman Ripley & Co. Inc. (jointly); Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Bids**—Expected to be received up to noon (EST) on May 25 at office of West Penn Electric Co., 50 Broad St., New York, N. Y.

Worth Fund, Inc.
Feb. 13 it was reported that the Fund was planning the sale of about $5,000,000 of common stock. **Price**—Around $14.25 per share. **Underwriters**—Blair & Co. Inc. and G. H. Walker & Co., both of New York. **Offering**—Indefinitely postponed.

Mutual Funds

By ROBERT R. RICH

Chemical Had Record First Quarter Sales

Record Highs for Assets and Share Value

Chemical Fund, Inc., reports the largest quarterly and monthly sales totals in the Fund's 21 year history.

First quarter sales volume reached $11,691,000, up 202% over first quarter sales a year ago, and 41% over the previous record quarterly sales total of $8,284,000.

March sales of Chemical Fund shares also reached a new peak for any month amounting to $4,-245,000 as against $4,127,000 in February, 1959, the previous record sales month. March sales increased 253% over the volume in the same month a year ago.

The fund reported on April 15 the largest total assets and per share value for any quarter-end in its 21 year history.

Net assets totaled $214,903,581 at March 31, 1959, compared with $196,376,283 at the 1958 year-end and $143,794,150 at the March 1958 quarter-end. Total assets increased by 50% in the past 12 months. (All of foregoing and subsequent data have been adjusted, where necessary to reflect the 2-for-1 stock split on March 26, 1959.)

Net asset value increased to $10.39 per share at March 31, 1959 compared with $9.93 a share at the end of 1958 and $7.79 a share at the March 1958 quarter-end.

Total number of stockholders reached 51,982 compared with 48,291 at the 1958 year-end and 45,642 a year ago. The shares outstanding increased to 20,675,632 from 19,759,382 shares outstanding at Dec. 31, 1958 and 18,444,836 shares outstanding at March 31, 1958.

During the quarter, Chemical Fund emphasized investments in the "Chemical-General" classification, while reducing investments in "Drugs," the Fund's second largest group. Holdings in Mead, Johnson & Co. were eliminated during the quarter; International Nickel Co. of Canada was added. The distribution of assets by industry groups was as follows:

	% of Net Assets March 31: 1959	1958
Chemical-General	31.0	27.4
Drug	21.6	24.5
Oil and Gas	10.8	10.7
Glass	5.5	5.8
Pulp and Paper	4.7	3.9
Rubber	3.2	2.1
Corn Products	3.1	3.0
Metal	2.3	2.1
Specialties	15.0	14.8

During the quarter ended March 31, 1959, the fund realized $3,179,403 in securities profits on sales of $9,095,758 of portfolio securities. New purchases of portfolio securities totaled $18,125,527 during the quarter.

Chemical Fund, Inc., a mutual fund founded by F. Eberstadt & Co. in 1938, diversifies its investments over a wide range of companies in many industries which the Fund's management believes will achieve above average growth as a result of chemical research and development.

To Be S. J. Kingsley

On April 23rd, the firm name of Kingsley & Southwood, 37 Wall Street, New York City, members of the New York Stock Exchange, will be changed to S. J. Kingsley & Co. William E. Boye, Jr., who will acquire an Exchange membership, will become a partner in the firm the same date.

Wellington Fund Near $1 Billion

Resources of the Wellington Fund now exceed $900,000,000, Walter L. Morgan, President, stated at the annual meeting of stockholders held in Philadelphia.

Commenting on the investment performance of the Fund during 1958, Mr. Morgan said that shares showed a 24% gain in asset value adjusted for the December, 1958 capital gains distribution. This result, he felt, was outstanding because the Wellington Fund is a balanced fund operating under a conservative policy.

Mr. Morgan also reported that the Wellington Fund now has over 268,000 shareholders.

Value Line Funds Report Progress

Mr. Bernhard noted that total assets of the Value Line Special Situations Fund rose from $6,266,-056 on Dec. 31, 1957 to $10,377,210 on March 18, 1959. During this same period, the net asset value of the Fund rose from $2.06 a share to $3.98 a share. After allowance for a 7c capital gain distribution, the net asset value during this period rose by 96.7%. Mr. Bernhard noted that sales of the Special Situations Fund were running higher than at any time since the Fund was open-ended on Aug. 29, 1956.

The total assets of the Value Line Income Fund rose from $58,-747,182 on Dec. 31, 1957 to $91,-923,323 on March 18, 1959. During this same period, the net asset value rose from $4.14 to $5.94. If allowance were made for the capital gains distributions of 5c and 2c a share, the net asset value gained 45.6%.

The total assets of the Value Line Fund rose from $7,660,499 on Dec. 31, 1957 to $9,891,220 on March 18, 1959. During this same period, the net asset value rose from $5.02 to $7.43 a share. Here again after allowance for the capital gain distribution of 27c a share made on Feb. 17, the net asset value was up 50.3%.

Channing Corp. Votes 3-for-1 Stock Split

Directors of Channing Corporation have voted to recommend to the shareholders a split of the stock of three shares for one and a dividend basis on the new shares equal to a 50% increase of the current dividend. The proposal will be made to Channing shareholders at the annual meeting on May 15.

A Wall Street concern, Channing Corporation is parent of 15 subsidiary companies, largely in the financial field. Among the principal concerns are Nice Ball Bearing Company of Philadelphia and Van Strum & Towne, investment counselors. The latter firm supervises investments in excess of $500,000,000 for individuals, institutions and eight mutual investment funds here and in Canada.

To implement the proposed recapitalization, application would be made to increase the authorized shares from 500,000 to 1,500,-000 shares. With the proposed split, present outstanding shares would be increased from 372,817 to 1,118,451.

The directors declared the regular quarterly dividend on the present stock of 15 cents per share payable May 20 to stock of record May 8.

Broad Street Sets Quarterly Record

Gross sales of new shares of the Broad Street Group of Mutual Funds totaled a record $13,232,000 during the first quarter of 1959 and were nearly three times greater than the $4,537,000 in the first quarter of 1958, according to Milton Fox-Martin, President of Broad Street Sales Corporation, national distributor of shares of Broad Street Investing Corporation, National Investors Corporation and Whitehall Fund, Inc.

Mr. Fox-Martin brought out that in March gross sales of new shares of the three funds recorded a new all-time high for any month of $4,596,000. This was up 21% from the February rate and 228% greater than in March 1958.

For the quarter just ended, redemptions of shares of Broad Street Investing, National Investors and Whitehall Fund totaled $2,470,000, as compared with $1,-775,000 in the corresponding period of 1958.

Over-Counter Fund Reports Gains

Over - the - Counter Securities Fund, Inc., the nation's only mutual fund devoted exclusively to investments in unlisted securities reported a net asset value of $4.96 a share at March 31, 1959, a 43% gain over net asset value of $3.46 a share recorded a year earlier. Total assets at March 31, 1959 were also at an all-time high of $244,925, a 71% gain over total assets of $143,353 reported at March 31, 1958.

Reporting to stockholders of the Oreland, Pennsylvania investment company, President Ralph P. Coleman, Jr., disclosed that the Fund had taken new positions in Southwest Gas Corp. and FXR, Inc., and increased its holdings of Electronic Associates, Inc. Southwest Gas Corp. is a supplier of natural gas to three rapidly-growing areas in southern California, southern Nevada and central Arizona. FXR, Inc., is a producer of microwave test equipment and components and Electronic Associates, Inc., is the leading maker of analog computers. The Fund has completed the sale of its holdings in Machlett Laboratories, Inc., and United States Ceramic Tile Co. at a profit.

At March 31, 1959 approximately 92% of OCSF's assets was invested in the securities of 41 different companies operating in over 20 industries. The remaining 8% of assets was invested in cash and U. S. Government securities.

Since shares of the Fund were first offered to the investing public in June of 1956 the net asset value per share, including capital gains distributions of 6c a share, has advanced by 50.8%. In the same period, total assets have risen by more than 114%.

Abacus Cites Gain In Net Asset Value

William K. Jacobs, Jr., President of Abacus Fund, closed-end investment company listed on the New York Stock Exchange, reported that the company's net asset value was $36,821,049 equal to $43.03 per share on March 31, 1959 compared with $33,563,167 or $39.22 per share on Dec. 31, 1958, an increase of 9.7%.

Mr. Jacobs further stated that for the quarter ended March 31, 1959 the net income from investments equalled 29c per share compared with 28c per share a year earlier; that net realized gain of 12c per share contrasted with a realized loss of 2c per share in the 1958 period; and that unrealized appreciation increased $2,-910,787 or $3.40 per share.

Net Asset Value of Savings Banks' Fd. Continues to Climb

The net asset value per share of Institutional Investors Mutual Fund, Inc., reached $210.07 on March 31, 1959, a new high for the end of a quarterly period. On Dec. 31, 1958, net asset value per share was $207.56 and on March 31, 1958, it was $163.82 per share, according to William H. Harder, President of the Fund, who is also Vice-President of the Buffalo Savings Bank.

Total net assets on March 31, 1959, were a record $45,614,090 compared with $34,806,137 a year earlier and $43,464,203 at the end of 1958. This new high, Mr. Harder pointed out, is attributable to net share purchases by shareholders and to continuing appreciation in portfolio holdings of common stocks.

During the first quarter of 1958 one additional savings bank and two life insurance departments of savings banks became Fund shareholders for the first time. As a result, Mr. Harder said, shareholding savings banks now number 83 and life insurance departments 13.

On March 31, 1959, the Fund owned stocks of 73 companies representing 24 industry groups. The principal additions during the quarter were made in chemical, retail trade, electric utility, oil, railroad and container classifications.

Mr. Harder stated that the yield on all common stocks held, based on investment costs and currently indicated dividend rates, was 5.01% on March 31, 1959. Common stocks constituted 94.32% of total net assets, in accordance with the investment policy of the Board requiring a minimum of 90% of net assets at market value to be invested in common stocks.

General Public Service Assets Up

General Public Service Corp., closed-end investment company, reports that its net assets at market value on March 31, 1959 were $45,868,150, equivalent to $6.17 per share on the 7,434,792 shares of common stock outstanding. The asset value on Dec. 31, 1958 was $6.03 per share.

During the first quarter of 1959 purchases and sales of securities amounted to $4,260,346 and $1,-705,727, respectively. New isssues added to the portfolio include Ford Motor, Southern California Edison and smaller positions in Central Illinois Electric and Gas, Colorado Interstate Gas and Revere Copper & Brass. Substantial additions to previous holdings include investments in Allied Chemical, Food Machinery and Chemical, Freeport Sulphur, International Nickel and Philips' Lamp.

At March 31, 1959, holdings of Utility common stocks represented 42% of total net assets; Natural Gas 11%; Oils 8% and Industrials 24%. U. S. Treasury Bills and cash amounted to 15%.

General Investors' Net Assets Rose 107% in Past Year

Net assets of General Investors Trust hit a record quarter-end high of $7,457,964 on March 31, 107% above the total 12 months earlier, according to preliminary figures released April 13.

Aided by generally rising security prices and a 439% jump in first-quarter sales, the Boston-based mutual fund increased its net asset value by 19.7% from the $6,233,033 total of last Dec. 31.

Net assets on March 31 a year ago amounted to $3,603,541.

The number of GIT shares outstanding also reached a new high at the first quarter close—1,018,767—compared with 829, 543 on Dec. 31, and 587,571 on March 31, 1958, for gains of 22.8% and 73.4% respectively.

The income fund's net asset value per share, adjusted for capital gains distribution, was $7.68, up 2.3% from the year-end figure of $7.51 and 25.3% from the March 31, 1958 per-share value of $6.13.

GIT's national distributor, Investor Planning Corporation of America, reported sales of $1,433,400 for the fund during the quarter just ended—the highest in its 27 year history. This figure was 27.2% greater than the 1958 fourth quarter total of $1,128,150, and 439% more than the $266,935 volume of share purchases during last year's opening period.

With Harris, Upham

(Special to THE FINANCIAL CHRONICLE)

WINSTON-SALEM, N. C.—John T. Johnson has become connected with Harris, Upham & Co., Pepper Building.

Gaither Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—James A. Ward is now affiliated with Gaither & Co., Inc., 11900 Shaker Boulevard, members of the Midwest Stock Exchange.

With David Noyes

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Michael J. Libman is now with David A. Noyes & Co., 208 South La Salle Street, members of the New York and Midwest Stock Exchanges.

Frank J. Mackey

Frank J. Mackey, partner in McManus & Mackey, New York City, passed away April 2 at the age of 72, following a brief illness.

Our Reporter's Report

Firming up in the money market continues to be reflected in the trend of bond prices, both in the secondary market and in the corporate new issue market. The same holds true in the Treasury list.

In the latter section of the investment market a number of U. S. Government obligations now are selling to return yields of more than 4%. And the current 91-day bill offering brought bids which averaged out to an interest cost of 3.075% to the Treasury.

Accordingly, prospective buyers of fixed income obligations of corporations are still of a mind to sit back and wait things out, especially since some authorities in the banking world are predicting increased firmness in money rates later in the year.

Fortunately, under the circumstances, the current flow of corporate new offerings is not too heavy. Bankers, accordingly, are finding an opportunity to work off some recent emissions which proved decidely sticky as yields in the secondary market continued to become more attractive.

In spite of the hardening of Federal Government and corporate yields, however, issuers of tax-free obligations seem to be encountering little, if any difficulty in raising funds they need though at slightly higher cost.

Presumably with the tax burden mounting in many directions, the tax privilege attaching to these securities takes on added value for the investor.

Still Bidding Close

An offering of $11 million of 30-year bonds by Central Power & Light Co., this week indicated that investment bankers still are thinking pretty much along the same lines when bidding for business.

The winner in this instance paid the issuer a price of 101.6599 for a 4¾% coupon rate. The runners-up bid 101.637 or an indicated 23 cents per $1,000 bond differential, while the lowest of a number of bids was 101.789 or $8.40 per $1,000 piece under the winner.

Reoffering was made at a price of 102.427, and the indicated yield of 4.60% to the buyer proved really attractive and the issue got a good reception.

Turning Them Loose

Sponsors let go of two more recent underwritings during the week through the medium of termination of agreements, and in both instances the bonds involved settled back sharply from their initial offering prices.

Substantial unsold balances were on hand in both instances when bankers decided to pull the plug and let them find a base.

The offerings involved were Ohio Edison Co.'s $30 million of 4½s, rated AA, and Montana Power Co.'s $15 million of 4½s, also carrying a double A rating.

Shooting for Target

When it became apparent, on offering of Central Power & Light's issue, that new issues might move on a 4.60% yield basis, bankers bidding for Wisconsin Power & Light's $14 million issue seemed to take a hint.

At any rate the winning bid for this offering was 98.789 for a 4⅝% interest rate. This permitted the successful group to prepare for offering, upon clearance by SEC, at a price of 100.567 to yield an indicated 4.59%.

Whether the single basis point difference in yield here would prove bothersome remained to be seen.

Join Federal Secs

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Jeanne Fergeson and Gentry Gibson have become affiliated with Federal Securities Corporation, 7805 Sunset Blvd.

Goodbody in Dallas

DALLAS, Tex. — Goodbody & Co. has opened a new branch office in the Southland Center under the management of Hugh D. Dunlap.

With Financial Secs.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Stanfill D. Stanfill has become associated with Financial Securities Corp., Farmers Union Building. He was formerly with Mountain States Securities Corp.

Inter-Mountain Tel. Common Stock Offered

Rights, evidenced by subscription warrants to subscribe for 399,000 shares of Inter-Mountain Telephone Co. common stock have been issued by that company to its common stockholders, which rights expired April 10, 1959 at 3 p.m. (EST). Of the total, 390,826 shares were subscribed for, and the balance of 8,174 shares were purchased by the several underwriters, headed by Courts & Co., and reoffered to the public on April 15 at $15.50 per share.

The telephone company intends to apply the proceeds toward the reduction of amounts owed by the company on short-term notes to banks, which notes on Feb. 28, 1959 were $5,550,000. The company expects to renew the short-term notes to banks which will not be so paid.

DIVIDEND NOTICES

CERRO DE PASCO CORPORATION

5% Stock Dividend on Common Stock

The Board of Directors of Cerro de Pasco Corporation at a meeting held on Tuesday, April 7, 1959, declared a stock dividend at the rate of 1 share for each 20 shares, payable on June 30, 1959, to holders of the Corporation's Common Stock of record at the close of business on June 12, 1959. The Transfer Books will not be closed.

MICHAEL D. DAVID
Secretary

300 Park Avenue
New York 22, N. Y.

R. J. Reynolds Tobacco Company

Makers of
Camel, Winston, Salem & Cavalier cigarettes
Prince Albert, George Washington
Carter Hall
smoking tobacco

QUARTERLY DIVIDEND

A quarterly dividend of 50c per share has been declared on the Common Stock, par value $5, of the Company, payable June 5, 1959 to stockholders of record at the close of business May 15, 1959.

W. J. CONRAD,
Secretary

Winston-Salem, N. C.
April 10, 1959

MEETING NOTICES

LONG ISLAND LIGHTING COMPANY

Notice of Annual Meeting

April 21, 1959

Notice is hereby given that the Annual Meeting of the Stockholders of Long Island Lighting Company will be held at the Company's Hicksville Operations Center, 175 East Old Country Road, Hicksville, New York, on April 21, 1959, at 2 o'clock P.M., to elect eleven directors, to vote on the appointment of Price Waterhouse & Co. as independent public accountants for the year 1959 and to take action on such other business as may properly come before the meeting or any adjournments thereof.

Only holders of common stock of record on the books of the Company at the close of business on March 13, 1959 are entitled to vote at the meeting. The stock transfer books will not be closed.

CHARLES E. ELBERT
Secretary

March 13, 1959

ALLIS-CHALMERS MFG. CO.

Milwaukee, Wisconsin

Notice of ANNUAL MEETING OF STOCKHOLDERS to be held May 6, 1959

NOTICE IS HEREBY GIVEN, that the Annual Meeting of stockholders of ALLIS-CHALMERS MANUFACTURING COMPANY, a Delaware corporation (hereinafter called the "Company"), will be held at the general offices of the Company, 1205 South 70th Street, West Allis, Wisconsin, on Wednesday, May 6, 1959, at 11:00 A.M. (Central Daylight Time), for the following purposes, or any thereof:

1. To elect a Board of Directors;
2. To consider and transact any other business that may properly come before the meeting or any adjournment thereof.

The Board of Directors has fixed March 19, 1959, as the record date for the determination of the common stockholders entitled to notice of and to vote at this annual meeting or any adjournment thereof.

By order of the Board of Directors
ARCHIE D. DENNIS,
Secretary

Dated: March 19, 1959

TENNESSEE GAS TRANSMISSION COMPANY
HOUSTON, TEXAS

DIVIDEND NO. 47

The regular quarterly dividend of 35c per share has been declared on the Common Stock, payable June 16, 1959, to stockholders of record on May 15, 1959.

J. E. IVINS, Secretary

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—A 72-page printed special report, called "Expanding Private Investment for Free World Economic Growth" and bearing 44 recommendations, is being studied by members of Congress, various branches of the Federal Government, United States bankers and industrialists.

American investments abroad, particularly in Canada, Latin America and Western Europe, are increasing all the time, but the special report prepared by the State Department comes up with specific recommendations designed to encourage more private investments.

The study was conducted by Ralph I. Straus, a Director of R. H. Macy and Company, New York, with the assistance of the Department of State, Department of Commerce, Department of Treasury, and other agencies of the Government, and with private assistance. Mr. Straus in his letter transmitting the report said consultations were held with businessmen, bankers and lawyers, and representatives of the International Cooperation Administration, Development Loan Fund, and the Export-Import Bank.

In the introduction the question is asked: Why do the Government and people of the United States concern themselves with the relationship of the private sector of the American economy to our foreign policy objectives, and aid the economic growth of the less developed countries?

The report declares that the answer lies in part in our recognition that most of our economic assets as a nation including capital, know-how, and resourcefulness are in private hands. Therefore, these resources have not been utilized to advantage to all concerned. Thus, with the release and encouragement of private initiative, the rate of growth in the newly developing countries will be greatly accelerated.

Mr. Straus, as a special consultant, made his report direct to C. Douglas Dillon, Under Secretary of State for Economic Affairs. He said it was prepared "in cooperation to the fullest extent practicable with private enterprise concerned with international trade, foreign investment and business operations in foreign countries."

Pending in Congress

Actually some of the recommendations of the Straus report are already pending before the House Ways and Means Committee. Representative Hale Boggs, Democrat of Louisiana, and Chairman of the Subcommittee on Foreign Trade Policy, introduced a bill after lengthy hearings in this country and abroad, to promote American industry abroad, and thus reduce expenditures for foreign economic assistance and other aid programs. The bill is entitled "The Foreign Investment Incentive Tax Act of 1959."

Under the subject of taxation on foreign investment, the Straus report makes two tax proposal suggestions. They are those applicable to all foreign investments; and those that apply only to investments in the less developed countries.

The report recommends that the Internal Revenue Code be amended to give special tax treatment to domestic corporations known as foreign business corporations, such special treatment to have the effect of deferring payment of U. S. income taxes on the profits of a foreign business corporation arising from foreign investments until those profits are actually distributed to U. S. stockholders or otherwise diverted from foreign uses.

Usually the banks of this country operate abroad through branches, rather than foreign subsidiaries so as to provide the added confidence of their full capital and resources. Consequently, the report states, there are special reasons for conducting banking operations abroad through branches that do not apply to other foreign operations. However, banks are denied the tax advantage of operating through foreign subsidiaries.

The report adds: "We recommend that U. S bank branches abroad be permitted to treat their foreign branches as foreign business corporations for tax purposes, under appropriate accounting regulations."

On the question of foreign taxes "in lieu of" income taxes, the report recommends: (1) The problem of recognizing foreign taxes for tax credit purposes be dealt with in tax treaty negotiations; and (2) The Treasury Department re-examine its interpretation of the present statutory language and seek legislative support for a more liberal interpretation of such taxes.

Portfolio Investment

Under portfolio investment the special document proposes that all regulated investment companies should be able to pass their available foreign tax credits through to their stockholders.

For years there has been concern by U. S. investors, for obvious reasons, about financial losses due to depreciation or devaluation of foreign currencies. "We have found no generally applicable method of protecting or insuring investors against these losses. . . . We believe, however, that there is one practical method of providing limited relief through tax treatment," said the report, which went on to explain present regulations.

Therefore, the report recommends that existing law be clarified to provide that the loss due to exchange rate change, required by the Securities and Exchange Commission to be shown in published financial statement, also be recognized as an ordinary loss for tax purposes.

In an effort to stimulate investments abroad by companies that do not now have investment in foreign countries, the Straus report suggests:

Development Companies

"We recommend that appropriate legislative and administrative action be taken on the basis set forth in this report to provide governmental, tax, and legal support for the formation of International Development Companies to invest in new or expanded private enterprises in the less developed countries.

"We recommend that the Small Business Administration be requested to consider, in consultation with appropriate Congressional committees, authorizing Small Business Investment Companies to finance foreign investments of U. S. companies qualifying as small business."

The investment guaranty program, operating under a section of the Mutual Security Act, authorizes guaranties of American overseas investment against losses due to expropriation, war damage, etc.

The report proposes that the investment guaranty provision of the Mutual Security Act be amended to include coverage of losses arising from revolution, insurrection, or civil strife associated with war. It also proposes that the issuing authority for investment guarantees be increased to $1,000,000,000.

The expanding private investment report avers that in addition to the well known shortage of capital in certain undeveloped countries, there is an even greater shortage of well-planned projects seeking to attract capital. As a result there is assertedly greater need for more active U. S. Government participation in an effort to blueprint plans.

Aid to Foreign Entrepreneurs

Unfamiliarity with the problems and potentials of business abroad is a major deterrent to overseas investment by Americans. Foreign entrepreneurs who have projects that might be of interest to investors are discouraged by the high cost of surveying and proving projects to attract investor interest, said Mr. Straus.

Because of the unwillingness to spend on technical preliminaries, many projects that might otherwise be of interest to American or other private investors die or remain dormant. The study report goes on to make suggestions designed to overcome these barriers.

The U. S. Government will find it necessary to finance contracts for projects which need urgent development and which private capital is not forthcoming. In such cases, the report says the U. S. Government should make the best use of business and technical skills of American operating companies to assure sound execution and management; and to built into the financing arrangements the maximum possibility for later private financial participation.

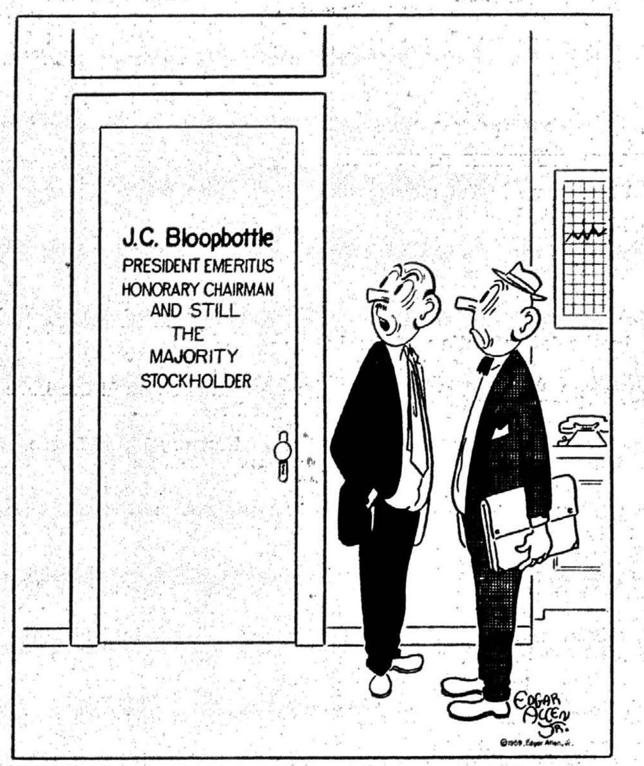
Present foreign aid regulations encourage separate contracts for feasibility studies, architect-engineering services, and construction, rather than put the responsibility for an entire project in a single company. These policies also lend themselves to the selection, as prime contractors, of architect-engineers and construction companies rather than companies with operating experience.

The report, however, recommends that where necessary to accomplish high priority projects, greater use be made of management contracts which centralize managerial responsibility for an entire project in a single company.

The recommendations are certain to be studied thoroughly by Congress. Just what action Congress will take on them remains to be determined.

[*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



"Certain people simply refuse to accept retirement with dignity!"

Business Man's Bookshelf

Balance of Payments and Economic Growth—J. M. Letiche—Harper & Brothers, 49 East 33rd Street, New York 16, N. Y., (cloth), $6.00.

Budget and Economic Growth—A Statement on National Policy by the Research and Policy Committee of the CED—Committee for Economic Development, 711 Fifth Avenue, New York 22, N. Y., (paper), 50 cents, (quantity prices on request).

Can Capitalism Compete—A Campaign for American Free Enterprise—Raymond W. Miller—The Ronald Press Company, 15 East 26th Street, New York 10, N. Y., (cloth), $4.50.

Common Machine Language for Mechanized Check Handling—Bank Management Commission, American Bankers Association, 12 East 36th Street, New York 16, N. Y., (paper).

Growth Patter: The Insurance Industry in the California Market—Dr. Robert R. Dockson—Union Bank, Los Angeles, (on request).

Steel Facts 1956-1958—American Iron and Steel Institute, 150 East 42nd Street, New York 17, N. Y., (paper).