ESTABLISHED 1839

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 189 Number 5842 | New York 7, N. Y., Thursday, April 30, 1959 | Price 50 Cents a Copy

EDITORIAL

As We See It

Men at some time are masters of their fates:
The fault, dear Brutus, is not in our stars
But in ourselves, that we are underlings.

The poet had he been writing in this day and time might quite appropriately have added that the fault is not in the successful nor yet in the system of free enterprise that our individual lots have not been and are not what we should like. And had he been disposed to push the matter further he might equally as well have warned us all that our individual positions can not be permanently improved by trying to force our more successful neighbors to share unduly with us that which their frugality and their enterprise have brought them, or by tampering with an economic system which has through the centuries proved itself far superior to the type of social and economic organization that is now being sought by the discontented. Were he moved to moralize he might also cite the elementary but often overlooked fact that men advance by diligent production of goods and services that are wanted and not by seeking somehow to acquire more from society than they contribute to it.

If any reader supposes for a moment that these generalizations are empty philosophizing without relation to anything about us, let him look about him and inquire as to the real origin of the popular demand for all sorts of changes in our traditional American system, and the determined effort to "soak the rich." The New Deal in its early days ardently preached the doctrine that we had reached economic maturity, that there was no longer any likelihood of enlarged

Continued on page 29

Strategic Factors in the Current Business Outlook

By WOODLIEF THOMAS*
Economic Adviser, Federal Reserve Board

Deploring what forecasters overlook, Federal Reserve economist denies: (1) tight money induced our recessions; (2) government can assure stable growth; and (3) wages are solely to blame for inflation. Mr. Thomas opines prospects for avoidance of inflation never looked better and predicts moderate 5% GNP growth rate for at least a year, followed by slower, normal 3% rate if no inflation develops. The economist condemns labor's contribution to inflation and asks they accept their responsibility for stable growth; singles out administered labor and business wage and price policies for retarding growth and increasing unemployment; and stresses limitations of monetary and fiscal policy to prevent instability

The phase of the business cycle through which we are now passing is probably the one from which short-term forecasts can be made with greatest assurance. We are at the point where recovery is turning into prosperity. The difficult times to forecast are when the cycle is approaching a turning point. It is very hard to foresee exactly when the turn will come. Even after the turn, the rapidity of the decline or increase is hard to foretell; the possibilities of a recession turning into a depression are most difficult to appraise.

Woodlief Thomas

When, however, economic activity is close to current capacity, the limits of potential further expansion within a short period of time are relatively easy to measure—at least in aggregate terms. One can usually be confident, moreover, that the prosperity phase will last until some fairly obvious weaknesses and malad-

Continued on page 26

*An address by Mr. Thomas before the Helen Slade Memorial Conference on Forecasting sponsored by American Statistical Assn., New York Chapter, New York City, April 23, 1959.

Our Economic Objectives—Are They Compatible?

By DR. JAMES J. O'LEARY*
Director of Economic Research
Life Insurance Association of America, New York City

There's no philosophical or academic escape from practical reality in Dr. O'Leary's impressive array of "creeping inflation" and "stable dollar" arguments. After reviewing our economic growth, the economist concludes full employment, economic growth, and general price stability are interdependent in the longer run and must be pursued as a whole to keep our economic society free. He portrays serious consequences of inflation, particularly upon prime course of growth—i.e., savings, and explains how inflationary "forced savings" is tantamount to government printed paper money. Attributes postwar inflationary pressure to excess demand for capital funds over willingness to save or be taxed which, in turn, turned loose waves of public and private deficit financing.

Perhaps more than at any other time in the history of this country we are critically studying our broad national economic goals. These traditionally have been (1) full employment of our labor force; (2) vigorous but sustainable economic growth; (3) stability in the general price level, and (4) preservation of economic and political democracy. We have, at least until recently, always viewed these objectives as mutually interdependent and compatible.

James J. O'Leary

These goals are still almost universally accepted in this country as being our primary national economic objectives, but more and more the question is being raised as to whether they are mutually compatible. Specifically, the basic question is whether we can as a country maintain full employment and vigorous economic growth without inevitably experiencing a further upward push

Continued on page 30

*From an address by Dr. O'Leary before the College of Commerce, University of Notre Dame, April 16, 1959.

PICTURES IN THIS ISSUE — Candid photos taken at the 27th Annual Dinner of the Toronto Bond Traders Association appear in today's Pictorial Section.

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

Lakeside Laboratories — David Norr, of Burnham & Co., New York City. (Page 2)

Molybdenum Corp. of America — John J. Seletti, Security Analyst, Sutro Bros. & Co., New York City. (Page 2)

DAVID NORR
Burnham and Company
Members New York Stock Exchange
and American Stock Exchange

Lakeside Laboratories

The security I like best is a speculation. Lakeside Laboratories is a small drug company with 297,048 shares of stock outstanding. Established earnings are of modest proportions; net income has varied from $300,000 to $600,000 in the last five years. In fiscal 1958 sales and net income were adversely affected by new products of other companies and income declined to $1.33 per share. Working capital is a modest $1,840,000. What then is the appeal in a security which is currently quoted at almost three times its 1958 low?

David Norr

Lakeside has discovered a new product with a very significant potential. Testing of the drug, called Catron (JB 516), is still underway. Approval by the Food and Drug Administration has not been received, a prelude to marketing. But, if approved, and if the drug justifies its early indications, the market should be substantial with little problem of finances or marketing.

Certain brain hormones called serotonin and norepinephrine are among the most important keys to some of the mysteries of biochemistry. These hormones influence blood pressure, emotions and other functions beyond conscious control. It has been discovered that an enzyme called MAO, monamine oxidase, destroyed these hormones which influenced the brain and the maintenance of blood pressure at the proper level. JB 516 has been useful in counteracting or inhibiting MAO and permitting the hormones to accumulate naturally. Studies found JB 516 about 50 times as powerful an inhibitor of MAO as a well known pioneer product in the field but in contrast JB 516 was completely devoid of adverse side effects, a most conspicuous advantage.

Significant results from the use of JB 516 were (1) the lowering of blood pressure in cases of hypertension, or high blood pressure; secondly, the drug was an attractive psychic energizer for treatment of depressed mental states. In this relation the drug was also found useful in blocking convulsions resulting from electric shock. Third, JB 516 was also used effectively in angina pectoris, a painful heart condition. A fourth use may be in the treatment of arthritis either alone or in combination with existing drugs.

Existing products for depression and angina have a market of about $12 million each, but of greatest importance there are a vast number of patients not under treatment at the present time for lack of a suitable product. In arthritis treatment, steroids are believed to have sales of $20 million; to what extent JB 516 might be used in conjunction remains to be seen. The hypotensive market is believed to be about $30 million of which JB 516 might carve out some share. It is conceivable that Lakeside could increase its per share earnings to the $10-$20 level in a few years in my opinion. At present prices there is of course considerable downside risk in the event of some unforeseen problem.

The drug industry is unique in the substantial discovery potential afforded. Production can usually be expanded without recourse to a new plant. Marketing problems may be eased by cross licensing and other similar arrangements. Lakeside appears to have a product capable of unusual results in the next few years.

JOHN J. SELETTI
Security Analyst
Sutro Bros. & Co., New York City

Molybdenum Corporation of America

The main source of Molybdenum Corporation's revenue up to the present time has been the processing of molybdenum and tungsten. Therefore, we must look elsewhere for dynamic new factors in the company's outlook. These fall into three areas of development (1) **Rare Earths,** (2) **Columbium,** and (3) **Molybdenum,** each of which has been years in preparation. All three now appear at the "pay-off" stage, and all should have a powerful impact on the company's fortunes within the next 18 months.

John J. Seletti

(1) **Rare Earths** (Defined as a mixture of 14 elements which occur together in nature, the most common of these being cerium and lanthanum.) Molybdenum Corporation first conceived the idea that a **large tonnage use** could be found for rare earths in the steel industry if sufficient supplies of rare earths were made available at economic prices. After years of searching, the company in 1951 acquired in California the largest and richest deposits of rare earths in the world. The next step, working out methods of extracting the ore economically (a difficult problem as the ore was unique in many ways) was successfully solved. The present facilities at Mountain Pass, Calif. enable the corporation to produce approximately 15 million pounds of Rare Earth compounds annually. This compound sells for a dollar a pound. Marx Hirsch, the President of Molybdenum Corporation, states that this productive capacity could be tripled if demand warranted, with only moderate additional expenditures for labor and machinery.

The corporation has pioneered in the use of Rare Earths compounds for the steel industry, and has now developed and patented several compounds of Rare Earth oxides that are economically advantageous to use in the low carbon steels. This is the large-tonnage market that the corporation has been aiming at, and which could mean an eventual market for this company's rare earth compounds of 40 million pounds a year.

The economic incentives for large scale use of Rare Earths compounds by the steel industry in the near future appear conclusive to this writer. The addition of two to four pounds per ton of steel has been shown to produce some or all of the following benefits in a variety of high-tonnage steels:

(a) Decrease rejects caused by cracking and tearing;

(b) Reduce excess hydrogen, particularly in certain types of stainless steel;

(c) Improve rimming steels, thereby reducing labor costs;

(d) Improve workability and quality of low carbon steels, and

(e) Reduce surface imperfections in low alloy and low carbon steels.

Earnings Potential: On the basis of a 40 million pound market annually for rare earths and present **conservatively** estimated production costs, I project earnings of between $3.50 to $4 per share from the Rare Earths Division alone.

At the annual meeting in San Francisco of the American institute of Mining, Metallurgical and Petroleum Engineers, Mr. H. D. Bailey, manager of the mine and geologist for Molybdenum Corporation, stated . . . "We have in the neighborhood of 20 million tons of ore, averaging somewhere around 10% of rare earth oxides." This works out to roughly four **billion pounds** of rare earth oxides, currently worth $1 per pound.

This deposit is larger than the total known deposits of the rest of the world. In other words, the corporation's reserves of rare earths have a **theoretical** value of approximately $2,500 per share.

While stressing that this is a theoretical value I want to emphasize strongly that it could hardly remain so if the markets which I envisage become an actuality. Therefore, Molybdenum's possession of these enormous reserves would create a powerful double leverage in the market's evaluation of this stock.

A good example of this can be found in the oil stocks, which are evaluated both on earnings and reserves. What price will the market eventually place on Molybdenum's reserves of rare earths? Only time will tell, but I would like to point out that **if the market eventually placed a value of only 10 cents on the dollar for these reserves, one would still come up with a figure of approximately $250 per share.**

Consequently, in view of the above analysis, the rare earths division ALONE would seem to "justify" the technical projections for the stock, but what makes this such a particularly dramatic situation is that this company's two other divisions offer equally exciting prospects. Let us examine them.

Columbium Division: Columbium is a white metal with one of the highest melting points of the metals, approximately 4,400 degrees Fahrenheit. Very expensive to refine into a pure state, it has been used for years in a semi-pure form called Ferro Columbium mainly as an alloying agent in stainless steels.

The current world production of Ferro Columbium is approximately 1½ million pounds annually, and it sells between $3.50 and $4 a pound.

Kennecott and Molybdenum own what is believed to be one of the largest Columbium ore deposits in the world.

Molybdenum Corporation also has a joint venture in a property

Continued on page 32

The Bull Market Today

By G. M. LOEB*
Partner, E. F. Hutton & Co., Members N. Y. S. E.

Market analyst depicts public's foibles in its reactions to the price swings in a booming market. Advocates shunning of low grade issues, and concentration on Blue Chips and issues about to graduate into that charmed circle. Preferred equities to bonds despite unusual differential in yield favoring the latter. Concludes "after the show is over . . . only those who stick to fundamentals will have anything to take home with them."

The woods are full of "warnings" and "cautions" these days. The red lights are flashing everywhere.

G. M. Loeb

In terms of practical investment policy, what does it mean and what should we do about it?

Let's begin with the warnings and cautions themselves. They come from the highest and best-intentioned quarters. However, I think they are misunderstood. The New York Stock Exchange, for example, is not so much interested in warning people against what they should buy as in warning against who should buy or how much. The warnings, as I understand them, are simply re-emphasizing the principles of sound investment. The Exchange, I believe, is shaking its admonishing finger at those who can not afford securities or who do not understand the sensible means of selection and the risks involved. Or, to put it another way, they are telling the amateurs to watch out.

This doesn't mean that the Exchange has changed its tune about the advantages of public opportunities in owning a share of American business. I think the Exchange even understands the necessity of needing some people who will take the risks of buying the cats and dogs of today—some small proportion of which may be the blue chips of tomorrow.

Watchfulness Needed

If I understand the New York Stock Exchange's point of view correctly—and I think I do—I go along with them 100%. Some watchfulness is needed to determine who is doing the buying in the stock market rather than what is being bought.

Warnings, like short selling, generally come at the wrong time. They generally come too soon. By the time the market is ready to decline, those who had been issuing the warnings appear in the wrong because they are forgotten. Likewise, those who were short have long since covered.

I recall 1927 or even 1928, and if memory serves me correctly, there were plenty of warnings and much short selling then. By 1929, however, most of these warnings were forgotten and most of the shorts were covered. As soon as the market really started to go down, the reverse happened and almost everybody started to talk about how "sound" everything was. You get a play-by-play description of this in John Kenneth Galbraith's excellent book, "The Great Crash." Many people who advised against buying shares on their way up because of what they thought was a hazard were a few months later advising purchase of the same shares at the same price, but on the way down. If I were to buy a stock that is supposedly overvalued at 200, I would rather buy it at 200 and try to sell it at 250 than buy it at 200 on the way back to 100 or less.

More recently, I think the Fulbright investigations of early 1955 frightened many investors into losing positions in sound stocks.

Fringe Buying

The present advance is basic enough — the trouble is that a movement of this kind always attracts some ill-advised fringe buying. Being excited about something you expect to happen becomes a strange sensation at the time it actually happens. You talk about growth, but when things actually start to grow, you then become fearful.

On the other hand, it is a great human failing to want something at a discount. Repeating what I said a moment ago in a different way, this means that stocks seem cheaper to the man on the street at a concession from their highest previously recorded price than when they are making new highs. More distribution is accomplished because of the general rush to buy on a setback or in a declining market than at any other time. The danger lies in the seemingly temporary reaction turning into a major downtrend.

The truth is that investment is not an exact science and knowing the facts about a situation in no way guarantees knowing what the market price will be.

There are stocks that at one time seemed fairly priced at 15 times earnings. There was nothing magical about 15, 10 or 20—it just happened that way. Now when the price earnings ratio for these shares went to 25, it seemed high. At 30, it seemed astronomical. Very possibly at 40 it can seem reasonable again. Just how this process of reasoning goes I can not explain, but it is a historical fact.

Price earnings ratios, as a matter of fact, tend to change slowly for the better or for the worse. I don't think anybody ever makes a quick profit selling a stock short simply because of a high price earnings ratio. The real decline

Continued on page 20

*A talk by Mr. Loeb before the Harvard Business School Club of New York City, April 28, 1959.

INDEX

Articles and News — Page

Strategic Factors in Current Business Outlook —Woodlief Thomas — Cover

Our Economic Objectives: Are They Compatible? —James J. O'Leary — Cover

The Bull Market Today—G. M. Loeb — 3

For the Free Economy: With Lip Service—A. Wilfred May — 4

On the Right Track for Tax Revenues—Ira U. Cobleigh — 6

Jet Age's Financing Prospects Just Before Opening Night —T. Carl Wedel — 7

Implications for the Bond Market With and Without Inflation —Beryl W. Sprinkel — 9

Community Facilities Act Has No Basis for Enactment —Gordon L. Calvert — 10

The Case for Bank Stocks—Roger W. Babson — 11

Role of Businessmen in the Defense of the Free Society —Philip Cortney — 12

Submitting East-West Disputes to the Hague World Court —Hon. Richard M. Nixon — 14

The Matter of Tax Equality for Mutual Savings Banks —August Ihlefeld — 18

How Can We Expand Our Markets in Latin America? —J. Peter Grace — 20

The Marginal Income Approach to Long-Range Profit Planning—Robert C. Trundle, Jr. — 22

* * *

Soviet Foreign Trade Operations Detailed — 11

Bank of Nova Scotia Urges Open Mind on Canadian Exchange Rate — 28

Regular Features

As We See It (Editorial) — Cover

Bank and Insurance Stocks — 14

Business Man's Bookshelf — 48

Coming Events in the Investment Field — 5

Dealer-Broker Investment Recommendations — 8

Einzig: "U. S. Demand for British Equities" — 4

From Washington Ahead of the News—Carlisle Bargeron — 16

Indications of Current Business Activity — 37

Mutual Funds — 46

News About Banks and Bankers — 22

Observations—A. Wilfred May — 4

Our Reporter on Governments — 24

Our Reporter's Report — 8

Public Utility Securities — 26

Railroad Securities — 33

Securities Now in Registration — 38

Prospective Security Offerings — 45

Securities Salesman's Corner — 35

The Market . . . and You—By Wallace Streete — 16

The Security I Like Best — 2

The State of Trade and Industry — 6

Washington and You — 48

Published Twice Weekly
The COMMERCIAL and FINANCIAL CHRONICLE
Reg. U. S. Patent Office
WILLIAM B. DANA COMPANY, Publishers
25 Park Place, New York 7, N. Y.
REctor 2-9570 to 9576
GEORGE J. MORRISSEY, Editor
WILLIAM DANA SEIBERT, President
Thursday, April 30, 1959
Every Thursday (general news and advertising issue) and every Monday (complete statistical issue — market quotation records, corporation news, bank clearings, state and city news, etc.).
Other Offices: 135 South La Salle St., Chicago 3, Ill. (Telephone STate 2-0613).

Reentered as second-class matter February 25, 1942, at the post office at New York, N. Y., under the Act of March 8, 1879

Subscription Rates
Subscriptions in United States, U. S. Possessions, Territories and Members of Pan-American Union, $65.00 per year, in Dominion of Canada $68.00 per year. Other Countries, $72.00 per year.

Other Publications
Bank and Quotation Record — Monthly, $45.00 per year. (Foreign Postage extra.
Note—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

For the Free Economy— With Lip Service

By A. WILFRED MAY

WASHINGTON—Nowhere as at an international conference of businessmen is there evidenced so strongly the contrast between obeisance to good behavior and actual performance. And the full dress 17th Congress of the International Chamber of Commerce, participated in here by business and banking leaders representing 50 far-flung nations, has proved no exception. Speaker after speaker during the week-long sessions rose to preach the "sound" economic gospel; but with its nullification constantly discernible, through either the directly undermining policies of his own country or of others over whose destructive policies it has no control.


A. Wilfred May

Despite the past herculean verbal agitation to further the internationalist good life, total world trade has fallen by 7% since 1957, agricultural protectionism and the creation of surpluses have galloped ahead, and full currency convertibility is engaged in by only four countries. And as has been mentioned here, such efforts as the GATT program for trade expansion have concretely evoked non-cooperation from member countries.

The U. S. Example

Let us begin our demonstration of malpractice with our own home-made example. In his key statement the chief host of the hosts, President Eisenhower set the aim of the proceedings thus: "to prove that the *free market* economy can outproduce any other kind of economy known to man. Since the days of Marco Polo, the march of civilization has tramped down the trade routes of the world . . . and never has this been truer than it is today."

And likewise from Philip Cortney, another American spokesman, who presided over the conference: "The prime condition of our free society is sound money. And sound money is also the prerequisite to sound economic expansion, to the development of international trade, and to international investment."

And Mr. H. J. Heinz, II, industrial leader, interrupted his functioning as leader of the American delegation to the ECE meeting in Paris to urge here a "Parade Toward a Freer Trade."

Performance vs. Promise

But—we find that either through unavoidable circumstances or varying degrees of free choice, the expression of good intentions constitutes mere lip service.

Hardly had President Eisenhower's above-quoted paeans of praise to the free market here become dry in his throat before his listeners heard a panel of key Congressmen predict that U. S. trade policies will become increasingly protectionist. Or they could have merely "read the papers" to note the increase in the effectiveness of our protectionist lobbies as evidenced in our recent moves in oil and in the woolens areas. And with rising labor and other costs tending further to price us out of world markets, the defensive weapon of tariffs will be called on more and more.

"The United States will be in favor of the common market—until it starts functioning," one wit has been quoted here.

And it is difficult for us "free-trade" Americans to explain the policy which disqualified British tenders for the Greers Ferry and other electrical contracts, which has caused the representatives of the U. K.'s electrical industry to stay home licking their wounds.

This is not to imply that the U. S. has any monopoly on the swing back from the free market.

France, through M. Soustelle, is opposing a free trade zone; and the French public is expressing substantial opposition to the common market.

Nor is the obstacle to competitive pricing which arises from *full employment* philosophy confined to this side of the Atlantic.

And even the wealthy countries persist in setting their barriers against primary products; as with coffee and tea. The raw material producers, mainly the "developing" (i.e., underdeveloped) countries, in line with their self-interest are complaining about the restrictions by the industrialized nations. Stability of raw material prices is generally sought. But by "stability" is meant stability at the maximum price level. And generally, the quotas, subsidies and restrictions of various kinds go on unabated—all while the free market and the free economy are worshipped as "an indispensable way of life."

In short, the proceedings here may be likened to a group of do-gooders holding a meeting to protest against drinking, and then repairing downstairs to the bar "for one" for themselves.

Berry, Executive V.-P. Of Harriman Ripley

The election of Harold J. Berry as Executive Vice-President of Harriman Ripley & Co. Incorporated, 63 Wall Street, New York City, underwriters and distributors of investment securities, has been announced by Stuart F. Silloway, President.


Harold J. Berry

Mr. Berry joined Harriman Ripley in 1935 following his graduation from the Wharton School of Commerce and Finance of the University of Pennsylvania; was named Manager of the corporate buying department in 1947; was elected a Vice-President of the firm in 1949 and a director in 1953. He is also a member of the board of directors of The Murray Corporation of America; Fifth Avenue Coach Lines, Inc., and Gray Line Motor Tours, Inc.

Batten & Co. Formed

WASHINGTON, D. C.—Batten & Company has been formed with offices at 1835 K Street, N. W., to engage in a securities business. Franklin L. Batten is a principal of the firm.

U.S. Demand for British Equities

By PAUL EINZIG

Growing interest in British equities by Americans, factors responsible for present favorable yield differentials of British over comparable American equities, and the outlook for British equities receive Dr. Einzig's careful scrutiny. Assuming no election until 1960—hence, no Socialist victory until then, Dr. Einzig sees ample opportunity for profit-taking until then and, he adds, even if there were an autumn election there still remains ample time to get into equities and take profits between now and October or November. Concludes the spread between U. S. and British yields is unjustified and is accounted for by U. S. concern for inflation which is said to have held up our recovery.

LONDON, Eng.—American interest in the acquisition of British equities has been very much in the news during recent months. As often as not, the daily Stock Exchange reports attribute to American buying rises in certain first-class equities in which American investors are usually interested. Every now and again there are reports about American take-over bids for British industrial firms. And the recent visit of a group of American security analysts drew attention to the active interest taken in British equities by American investors.


Dr. Paul Einzig

That interest is easily understandable if we compare the yields on equities of the same class in Britain and in the United States. First-class British equities yield something like 1½% more than the corresponding American equities. This difference is explained on two grounds:

Lower British Quotations

(1) Until recently sterling was vulnerable, and from time to time the government had to adopt measures in its defense that resulted in sharp setbacks on the Stock Exchange and curtailed business activity.

(2) The possibility of a Socialist victory at an early general election discouraged many investors from buying and holding equities, for fear of nationalization without adequate compensation.

Beyond doubt the high bank rate and the various disinflationary measures figure prominently among the causes of the relatively low level of the prices of British equities. Even during periods when there was no immediate need for measures to defend sterling there was usually a vague feeling that such measures would have to be resorted to in the near future. At present sterling seems to be secure. Nevertheless there is much talk about the possibility of an autumn crisis. Hence the limited and cautious response of the Stock Exchange to the better news about British business conditions, to the rise in Wall Street, to Mr. Macmillan's decision not to have an early general election, and to the improvement of the international political atmosphere.

Sterling in the Autumn

In reality there is no need for anticipating another sterling scare in the autumn, unless Mr. Macmillan decides to have the election in the autumn. But at the moment it seems much more likely that he will defer it until the spring of 1960. Disregarding that influence, there is every reason to believe that sterling will remain reasonably steady during the autumn, apart from other reasons, because the dollar is likely to be under pressure. The decline of the American gold reserve by $100 million in a single week provides a reminder that in months to come the attention of speculators is more likely to be focused on the dollar than on sterling.

In the absence of disinflationary measures in defense of sterling, British equities will be in a position to benefit by the revival of trade which is expected to take place within the next few months. For this reason alone there seems to be reason for anticipating a narrowing of the difference between the yield of British and American equities.

Admittedly, the possibility of a Socialist victory will continue to discourage investment demand. But on the assumption that there will be no election until the spring of 1960 there will be ample time for investors to get into equities and take their profits. Even if there should be, after all, an autumn election, there are bound to be ample profits to take between now and October or November.

Moreover, it now seems probable that many British firms will change their dividend policies in the near future. A larger proportion of their profits is likely to be distributed than in recent years. The possibility of a Socialist victory will induce many boards to increase their dividends, because there is bound to be some form of dividend limitation under a Labor Government, so that many directors are inclined to pay out higher dividends while the going is good. Another consideration pointing in the same direction is the desire of boards of directors to defend the existing control of their firms against take-over bids. It is because increased profits are not fully reflected in increased dividends that equities are cheap, providing opportunities for bargain-hunting both by investors and by ambitious financiers.

Admittedly, higher dividends would increase the yield on equities, so that they would become even more attractive. But the ensuing rise in their Stock Exchange prices would more than offset this influence. Higher dividends would reduce the undistributed profits the size of which are usually the chief attraction for take-over bidders.

Need Not Cause Lasting Setback

It is true, taking a long view the risk of a Socialist victory can not be ignored. But apart from the effect of the first shock on the Stock Exchange, even a change of government need not necessarily cause a lasting setback in British equities. For one thing, Socialists believe in cheap money, so that the chances are that the level of interest rates will be kept lower than it has been in recent years. There is bound to be an accentuation of the inflationary trend under a Labor Government which will be determined to maintain conditions of full employment regardless of cost.

Finally, it is the intention of the Labor Party to acquire gradually the control of a large number of firms by purchases of their shares on the Stock Exchange. Such persistent purchases will tend to raise the prices of equities. Their mere anticipation would be sufficient to secure a firm undertone after the markets have overcome the effects of the first shock resulting from a Socialist victory.

One of the main reasons why it seems reasonable to view the prospects of British equities without fear is the likelihood of a continued pressure on the dollar between now and the Presidential election in 1960. That pressure enables the British authorities to continue their reflationary policy without risking another drain on sterling. Now that the idea of a spring election has been abandoned, we may safely anticipate another cut in the bank rate. In addition to the recent budget concessions, the government is likely to be generous with financial support, as is indicated by the recent decision to contribute towards the financing of the reorganization of the Lancashire textile industry. There may be further stimulus to demand in the form of increased old age pensions in the autumn, and additional amounts of postwar credits may be released.

Finds Yield-Spread Unjustified

Between them these measures are almost certain to accelerate the pace of business recovery. On the other hand, recovery in the United States may have to be handicapped by measures to be taken in defense of the dollar. For this reason alone, the existing difference between yields on British and American equities appears to be unjustified.

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.

May 29, 1959 (Detroit, Mich.)
Basis Club golf outing at the Lakepoint Country Club, St. Clair Shores, Mich.

June 5, 1959 (Chicago, Ill.)
Bond Club of Chicago annual field day at the Knollwood Club, Lake Forest, Illinois.

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).

June 19, 1959 (Bryn Mawr, Pa.)
Philadelphia Securities Association annual outing at the Overbrook Golf Club, Radnor Township.

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

June 26, 1959 (New York, N. Y.)
Municipal Bond Women's Club annual outing at Seawane Harbor Club, Hewlett, N. Y.

June 26, 1959 (Philadelphia, Pa.)
Investment Association of Philadelphia Spring Outing at Whitford Country Club, Whitford, Pa.

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

Aug. 14-15, 1959 (Detroit, Mich.)
Basis Club summer outing at St. Clair Inn and Country Club, St. Clair, Mich.

Sept. 17-18, 1959 (Cincinnati, Ohio)
Municipal Bond Dealers Group of Cincinnati annual outing — cocktail and dinner party Thursday at Queen City Club; field day, Friday, Kenwood Country Club.

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

Sept. 28-29, 1959 (Toronto, Canada)
Association of Stock Exchange First Board of Governors meeting at the Royal York Hotel.

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

On the Right Track For Tax Revenues

By DR. IRA U. COBLEIGH

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

Containing an appraisal of the important and rising revenues certain states are gleaning from greyhound racing; and some notes on the political and economic importance of dog tracks.

More and more the dog is living up to his billing as man's best friend. We have millions of dogs in the United States, and 400,000 of a special breed called greyhound. Of this swift and streamlined breed, about 55,000 are capable of running competitively — and thousands of them do. They run for money, and into big money. In 1958, over $215 million was bet on greyhounds at pari-mutuel windows at 32 tracks in Arizona, Arkansas, Colorado, Florida, Massachusetts, Oregon, Rhode Island and South Dakota. Each of these states derives a sizable and growing income from its percentage of the pari-mutuel dog track betting "handles." For instance, in the 1957-58 season, Florida realized total dog track revenues of $14,381,995. For Massachusetts many a genteel little old lady today is rockin' out her sunset years in contentment, just because a few hundred dogs keep busy running for her. In Massachusetts revenues from pari-mutuel wagering and licensing fees from dog racing flow into the Old Age Assistance Fund.

Ira U. Cobleigh

Greyhound racing is not only an exciting and fascinating spectator sport but its popularity is increasing at a far faster rate than horse racing—flat or trotting. In the states where both racing sports are legalized, greyhound tracks are the more dynamic performers. For example in 1958 (again in Massachusetts), total revenue to the Commonwealth was $5,466,212 from running and harness horse racing combined, against $6,033,294 from dog racing. In Colorado for the years 1950-58 dog racing contributed $10,527,930 in revenue against $5,090,101 in the same period from horse racing —2 to 1 in favor of the dogs.

Why then has dog racing been so neglected? Why don't more states legalize it as a significant contribution to industrial expansion, payrolls and economic welfare; as a highly popular spectator sport, and as a dynamic tax revenue producer? There is no conflict between horse and dog tracks. Their seasons are different, many dog tracks run at night attracting an entirely different clientele. Further, whereas there has been an occasional whisper about jockeys deciding in advance the winner of a horse race, there is no record of collusion of that sort among hounds! You may bet on a slow greyhound but you'll never bet on a crooked one! All newborn greyhounds (if they're ever to race) must be registered with the National Coursing Assn., and, on race nights, the dogs are taken from owners hours before racetime, weighed in, and examined by veterinarians both before and after racing. Dog racing is as clean as a hound's tooth! Its potential followers are as numerous as dog lovers in the U. S.—tens of millions.

Here then is a pleasant and thrilling pastime; and a fine revenue producer, that deserves Civic encouragement. (It is a major spectator sport in the United Kingdom.) It benefits localities by expanding payrolls, and local spending for food and supplies, maintenance, advertising, utilities and by attracting the spending money of thousands of visitors from outlying or remote areas. At one dog racing meet at Mile High Kennel Club, in Denver, Colorado, a check in the parking lot showed car licenses from 47 different states!

Which brings us down to an important point. The tax revenue derived by a state from greyhound speed-merchants is quite painless taxation. It is collected from people at leisure, with spending money to spare; and a high percentage of revenue received actually comes from non-residents. For you see, dog racing is an eager tourist attraction. Arizona regards it as among its top attractions for out-of-staters.

Thus it is that some of us, in New York State, who have followed the agonized groping for new tax income by Governor Rockefeller, and Mayor Wagner of New York City, wonder why dog tracks have not been welcomed long since. We're sick and tired of having gasoline and cigarettes the whipping boys for each new fiscal urgency in our State. To quote an earlier Governor (Al Smith), "let's have a look at the record!" If you buy a pack of cigarettes in New York City today, here's what you pay—29¢ a pack. But of that over 50% goes for taxes! The Federal tax is 8¢; New York State tax 5¢, and the City tax 2¢—15 cents in all out of a retail price of 29¢. Why should smokers be so savagely penalized?

In gasoline the story is much the same. The Federal tax is 3¢ a gallon (Congress has been flirting with a 4½¢ charge) and New York State tax, 6¢, not counting the 3% sales tax in New York City. Why should motorists be so unjustly penalized?

In New York City they've just slapped a 10¢ tax on each taxi ride. They've taxed hotel bills, and threatened to impose a tax on bank checks, and increased transfer taxes on stocks. Why all this desperate fiscal fishing for income, when legalized dog racing might deliver, in time, $75 million a year in new-found tax money? Jai-alai frontons could add millions more.

Many people have suggested legalizing off track (horse) betting as a revenue builder; but putting up pari-mutuel parlors in Times Square or in Buffalo is no solution. It wouldn't pick up much revenue and it wouldn't eliminate the "bookie." For the "bookie" is not only a private (and illegal) agent for placing horse wagers; he has a much larger trade in betting on baseball, football, basketball and wrestling and there have never been pari-mutuel windows for these.

Most of us who can spend any time in Florida during the winter have been amazed at the tremendous crowds drawn by dog tracks and Jai alai frontons. Dog tracks are much less costly to build than horse racing parks, they have a broader appeal, and their income growth in general is at the rate of about 6% a year. Moreover, with our steadily increasing national leisure (the 35-hour week is very much in the news) and considering that we are a nation of dog lovers, the pleasant pastime of greyhound racing may be regarded as virtually in its infancy.

Most existing greyhound tracks are privately owned. There are two or three, however, in which shares were publicly underwritten, with the issues currently trading in the Over-the-Counter Market. Legalizing the sport in a state has usually attracted substantial capital for building parks. A fair-sized greyhound track could be built for $2 million; and almost any city with a population of 500,000 or more might support one. With the Giants and Dodgers gone for good, New York City could probably support a $10 million Canine Coliseum, enclosed perhaps for year-round coursing.

When so many millions of people are being hounded by high taxes it's about time we let the hounds share some of the burden. This unique quadruped, the greyhound, teamed up with pari-mutuel betting, has created an important industry in the nation, a thrilling spectator sport and tens of millions in revenue for a grateful group of states. If it's good for them why isn't it good for New York State? Or for Michigan, which has been having a tough time meeting payrolls? As a matter of fact a Bill (#1893) was introduced at the recent session of the New York legislature that would legalize greyhound racing.

W. C. Langley Co. To Admit Barnard

W. C. Langley & Co., 115 Broadway, New York City, members of the New York Stock Exchange, on May 7th will admit Henry G. Barnard, Jr. to partnership. On April 30th, Kenneth F. Dietz will retire from partnership in the firm.

Berry & Knight With S. D. Fuller & Co.

Thompson D. Berry and Peyton H. Knight have become associated with the new business and syndicate departments, respectively, of S. D. Fuller & Co., originating underwriters and investment dealers, it was announced by Stephen D. Fuller, senior partner. Messrs. Berry and Knight will make their offices at the firm's headquarters at 26 Broadway, New York City.

A branch office is maintained by the Fuller organization in Montgomery, Ala.

Form Max Philipson Co.

UTICA, N. Y.—Max Philipson & Company, Inc. has been formed with offices in the Mayro Building to engage in a securities business. Officers are Max Philipson, President; Meyer Philipson, Treasurer; R. C. Philipson, Secretary and Assistant Treasurer; and John M. Hubinger, Vice-President. Max Philipson and Meyer Philipson are partners in Philipson and Company, with which Mr. Hubinger is also associated.

Form Shoemaker & Co. In Oklahoma City

OKLAHOMA CITY, Okla.—Shoemaker & Co., Inc. has been formed with offices in the City National Building to engage in a securities business. Officers are William R. Shoemaker, President; and L. J. Cole, Secretary-Treasurer. Both were formerly with R. J. Edwards, Inc.

With Walls Associates

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—D. Allen Martin has been added to the staff of Walls Associates, Inc., Candler Building.

With Wyatt, Neal

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga. — Richard P. Harbour, Jr. has become connected with Wyatt, Neal & Waggoner, First National Bank Building.

The State of Trade and Industry

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

The upswing in business was extended in March, the Office of Business Economics reports in the April issue of the "Survey of Current Business," monthly publication of the Department of Commerce. As the spring quarter opened, national output was above the average for the first three months, when Gross National Product is estimated to have reached a seasonally adjusted annual rate of around $465 billion. This compares with $453 billion in the final quarter of 1958 and $427 billion in the initial period a year ago.

Practically all of the fourth-to-first quarter GNP gain of 2½% was in physical volume, with average prices showing little change. The expansion so far in 1959 reflects a rise in the consumer demand, a significant increase in business fixed investment, and inventory rebuilding.

The rise in plant and equipment expenditures, though not yet large, reflects a reversal of the downward movement which had prevailed for more than a year. This has been a factor in the enlarged flow of new orders to durable goods manufacturers.

The upward movement in personal income raised the total to a seasonally adjusted annual rate of $368½ billion in March, $3 billion above February. Most of the increase stemmed from a rise in employment and from continuing advances in wage rates. For the quarter, personal income averaged $365½ billion, $6 billion more than in the fourth quarter of 1958.

With the uptrend in personal income, consumer buying advanced and most major groups shared in the expansion. Sales of durable goods have risen in recent months to exceed the previous dollar high. In nondurable lines, sales in the first three months were maintained at the high volume reached in late 1958—5½% above a year ago.

The expansion of output in the first quarter was accompanied by a corresponding rise in national income. Compensation of employees increased 2% over the fourth quarter rate, after seasonal adjustment, with higher rates of pay and some increase in employment contributing to the advance. Proprietors' income has advanced in line with the increase in consumer buying. A rise in corporate profits is indicated by the increased sales of most lines of business.

New construction during March continued in outstanding volume. Monthly construction outlays tended to level off in the first quarter, on a seasonally adjusted basis, following a steady upswing from the spring of 1958. Compared with a year earlier, new work put-in-place in the first three months of this year was up by more than one-tenth. The advance reflected substantial increases in public and residential construction expenditures, offset partly by a 5% decline in private nonresidential activity.

Nationwide Bank Clearings Down 0.7% From 1958 Week

Bank clearings this week will show a decrease 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 25, clearings for all cities of the United States for which it is possible to obtain weekly clearings will be 0.7% below those of the corresponding week last year. Our preliminary totals stand at $24,563,806,617 against $24,735,230,992 for the same week in 1958. Our comparative summary for the principal money centers was as follows:

Week Ended April 25—	1959	1958	%
New York	$12,404,224,056	$13,859,377,794	—10.5
Chicago	1,189,042,961	1,012,639,311	+17.4
Philadelphia	1,148,000,000	1,085,000,000	+ 5.8
Boston	721,601,087	716,148,027	+ 0.8

March Building Permits at Record Level

The total value of building permits for 217 cities in March amounted to $710,994,544, reports Dun & Bradstreet, Inc. This was the highest level for any March on record, exceeding the previous high of $564,046,356 of March last year by 26.1%. The current total was up 45.3% over the prior month's $489,469,606.

New York City building permits totaled $96,589,327 in March for a rise of 80.0% over the $53,723,840 of a year ago. The level was 12.6% above the $85,789,462 of February.

The valuation of permits issued in 216 outside centers in March came to $614,405,217. This compared with $510,322,516 last year for a gain of 20.4%, and with $403,680,144 in the prior month for an increase of 52.2%.

Building Costs to Increase Sharply

Although construction costs advanced only 1% in the past six months, probably due to cold weather and the off-season character of the market, costs are expected to be 4% higher by next April.

Commenting upon the construction cost rises, Myron L. Matthews, manager-editor of the 1959 edition of the revised Dow Building Cost Calculator, an F. W. Dodge Corporation service, said: "The prewar $7,500 house which costs $19,200 today, will probably carry a price tag about $768 higher by April 1960.

"The 1941 building dollar is now worth 39 cents. This means the buyer must put up $2.56 to do the work $1 did before. Twelve months from now the buyer will have to increase the amount to $2.66," added Mr. Matthews.

"The same increase applies to non-residential buildings, such as offices, schools, hospitals, but we should not forget that 'construction packages' are more complete than those produced 18 years ago," Mr. Matthews stated.

Of the two major components of construction measured (materials and labor at the site of construction), labor has again exhibited the greater strength. In the six months ending April 1, building material prices to builders have not changed in 93 of

Continued on page 35

Jet Age's Financing Prospects Just Before Opening Night

By T. CARL WEDEL*
Vice-President, The First National City Bank of New York

An airlines financial critic evaluates present and future prospects for financing jets which he finds somewhat analogous to judging a Broadway show's success before opening night. He believes airlines' borrowing needs of $1.4 billion—$600 million from banks and $800 million from insurance companies—will be paid back even if jets do not break even up to a point, and stresses balance of total $2.6 billion for 1958-62 transition to jets will depend on sustained healthy earning power to generate necessary retained earnings or attract equity cash. Mr. Wedel notes: (1) financial community's resistance to lease method of financing; (2) jet age can be a "hit" for lenders but need not be so for shareholders; (3) airline equities today are beginning to sell above book; and (4) it is premature for airlines to order future needs now.

To ask a banker to analyze the present status of airline finances is like asking a theatre critic to (a) write a review of a Broadway show the night before its dress rehearsal opening in New Haven; (b) predict the reception of the same producer's next two shows; and (c) predict the ability of the producer of the show to pay all his bills, without officially having the right to see all his check books or the true size of his piggy bank. This critic is slightly different from the average theatre critic since he has not only paid for his seat, but he also has invested quite heavily in the show. Therefore, he may not be too objective and I would say that no critic approaching an opening night ever hoped more fervently for a hit. Incidentally, I believe that on Broadway those who invest in a show are often called "angels," so this is probably where the resemblance between bankers and investors in a play must end.


T. Carl Wedel

As he awaits the rising of the opening night curtain, an airline financial critic's thoughts about the forthcoming show might be put into the form of three major questions. Until the show is over, of course, the critic must supply his own answers—based upon the limited definitive statistics and arithmetic at his disposal and his even more limited crystal ball. The questions are:

Raises Three Basic Questions

(1) Has the $2.6 billion equipment portion of the 1958-62 domestic trunk airlines' transition to the jet age been successfully financed? — And, if so, how? (Note: Source of equipment costs based on Cherington Report.)

(2) Will the jet age be a financial hit?

(3) What will the airlines' further jet equipment needs be and, if substantial, can they be successfully financed?

Now let's see what some answers might be:

Question (1)—Has the $2.6 billion 1958-62 domestic trunk airlines' transition to the jet age been successfully and conservatively financed?—And, if so, how?

Answer: Yes, with a few notable exceptions, it has been—if projected cash generation (something above the $200,000,000 plus of estimated 1958 cash throw—depreciation plus earnings) is realized during the next five years. Since April, 1958 (where the Cherington Report left off) most major airlines have by now arranged to borrow from banks and insurance companies substantially all the additional funds they feel they will need to pay for their jets and related ground equipment after taking into account the funds they feel they can generate internally—from depreciation, retained earnings, and, far less importantly, sale of obsolete flight equipment. In the domestic airline field, a few strays still roam the celestial corral but, unlike the parable of the sheep in the Bible, this discussion will concern itself basically with the majority of the sheep safely in the fold since the strays who still must arrange their financing will not affect materially the overall pattern.

It looks as though the amount which may have to be borrowed will be in the $1.4 billion range for the domestic trunks plus the U. S. Flag international and overseas carriers. The magnitude of the job which the airlines have accomplished in "luring" this sum from the conservative lenders of America can be glimpsed from the fact that the total long-term debt of these airlines today is probably under $500,000,000 (which represents the all-time peak debt thus far in their dynamic history), and their combined book net worth — a key figure in determining how much credit any company can get in a free enterprise economy—was probably slightly under $850,000,000 at the end of 1958.

At this point, I might as well admit that we lenders have not been quite as courageous in committing to lend this $1.4 billion as the cold arithmetic might indicate at first glance. Since the airlines must compete for money with all other industries in our economy which we are asked to finance, we have told them, in effect, that we will lend them, on the average, something under $1.50 for every $1.00 of book net worth they, themselves, can "ante up."

Earning Power Is a Must

On the basis of their present net worth, then, we have promised (or would promise in the few cases where we have not yet been asked) to lend them about $1 billion of new money when their present $500,000,000 of debt is subtracted from the picture. To take down the whole pot they need, the airlines obviously must still increase their present equity substantially—and only retained earnings or the public sale for cash of equity securities can produce this still vitally needed portion of the airlines' "ante." Additionally, we have set certain minimum working capital standards which, in many cases, are above the present level of the airlines' working capital and cash must be found to close this gap. Thus sustained healthy earning power during the transition years to jet operation continues to be a must for the airlines. The other choices are obvious: (1) cutting back jet orders; (2) selling equity at a market price that may dilute present stockholder investments (since the market price of equity securities is directly related to earnings) and most airline equities, even helped by our bull market, are, like crocuses in early spring, just now timorously poking their heads up above book value; or (3) inducing the long suffering aircraft manufacturers (who at the present level of orders have not yet recouped the tremendous development and tooling costs of the jet age and who have their own working capital and credit problems) to take "slow subordinated notes" in lieu of cash for the last batches of jet deliveries.

None of these choices seem economically sound nor fair when airline earning power can furnish the far more preferable "free enterprise" solution. The manufacturers we have talked to say, with good reason, "we are not in the finance company business and we shouldn't be forced to become substantial—and unwilling—contributors to the equity of U. S. airlines."

With a "little bit of luck" at the earning and cash generating power level and, helped by the willingness of the financial community to stretch the rubber band of the debt-equity ratio concept a little beyond the traditional 1-to-1 top limit, the airlines, on the basis of their present arrangements, should be able to finance at least the opening night and, say, the first 100 performances of the jet age. Of great comfort to a critic making such a prediction today is the realism with which "cash proceeds from the sale of piston aircraft" is finally being handled in the airlines' own cash flow projections. Gone are the days when every DC-7 or Super Constellation was considered the equivalent of $2,000,000 invested in U. S. Treasury Bills. The future of all piston-engined aircraft, is, of course, a fascinating story in itself—whose telling demands at least the foretelling power of a mystic (which, regrettably, I don't possess). However, for the purposes of this discussion, it is pertinent to point out that, to the extent that cash proceeds from their sale has been ignored or minimized in airlines' cash flow projections, to the same extent they can be virtually ignored as a critical factor in the success of the airlines' financing of the jet age. In most projections, they are now a "Lucky Strike Extra"—a real object lesson in rapid and block obsolescence. To the manufacturers who may have taken these obsolete planes as "trade-ins" on jets, their future market price is of far more consequence.

Why Not Lease?

Now a word about leasing—a parody on a popular song goes "If you're feeling kind of lonely and you don't know what to do—have a baby, pretty baby." Haunting the background of many airline financial discussions today seems to be a similar refrain which sounds a little like "If you're having trouble with your bankers and you don't know what to do—lease your airplanes, pretty airplanes." It is a pretty tune and a beguiling idea, but, if the average entrepreneur, or manufacturer, who chants it is taken seriously, he is likely to discover that he is heading for trouble with his bankers, for he usually must arrange to borrow nearly the full amount of the cost of the planes he wants to buy, using as security the rentals due from the leasing airline. Such a lease, of course, is viewed by the prospective lender as "only as good as the airline's ability to generate the cash to pay it." Chances are that this airline is already having trouble inducing its bankers to lend money directly to buy the needed airplanes (which is probably the main reason it grasps at the "straw" of leasing). A third party (the prospective lessor) would, logically, then have far more trouble inducing the same type of financial institution to lend against the airline's lease—since this lender would not even have the comfort and protection of a credit agreement with the airline which would normally include provisions limiting future debt and leases and requiring the maintenance of minimum working capital, etc.—which the direct lender would have.

Resistance to Lease Method

By and large, therefore, the financial community has strongly resisted and probably will continue to resist the lease method as a pure alternative for direct borrowing for flight equipment purchases — since it almost invariably costs the airline more in the long run and injects a superfluous "third man" into the situation. Thus lease financing has not been an ingredient of substance in the airlines' jet financing programs—and where it has been used, total lease rentals payable will undoubtedly be considered by credit analysts as the equivalent of debt on the airline's balance sheet and annual lease rentals will be considered the equivalent of fixed debt maturities in relation to cash generation. The credit of a few airlines, of course, is so strong that their leases can be, and have been, successfully financed at low rates and without recourse to the manufacturer or equipment owner—but this is the exception, not the rule. Most airline credit agreements, in fact, put certain limits on the amount of lease rental obligations an airline can incur. Leasing for special situations and/or to take care of peak seasonal loads or to take advantage of lucrative interchange opportunities is another story—and viewed more sympathetically by conservative lenders.

Paradoxical Financial Success

Question (2)—Will the jet age be a financial hit?

Answer: At this moment in history, this answer demands more foresight than even a jet powered crystal ball probably possesses.

Continued on page 24

*An address by Mr. Wedel before the Wings Club, New York City.

Dealer-Broker Investment Recommendations & Literature

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

Annual Reports—Review—W. E. Hutton & Co., 14 Wall Street, New York 5, N. Y.

Bond Market—Review—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

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

Capital Funds — Compilation of capital funds of 100 largest banks in the United States — Republic National Bank of Dallas, Republic National Bank Building, Dallas, 1, Texas.

Cement Industry—Analysis with particular reference to **Penn Dixie, Marquette, Pacific Cement, American Cement** and **Whitehall Cement**—Blair & Co. Incorporated, 20 Broad St., New York 5, N. Y.

Does it Make Sense to Buy Stocks?—Booklet of guideposts of sound investing, in question and answer form — New York Stock Exchange, 11 Wall Street, New York 5, N. Y.

First Quarter Earnings Reports—Appraisal—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.

Japanese Stock Market—Study of changes in postwar years—In current issue of "Nomura's Investors Beacon"—Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y. Also available is a review of the outlook for Plant and Equipment Expenditures in Japan for 1959 and brief analyses of **Mitsubishi Heavy Industries, Nippon Flour Mills Co., Iwaki Cement Co.** and a survey of the **Steel Industry.**

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

Life Insurance Companies—Comparative figures on assets, operating income and life insurance in force for 40 representative stock life companies—Robert H. Huff & Co., 210 West Seventh Street, Los Angeles 14, Calif.

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.

Oil Company Financial Statements—Comparative figures—Carl H. Pforzheimer & Co., 25 Broad Street, New York 4, N. Y. Also available is a memorandum on **Consolidated Natural Gas Company.**

Oil in Canada—Facts and figures—Wood, Gundy & Co., Inc., 40 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.

Portfolio for a Businessman—Suggested issues for investment—Ross, Knowles & Co. Ltd., 25 Adelaide Street, West, Toronto, Ont., Canada.

Revenue Bond Projects—Progress report—Smith, Barney & Co., 20 Broad Street, New York 5, N. Y. Also available is a report on **Chemical & Pharmaceutical Stocks.**

* * *

Academy Life Insurance Co. — Memorandum — Searight, Ahalt & O'Connor, 115 Broadway, New York 6, N. Y.

Alabama Gas Corporation—Report—Georgeson & Co., 52 Wall Street, New York 5, N. Y. Also available is a report on **Joy Manufacturing Company.**

Alco Oil & Chemical Corp.—Memorandum—Richard Bruce & Co., 26 Broadway, New York 4, N. Y.

Alden's, Inc. — Report — Reynolds & Co., 120 Broadway, New York 5, N. Y. Also available are reports on **Alco Products** and **Anderson-Prichard Corp.**

American Broadcasting-Paramount—Review—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y. Also in the same circulars are reviews of **McGraw Edison, Northwest Airlines** and **San Diego Gas & Electric Co.**

Barium Steel Corp. — Memorandum — Oppenheimer & Co., 25 Broad Street, New York 4, N. Y.

James B. Bean Distilling Company—Report—Blair & Co. Incorporated, 105 South La Salle Street, Chicago 3, Ill.

Bergstrom Paper Company—Report—The Milwaukee Company, 207 East Michigan Street, Milwaukee 2, Wis. Also available is a report on **Unilever N. V.**

Boise Cascade Corporation—Analysis—Pacific Northwest Company, Terminal Box 3686, Seattle 24, Wash.

Bullock's Inc. — Analysis — Hill Richards & Co., 621 South Spring Street, Los Angeles 14, Calif. Also available is an analysis of **Thrifty Drug Stores, Inc.**

Camco, Inc.—Analysis—Simmons & Co., 56 Beaver Street, New York 4, N. Y.

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

Clark Equipment Company—Report—Thomson & McKinnon, 2 Broadway, New York 4, N. Y. Also available is a report on **W. R. Grace & Co.**

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

Ex-Cell-O Corp. — Report — A. M. Kidder & Co., Inc., 1 Wall Street, New York 5, N. Y.

Farrington Manufacturing Co. — Memorandum — Shields & Company, 44 Wall Street, New York 5, N. Y.

Fedders Corp.—Memorandum—Van Alstyne, Noel & Co., 52 Wall Street, New York 5, N. Y.

Glass - Tite Industries, Inc. — Progress report and analysis—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

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

Great Northern Railway—Review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Gulf Coast Leaseholds — Study — Carothers & Company, Inc., Mercantile Bank Building, Dallas 1, Texas.

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

Illinois Central—Data—Herbert E. Stern & Co., 52 Wall Street, New York 5, N. Y. Also in the same circular are data on **G. D. Roper Corporation.**

Interchemical Corp.—Bulletin—Bache & Co., 36 Wall Street, New York 5, N. Y. Also in the same bulletin are data on **Champlin Oil & Refining.**

Kratter Corporation — Brochure — Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y.

Lily Tulip Cup Corporation—Analysis—Edwards & Hanly, 100 North Franklin Street, Hempstead, N. Y.

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

Mercantile National Bank of Dallas—Memorandum—Rauscher, Pierce & Co., Mercantile Dallas Building, Dallas 1, Texas.

Mirro Aluminum Company—Analysis—Loewi & Co. Incorporated, 225 East Mason Street, Milwaukee 2, Wis. Also in the same circular is an analysis of **Thomas & Betts Co.**

Morrison-Knudsen Company Inc.—Bulletin—De Witt Conklin Organization, 120 Broadway, New York 5, N. Y.

Motorola Inc. — Memorandum — Hemphill, Noyes & Co., 15 Broad Street, New York 5, N. Y.

New York Chicago & St. Louis—Analysis—du Pont, Homsey & Company, 31 Milk Street, Boston 9, Mass. Also in the same circular is an analysis of **United Artists Corp.**

Ohio Edison Company—Annual report—Ohio Edison Co., L. I. Wells, Secretary, Akron 8, Ohio.

Pacific Gas and Electric Company — Annual report — Pacific Gas and Electric Company, 245 Market Street, San Francisco 6, Calif.

Puget Sound Power & Light Company—Annual report—Puget Sound Power & Light Company, Frank McLaughlin, President, 860 Stuart Building, Seattle 1, Wash.

Royal Dutch-Shell — Memorandum — Model, Roland & Stone, 120 Broadway, New York 5, N. Y.

Standard Oil Company of Indiana—Annual report—Standard Oil Company, 910 South Michigan Avenue, Chicago 80, Ill.

Sterling Drug Inc.—Report—Harris, Upham & Co., 120 Broadway, New York 5, N. Y. Also available is the current issue of "Pocket Guide" containing lists of selected stocks in various categories.

Sundstrand Corporation—Annual Report—Sundstrand Corporation, Rockford, Ill.

Wheeling Steel Corp.—Circular—Peter P. McDermott & Co., 42 Broadway, New York 4, N. Y.

Our Reporter's Report

Outside the tax exempt field, and even to some degree in that direction also, the demand for fixed term investment securities has been on the sluggish side for some weeks.

On occasion there has been seeming indication of the approach of a new "base." But up to here such activity has been fleeting to say the least. Investors have the "bit" and, far from being attracted in droves by yields being fixed on new issues, they are still disposed to hold out for more inducement.

This condition holds in the secondary market as well as in the new issue field. Institutional portfolio men once more feel they can afford to be choosy and so far they have had things their way.

The stock market, which has been giving the investment market keen competition for many months, still manages to eke out new average highs. But the going appears to be getting a bit tougher for the bulls and it may be that people with funds to put away could turn to fixed return securities at least for a spell.

In spite of the general situation, corporate borrowers continue to disclose their plans for seeking substantial amounts of new capital through the sale of debt securities in the weeks ahead.

Naturally, a goodly portion of such projects represents efforts to fund short-term debts already incurred for expansion purposes.

Two Big Ones Ahead

Among the largest of recently disclosed undertakings is Consolidated Edison Co. of New York's $75 million of new 30-year first and refunding mortgage bonds.

The big utility put this prospective offering into registration with the Securities and Exchange Commission recently and plans call for the opening of competitive bids on May 26 next. Proceeds will be used to fund short bank debts and to finance in part construction plans.

Meantime, Public Service Electric & Gas Co. plans to raise $50 million through the sale of first and refunding mortgage bonds to mature in 30 years. This issue probably will be up for bids early in June.

Bidding Is Brisk

Public Service Co. of Colorado's $20 million of 30-year first mortgage bonds, put up for bids on Tuesday, brought out tenders from a total of six banking groups.

The successful bid, 100.47, called for a coupon rate of 4⅝% and reoffering at a price to return the buyer an indicated yield of 4.55% on the Double A rated issue.

The remaining five bids were bunched within a range of 20 cents per $100 piece of each other and all fixed the same coupon rate as the winner. The bid of the runnerup at 99.8299 was about 64 cents per $100 away from the top tender.

Too Close to Trees?

Judging by the experiences of people who have been getting away from New York and moving around the country, sentiment among institutional investors is noticeably more cheerful out of town.

One such wanderer coming back from a whirl around the southeastern area discovered a much broader interest in the bond market than now prevails in the metropolitan area. In fact, he expressed the opinion that feeling seemed to be better than he had seen it in several years.

Investment managers for insurance companies, pension funds and trusts, he said, were of the opinion that it is time to start taking a real close look at things, and to remember that it is difficult to catch the extreme lows.

W. G. Espy Opens

PANAMA CITY, Fla. — W. G. Espy is engaging in a securities business from offices at 18 North Oak Avenue, under the firm name of W. G. Espy Investment Securities.

Implications for the Bond Market With and Without Inflation

By DR. BERYL W. SPRINKEL*
Economist, Harris Trust and Savings Bank, Chicago, Ill.

Acceptance of inflation's inevitability means higher interest rates. In premising this view, Dr. Sprinkel argues for a flexible monetary policy that correlates money supply to real economic growth. He thus favors a fluctuating interest pattern to a stable one to assure a stable dollar even though it increases the risk burden for underwriters and investors. The economist detects a causal relationship between money growth rate and business cycle turns and, in noting moderate inflation since 1951, he approves credit restriction during full employment inflationary periods, and credit ease during recessions. He suggests, however, Federal Reserve use sensitive indicators rather than laggers such as consumer price index. Other observations include: (1) this recession did not differ from previous ones regarding price movement direction; (2) stock market advance is not out of line with usual pattern; and (3) Federal cash deficit need not always cause inflation, nor growth not occur without inflation.

I
Introduction

There has been growing concern in recent months over the problem of inflation. Government spokesmen have been quite active in speaking about the matter. Financial writers have written on it practically every week, and, as has been indicated in the polls, this is one of the greatest concerns of Americans today.


Dr. B. W. Sprinkel

Before discussing the prospects for preventing inflation I would like to make sure that we have a common understanding of the meaning of inflation. I am speaking about a rise in the general price level of goods and services. There are many definitions that might be chosen, but that is the one I prefer. Those favoring stable prices do not mean stable particular prices or stable relative prices, because certainly we want relative price changes to reflect changing demand and supply conditions. Also, inflation does not mean the rising cost of maintaining a rising standard of living. I think that is a matter of great confusion for many of us.

I speak frequently with businessmen who tell me that the cost of their living has been going up from five to ten percent, a year for many years. I asked them whether it is not possible that they are living better and they always say "no." Then when asked what kind of car they drive, they drive Cadillacs instead of Chevrolets. They have 15 suits of clothes instead of two. They eat better, etc. So we should not call a rising standard of living inflation. We are talking about a cost rise in maintaining a given standard of living.

I would like first to review the record of inflation as defined and make some comparisons. Then I will consider some of the sources of the present concern over inflation, the basic causes, what can be done to stop inflation, and finally point out some of the implications for the bond market.

II
Review of Past Record

Inflation in this country is not new. It is something we have been accustomed to throughout most of the history of this country. The price record in recent years, in fact, has been far superior to most periods in our history. If, for example, we compare the changes in the price level since 1951 with changes that occurred in the early postwar years and with the average changes over the last half century, we find that we have had very modest inflation compared to those periods. Since 1951, the average annual compound rate of rise in the consumer price index has been 1.3%, while wholesale prices have risen at an average annual pace of 0.8%. These results compare with a rise of 5% a year in consumer prices from 1946 to 1951 and 8% a year in wholesale prices, and against a half century yearly average of 3.1% in the consumer price index and 2.3% in the wholesale price index.

Furthermore, there is reason to believe that our indices are biased upward, due primarily to inadequate adjustment for quality improvement in goods and services produced. It is far from certain that we have had any inflation on average in the past seven years, if we take proper account of the upward biases in our indices. Also, it appears highly probable that actual prices are much more flexible over the business cycles than are prices reported by the various indices. I am not arguing that statisticians in Washington are incompetent, but rather that the technical problem is largely insurmountable. They cannot make complete allowances for the fact that quality improves over time because quality improvements are difficult to measure. It is clear, however, that some further refinement is necessary even though difficult. If we have a bias of as much as one-half of one percent to one percent per year, we have had no inflation. I do not know what that bias is; I can speculate that it is sizable, but certainly we have had a very moderate inflation, if any, since 1951.

III
Source of Current Inflation Concern

Now, if it is true that we have not had much inflation—and not everyone will agree with that—why the current concern over inflation? There are at least three reasons that account for this concern. One is what I believe to be a misunderstanding of the price performance in the recent recession. Many have argued that compared to other recessions, prices didn't decline. "If they failed to go down in this recession as they used to, we must be headed for a hyper-inflation." The error is due to the fact that prices typically did not decline in past recessions. The only times we had price declines were when we had **depressions** of which there have been three really serious ones: 1920-21, 1929-33 and 1937-38. In those three periods we had price declines of 5% to 25%. As a matter of fact, in the early part of most **recessions** we have had price increases, and then prices leveled out as in the recent case. The recent experience was not new in my opinion. Those contending it was unique are misreading history. If we had had a depression this last time, I have no doubt that prices would have dropped, but fortunately we suffered only a mild recession.

Another reason for the current great fear over the price level is the fact that many argued that the bull market trend in the stock market is just completely out of order and shows no relation to what happened in earlier years. "There must be a great danger of inflation, as witness the fact that stock prices have risen sharply." There are always some differences in market development over recession-recovery periods and there are differences this time, but, in my opinion, they are not out of line with usual patterns. The pattern we have experienced over the past year or year-and-a-half is quite in line with what has happened time after time. Typically, stocks go up as business is still going down. The average lead of stock price recovery over the business recovery is about seven months, and this time it led by about five months. Also, as the National Bureau of Economic Research has pointed out, there tends to be an inverse relation between the size of the stock market rise following recessions and the size of the preceding recession. That is, the greater the drop in economic activity, the smaller the subsequent rise in the stock market. The smaller the drop in economic activity, the greater the rise in stock prices. If you compare recent performance to what happened in other periods, it is right on schedule. The stock market rise in the past year from the low of the recession has been greater than the rise occurring in the same time period following those recessions that were greater than the last one, but it has been less than the rise in the stock market following the next most mild recession.

Again, the market, to the extent that it is inciting inflation fears, is getting a little more play than it should.

Another factor that has increased inflation concern is the fact that we have had a cash deficit in the current fiscal year of about $13 billion. All of us have learned that a deficit inevitably causes inflation. "We have a tremendous deficit, and therefore it must be true that we are headed for tremendous inflation." Yet, that is too easy. Deficits cause inflation under certain conditions, at least two, neither of which held during this past year. Deficits are inflationary; **one,** if those deficits are financed by new money obtained through banks. We have not had as much of that type of financing as many expected. Only one-quarter of the cash deficit in fiscal 1959 has been bank financed. **Two,** bank financed deficits are inflationary provided the economy is at practical full employment of resources. The economy had substantial unemployment during the past year.

Although current concern about future inflation appears to be at an all-time high, it is interesting to note that most price indices have been stable for a year. A careful analysis of current factors suggests near price stability in the next several months. The large deficit has not yet brought inflation.

Due to the present business recovery, Federal revenues are now rising rapidly. Provided spending is contained, a balanced budget should be achieved within a year by the time the economy is approaching practical full employment of resources. The recent deficit played a beneficial role in stemming the recession. It is now equally important that a balanced budget be achieved if the inflationary forces are to be contained. A small bank financed deficit in fiscal 1960 would be much more inflationary than was the mammoth deficit of recent months. Federal Reserve policy has properly shifted toward a tighter position in order to prevent excessive monetary demands. The sharp rise presently occurring in productivity means that unit costs are now falling. Excess capacity in many industries will make possible increased output in near-by months without higher prices.

In summary it has been possible over the past 12 months to substantially increase spending without inflation because of the fact that we had substantial room for increasing production. Production rose just as rapidly as did spending.

Do the preceding comments mean that we should not be concerned over the long-run danger of inflation? Certainly not! There are good reasons why we should be concerned. The Employment Act and the philosophies of both major political parties provide considerable assurance that prolonged depressions will not be permitted to develop. Yet, it was only in periods of prolonged depressions that prices declined in the past. This probably means that, in effect, we have placed a floor under the general price level. It therefore becomes critically important that we also establish a lid on the general price level if we are to prevent long-run inflation. This, of course, does not mean that prices of particular goods should be fixed, for it is only through fluctuations in relative prices that a growing economy responds to the changing demands placed upon it. Those that argue for government investigation and regulation of price and wage changes would place a straitjacket on the American economy which would make it impossible to secure the optimum allocation of resources. It would be indeed unfortunate if our concern over maintaining price stability resulted in more, rather than less, government intervention in the pricing process.

IV
Causes and Preventives of Inflation

(a) Causes

What are the causes of inflation? Here authorities differ. In my opinion, the cause of all inflations in this country has been excessive spending relative to the productive capacity of the economy. It is absolutely critical in any successful program for con-

Continued on page 33

*An address by Dr. Sprinkel before the Municipal Bond Forum of New York.

Community Facilities Act Has No Basis for Enactment

By GORDON L. CALVERT*

Municipal Director and Assistant General Counsel
Investment Bankers Association of America, Washington, D. C.

No factual basis exists, Mr. Calvert's detailed statement contends, that municipalities "are unable to raise the necessary funds at a reasonable cost" for essential community facilities. In confronting the suppositions and other allegations contained in the Community Facilities Act of 1959, Mr. Calvert's excoriation brings out: (1) H. R. 5944's net contribution would be to substitute public for private funds at a lower but not a more reasonable rate; (2) small municipalities' rates are as low as large ones; (3) local government and private business way of life is endangered; and (4) the bill would constitute overlapping of present Federal programs without adding to total facilities created.

Introductory Comments

The Investment Bankers Association of America is a voluntary unincorporated trade association of investment banking firms and securities dealers who underwrite and deal in all types of securities. Our Association has over 800 member firms engaged in one phase or another of the securities business in the United States and Canada, including about 100 commercial banks. Our members have, in addition to their main offices, over 1,500 registered branch offices. The underwriting and distribution of state and municipal bonds in the United States are done by firms which, with a few exceptions, are members of our Association.

Gordon L. Calvert

Summary of H. R. 5944

H. R. 5944 in the proposed "Community Facilities Act of 1959," would authorize Federal loans to municipalities and other political subdivisions of states, including public agencies and instrumentalities, in an aggregate amount not to exceed $1,000,000,000 to finance the construction or improvement of community facilities for water, sewer, public hospitals and nursing homes or nonprofit hospitals. The Federal loans, with maturities up to 40 years, could be made at an interest rate determined under a formula in the bill (which at present would be 2⅞%) if the loan cannot be obtained from other sources on equally favorable terms and conditions. The bill would also authorize an increase of $50,000,000 (from $48,000,000 to $98,000,000) in the funds for advances to public agencies under Section 702(e) of the Housing Act of 1954 for planning a reserve of public works.

(1) The Volume of Municipal Financing for Construction of Water and Sewer Facilities Reached a Record High in 1958.

The sale of municipal bonds to provide long-term financing for the construction of water and sewer facilities reached an alltime high in 1958 when the sales of such bonds aggregated over $1,035,300,000. In the preceding year, 1957, the sales of such bonds aggregated over $1,009,900,000. This high level of financing for water and sewer facilities has continued this year when the sale of such bonds in the first three months (January-March, 1959) aggregated over $294,000,000.

The picture for hospitals and related institutions financed through the sale of municipal bonds is much the same. The total sales of such bonds in 1958 aggregated over $212,435,000, compared with the sale of over $135,200,000 of such bonds in 1957, and a high level of such bond sales is continuing this year with an aggregate of over $28,400,000 sold in January and February.

These facts demonstrate that municipalities are obtaining the financing for growing programs of construction of water and sewer facilities and of hospitals and related facilities without the Federal assistance proposed in H. R. 5944.

Finds No Factual Basis

The bill proposes to include in the declaration of policy a statement that "The Congress finds that in many instances municipalities or other political subdivisions of States, which seek to provide essential community facilities, are unable to raise the necessary funds at a reasonable cost." It appears that there is no factual basis for such a statement with regard to those municipalities which have attempted to obtain financial assistance of the type proposed in the bill through the sale of their bonds. During the six-month period from July 1, 1958 through Dec. 31, 1958, (when over $507,500,000 of municipal bonds were sold to finance water and sewer facilities) the amount of such bonds offered but not sold was only about half of 1% of the bonds sold.

Since there are other bills before the Committee which propose a broader community facilities act to authorize $2,000,000,000 of Federal loans for all types of community facilities (not limited to water, sewer and hospital facilities), it is also significant to note that the volume of sales of state and municipal bonds for all public facilities in 1958 reached a record high with an aggregate amount of over $7,400,000,000 and have continued at high levels this year when the volume of such sales during the first three months (January - March, 1959) aggregated over $2,100,000,000. These facts demonstrate that states and municipalities are obtaining the funds for growing programs of public facilities construction without the Federal aid proposed in the various bills. [Ed. Note: Mr. Calvert's testimony included a number of appendices, to wit: Appendix A listing the number of issues and total amount of state and municipal bonds sold in each state in 1958. Appendix B listing the number of issues and total amount of municipal bonds sold in each state in 1958 for water and sewer facilities. Appendix C listing by state each issue of water and sewer bonds sold by municipalities during 1958, with the amount and net interest cost of each issue. Appendix D listing by state each issue of municipal bonds sold to finance water and sewer facilities in January and February of 1959 with the amount and net interest cost of each issue.]

(2) H. R. 5944 Would Not Provide Any Appreciable Amount of Additional Construction of Water, Sewer or Hospital Facilities But Would Merely Substitute Federal Financing for Private Financing.

If H. R. 5944 had been in effect during 1958 and the first two months of 1959, the Administrator would have been authorized to make the proposed Federal loans, if the loans could not be obtained from other sources on equally favorable terms, at 3% during the first six months of 1958 and at 2⅞% during the last six months of 1958 and the first two months of 1959.

If H. R. 5944 had been in effect during the 14-month period from Jan. 1, 1958 thorugh February, 1959, over 80.5% (over $1,019,800,000) of the $1,267,400,000 of municipal bonds that were sold during that period for water and sewer facilities without Federal assistance would have been eligible for purchase by the Federal Government, because they were sold at an interest cost above the rate which would have been applicable under the proposed Federal program.

This demonstrates that if H. R. 5944 had been in effect, the entire $1,000,000,000 authorized in Federal loans would simply have been substituted for financing that was done without the proposed Federal program. And the entire amount could have been used for water and sewer facilities, completely aside from any part for hospital and related facilities.

Similarly, if the bill had been in effect during the first two months of 1959, 100% of the $28,400,000 of municipal bonds sold to finance hospitals and related facilities would have been eligible for purchase by the Federal Government, because they were sold at an interest cost above the rate which would have been applicable under the proposed program. Consequently, the proposed program would simply have substituted Federal funds for financial assistance that was obtained without the proposed program.

(3) H. R. 5944 Would Provide a Wasteful and Inefficient Overlapping of Present Federal Programs Providing Similar Assistance.

(a) The Federal Water Pollution Control Act adopted in 1956 authorized the appropriation of $50,000,000 for Federal grants in each fiscal year (up to an aggregate of $500,000,000) to states, municipalities or intermunicipal or interstate agencies for the construction of necessary treatment works to prevent the discharge of untreated or inadequately treated sewage or other waste into any waters and for the purpose of reports, plans and specifications in connection therewith. Limitations on such grants include requirements that the project shall have been approved by the Surgeon General, and that no grant shall be made for any project in an amount exceeding 30% of the estimated reasonable cost or in an amount exceeding $250,000, whichever is the smaller.

(b) Amendments to the Federal Watershed Protection and Flood Prevention Act adopted in 1956 authorized Federal loans to local organizations to finance the local share of costs of carrying out works of improvement provided for in that act. Works of improvement are defined to include any undertaking for "the conservation, development, utilization, and disposal of water." Local organizations which are eligible for such loans are defined to include "any state, political subdivision thereof, soil or water conservation district, flood prevention or utility district or combination thereof, or any other agency having authority under state law to carry out, maintain and operate the works of improvement."

(c) The present Federal Community Facilities Program adopted in the "Housing Amendments of 1955" authorized $100,000,000 of Federal loans to states, municipalities and other political subdivisions, public agencies and instrumentalities to finance public projects. That program specifically provides that priority shall be given to applications of smaller municipalities for assistance in the construction of basic public works, including works for the storage, treatment, purification or distribution of water; sewage treatment, and sewer facilities for which there is an urgent and vital public need. On March 31, 1959, when this program had been in effect over three years, about $58,000,000 had been committed from the authorized $100,000,000.

(d) S. 722, to provide the "Area Redevelopment Act," which passed the Senate on March 23, 1959 and was referred to the House Committee on Banking and Currency, would authorize, subject to specified limitations, $100,000,000 in a revolving fund for Federal loans to any state or political subdivision thereof, or private or public organization or association representing any redevelopment area or part thereof, to finance the construction, expansion or improvement of public facilities within any redevelopment area. Among the conditions for such loans would be a requirement that the project would tend to improve the opportunities in such area for the successful establishment or expansion of industrial or commercial plants or facilities. No loan could be made for an amount in excess of 65% of the aggregate cost of the project. This bill would also authorize appropriation of $75,000,000 for Federal grants, subject to specified conditions, to any state or political subdivision thereof, or private or public organization or association representing any redevelopment area for the construction, expansion or improvement of public facilities within a redevelopment area.

(e) The Federal Hospital Survey and Construction Act of 1946, as amended, widely know as the "Hill-Burton Act" authorizes the appropriation of $150,000,000 in Federal grants in each fiscal year through June 30, 1964 to assist in the construction of public and other non-profit hospitals. The 1954 amendments authorized appropriation of an additional $60,000,000 in Federal grants each year to assist in the construction of nursing homes, diagnostic and treatment centers, rehabilitation facilities and chronic disease hospitals. Public Law 85-589 adopted in 1958 authorized Federal loans under this program for construction of hospitals and other facilities.

(f) The Federal College Housing Program authorizes loans to any hospital operating a school of nursing beyond the level of high school approved by the appropriate state authority, or any hospital approved for internships by recognized authority if such hospital is either a public hospital or a private hospital no part of the net earnings of which inures to the benefit of any private shareholder or individual. The amount presently authorized for loans for student nursing and intern housing facilities is $25,000,000, but the proposed Housing Act of 1959 (S. 57) reported by the House Committee on Banking and Currency on Feb. 27, 1959 would increase that authorization to $62,500,000.

In view of this wide variety of Federal programs of grant and loan assistance for water facilities, sewer facilities and hospital facilities, it seems apparent that the program proposed in H.R. 5944 would provide a wasteful and unnecessary overlapping with the numerous existing Federal programs providing similar assistance.

(4) Small Municipalities Can Obtain Financing at Reasonable Rates Without Assistance From the Federal Government and at Rates as Low as Those Obtained by Large Municipalities.

It has been contended, in support of H. R. 5944, that large municipalities (with large issues of bonds) obtain financing at such low rates that they would not be eligible for Federal loans under the proposed program and that small municipalities must pay higher rates than large municipalities to obtain financing and are unable to obtain financing at reasonable rates. Those general contentions are simply not supported by the facts.

First, in reply to the contention that most large municipalities obtain interest rates so favorable that they would not be eligible for assistance under the proposed program, there should be noted the following 17 issues of water or sewer bonds sold during the 14-month period from Jan. 1, 1958 through February, 1959:

$9,000,000	Los Angeles Dept. of Water and Power	3.056%
7,500,000	San Diego Co. Water Authority	3.286%
18,000,000	Metropolitan Water Dist. of South. California	3.035%
20,000,000	Denver Water	3.245%
12,750,000	Denver Water	3.495%
6,950,000	Miami Sanitary Sewer	3.111%
15,000,000	Chicago Metropolitan Sanitary District	3.032%
6,000,000	Chicago Sewer	3.588%
25,000,000	Chicago Water Works Revenue	3.821%
5,040,000	Indianapolis Sanitary District	3.120%
6,621,000	Wayne Co. (Mich.) Drainage District	3.920%
4,804,000	Wayne Co. (Mich.) Drainage District	3.980%
25,000,000	Allegheny Co. (Pa.) Sanitary Authority	3.551%
16,140,000	Philadelphia Water and Sewer	3.509%
20,000,000	Allegheny Co. (Pa.) Sanitary Authority	3.733%
10,000,000	Memphis Water Revenue	3.095%
7,000,000	Seattle Sewer Revenue	3.618%

The significant point is that the 17 issues listed above by large municipalities for water or sewer facilities aggregated over $214,000,000 and all of them would have been eligible for Federal loans under the proposed program if it had been in effect since Jan. 1, 1958. It should be emphasized in passing that all of the municipalities listed above obtained very favorable and reasonable interest rates in their financing; but they would have been eligible for Federal loans under the proposed program.

Secondly, small municipalities can obtain rates just as favorable as those obtained by large municipalities. Since some of the scheduled witnesses before this Subcommittee have been from Michigan and Tennessee, we have selected a few illustrations from those states. The following issues during the 14-month period from Jan. 1, 1958 through February, 1959 by issuers with a population of less than 25,000 obtained interest rates in the same range as the large issues listed above, and those issues marked by an asterisk

*A statement by Mr. Calvert before the Subcommittee Number 1 of the House Committee on Banking and Currency, Washington, D. C., April 24, 1959.

were at levels which would not have been eligible for Federal loans if the proposed program had been in effect:

Tennessee		
*$375,000	Morristown Water Works	3.000%
300,000	Clarksville Water Revenue	3.645%
550,000	Springfield Sewer	3.607%
500,000	Shelbyville Sewer	3.536%
445,000	Tullahoma Water and Sewer	3.865%
Michigan		
*$70,000	Midland Sewer	2.466%
41,000	Lapeer Sewer	2.492%
390,000	Mason Sewer	3.239%
160,000	Grandville Water	3.369%
*26,000	Port Huron Sewer	2.719%
*27,000	Walker Township Water	2.722%
*129,000	Buchanan Sewer	2.309%
*400,000	Traverse City Sewer Revenue	3.126%
*53,000	Grand Rapids Township Sewer	2.435%
*35,000	Harrison Township Water	2.666%
*103,000	Redford Township Sewer	2.712%
*12,000	Midland Sewer	2.750%

The foregoing facts demonstrate that small municipalities can obtain rates as favorable as those for large municipalities and that the size of the issuing municipality is not a primary factor in the interest rate which the municipality must pay to obtain financing.

(5) The Proposed Program Would Be Contrary to the Basic Economic and Political Concepts of Our System of Government.

Our system of government is based on the belief that the Federal Government should not take over functions of private business that can be performed at reasonable rates by private business; and the facts summarized above demonstrate that the desired financing for water, sewer and hospital facilities is being provided at reasonable rates without the proposed programs.

Equally important is the fact that the proposed Federal financial assistance to local government units would necessarily create a dependence on the Federal Government, with a resulting lessening of responsibility of the local governmental units, which would effect a gradual erosion of the independence of the local government. We strongly believe that the need is to encourage local governmental units to finance needed public facilities without reliance on the Federal Government for assistance in the forms of grants or loans, in order to assure the preservation of the responsibility and independence of the local governmental units.

Conclusions

(1) Municipalities are obtaining the financing for growing programs of construction of water, sewer and hospital facilities without the Federal assistance proposed in H. R. 5944.

(2) H. R. 5944 would not provide any appreciable amount of additional construction of water, sewer or hospital facilities but would merely substitute Federal financing for private financing.

(3) H. R. 5944 would provide a wasteful and inefficient overlapping of present Federal programs providing similar assistance.

(4) Small municipalities can obtain financing at reasonable rates without assistance from the Federal Government and at rates as low as those obtained by large municipalities.

(5) The proposed program would be contrary to the basic economic and political concepts of our system of government.

Consequently, we submit that there is no need for adoption of H. R. 5944, and that it would be unwise policy to commit $1,000,000,000 of Federal funds to a program which would simply substitute Federal financing for private financing.

We appreciate the opportunity to submit these facts and conclusions to the Committee.

Two With Bond & Share

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif.—Edwin C. Carbery, Jr., and June M. Janis are now with Bond & Share Co., 16 North Marengo Street.

Norman Roberts Adds

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, Calif.—Winthrop D. Waterman has been added to the staff of Norman C. Roberts Company, 625 Broadway, members of the New York Stock Exchange.

Birr Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Donald M. Frank and Michael J. Stack have become connected with Birr & Co., Inc., 155 Sansome Street.

With First California

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Cal.—Rader J. Hilbe is now with First California Company, 300 Montgomery Street.

E. J. Roberts Branch

FRANCONIA, Pa. — E. J. Roberts & Co. has opened a branch office on Allentown Road, under the direction of Arlin Lapp.

Now Peninsula Investors

HEWLETT, N. Y.—Jack Freid, 1211 Station Plaza, is now conducting his investment business under the firm name of Peninsula Investors Co.

Soviet Foreign Trade Operations Detailed

Official Soviet statistics show its 1957 trade totaled $4.4 billion with 74% of exports going to other bloc countries. Most of the remainder was confined to Finland, Yugoslavia, Egypt, Western Germany and England.

The first detailed foreign trade statistics to be released by the U.S.S.R. since 1938 are summarized in a new report issued by the Bureau of Foreign Commerce, U. S. Department of Commerce.

The report presents official Soviet statistics on the total value of trade and trade with the United States for a series of years and, for the years 1956-57, trade with principal countries, trade in principal commodities, and principal items traded with the United States.

$4.4 Billion Total in 1957

The report reveals that the total exports of the U.S.S.R. to other bloc countries and to the Free World amounted to $4.4 billion in 1957. The U.S.S.R. thus ranks sixth among the world's trading nations, following the United States, United Kingdom, Federal Republic of Germany, Canada, and France.

The close commercial ties prevailing between the U.S.S.R. and other Soviet bloc countries are shown by the Soviet trade data. In 1957, 74% of all exports from the U.S.S.R. was shipped to other bloc countries. The most important destination of Soviet goods in that year was the Soviet Zone of Germany, followed by Czechoslovakia and communist China. Soviet imports, the statistics show were also predominantly from the Soviet bloc, with 70% coming from those countries.

Non-Bloc Traders

The Soviet Union's most important trading partners in the Free World in 1957 were Finland, Yugoslavia, Egypt, the Federal Republic of Germany, and the United Kingdom. These five countries were the destinations of over two-fifths of all U.S.S.R. goods shipped to the Free World in that year.

The principal exports of the U.S.S.R. in 1957 included wheat, petroleum and products, equipment for complete industrial plants, iron and steel, raw cotton, and wood and lumber. Soviet imports, on the other hand, were heavily concentrated in metal ores and concentrates, nonelectrical machinery, assorted food products, and ships and port equipment.

Entitled "Foreign Trade of the U.S.S.R., 1956-57," the report is published as No. 59-12 in Part 3 of BFC's WORLD TRADE INFORMATION SERVICE. It may be purchased from the Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C., or any of the Department of Commerce Field Offices, at 20 cents a copy.

Pacific Coast Secs. Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Paul H. Joosten has become connected with Pacific Coast Securities Co., 240 Montgomery Street. He was formerly with Merrick & Co.

Crowell, Weedon Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—John F. Heitz and Michael S. Myers have become connected with Crowell, Weedon & Co., 650 South Spring Street, members of the Pacific Coast Stock Exchange. Mr. Heitz was previously with Lloyd Arnold & Company.

The Case for Bank Stocks

By ROGER W. BABSON

Greatly disposed toward bank stocks as investments, Mr. Babson offers arguments in favor of such an investment. One, no mutual fund or investment trust has as well diversified assets or is more carefully examined as national or some other banks. Two, they contain, particularly in older banks, hidden assets which will become valuable someday. He concludes that a bank share's lower yield "is not too little for the security, diversification, and supervision . . . you receive."

I have recently been talking with a prominent General Motors official about small cars. He is rather skeptical as to whether small cars built by General Motors would sell after the first year or two. Reason: "Most people buy cars — large and small — for prestige, not for transportation. This desire for prestige causes us to build larger and heavier cars." The average buyer wants to keep up with or go ahead of his neighbor! In fact, this is the real reason he buys small imported cars—to have a car to talk about, not to save gas. "In fact, I believe"—he continued—"that the present buying of Ramblers is largely a fad. Style and fashion now apply as much to automobiles as to the length of skirts, size of hats, or color of shoes worn by women."


Roger W. Babson

Careful Supervision

I have taken a long time to get to my point, which is this: You can make no expenditure of money which will give you such prestige as will owning a few shares of stock in your best local bank. But, be sure to get the stock of your most conservative and most highly regarded bank. Owning stock in "second stringers" will not give you prestige.

But there are other more important reasons for owning some shares in such a bank. Banks are the most carefully government-supervised form of investment. Once or twice each year the Federal Government Examiners call (unannounced in advance) to make an audit of your local National Bank; this is in addition to certain State examinations. This means that the stock which you buy should be of a National Bank, or else you should get a letter from one of the bank officers stating that it has joined the Federal Reserve System, which includes certain qualified State Banks and Trust Companies.

Diversification and "Hidden Assets"

The assets of National Banks and of many State Banks and Trust Companies are exceedingly well diversified. As owner of a National Bank stock, your money is loaned to hundreds of different companies or individuals, most of them the best risks in your city; but loans are also made to large national companies. No mutual fund or investment trust has its assets as well diversified; furthermore, a condensed financial statement of the bank is published in your local paper once or twice a year.

Whenever a bank examiner thinks an investment or loan is questionable, he asks that the bank collect it, or sell it, or charge if off to one dollar! Usually, the questioned asset is charged off even though the directors believe it will turn out okay. On the bank's books it will henceforth appear at a value of one dollar. These charged-off assets are known as "hidden assets." Many of them will someday become valuable. The older a bank is, the more such hidden assets it will have. Hence, this is one reason for buying stock in an old bank.

Bank stocks are issued at various par values from $10 up to $100. Most sell at a premium over their book values. Before talking with your banker about buying, you should call upon one of the directors whom you may know. Ask him to explain all this to you. Ask the approximate price and the annual dividend. The latter, divided by the price, gives you the yield. That is, if the stock sells at $25 and pays an annual dividend of $1.00, then the stock yields you 4%. This may seem a small yield, but it is not too little for the security, diversification, and supervision which you receive.

Albert W. Moore With Burgess & Leith

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Albert W. Moore has become associated with Burgess & Leith, 53 State Street, members of the Boston Stock Exchange. Mr. Moore was Manager of the Boston office of L. F. Rothschild & Co.

Role of Businessmen in the Defense of the Free Society

By PHILIP CORTNEY*
President, Coty, Incorporated
President of the Seventeenth Congress of the International Chamber of Commerce

Economist and Industrialist stresses businessmen's role as guardians of the free market economy. Maintains free enterprise system is in serious danger of drifting into some totalitarian form, with the threat chiefly arising from monetary instability. Mr. Cortney declares unemployment is primarily due to inflation of money and credit, and that monetary stability is a prerequisite to economic expansion.

This Congress promises to be a memorable one. It will prove once more to the business leaders of the free world that if the ICC didn't exist it would be our duty to create one. No other association of businessmen is organized to render to the free world the services which the ICC is performing. It is a kind of international parliament of businessmen, dedicated to fight for the preservation of freedom and friendly relations between nations by fostering international trade and investment.

Philip Cortney

The main theme of our Congress is responsibility of businessmen in domestic and world affairs. No subject matter could be more vital and more timely. We can't expect to remain free men for long if we are not ready to answer for our acts. Yet it is a fact that our free society behaves at times as if no one pertaining to it is responsible for man-made situations which undermine our basic freedoms. Let me take an example: Inflation, like most monetary problems, is admittedly a complex issue. But the problem appears to be inextricable, simply because everyone responsible for helping inflationary processes is denying his share of responsibility and spends his time blaming someone else. The cost-price vicious spiral is a good illustration. Business is blaming labor unions and sometimes the government, or more specifically the Federal Reserve System for their easy money policies. The labor unions are pointing their finger at businessmen. Government is admonishing businessmen and labor unions to show restraint, while excellent minds contend that restraint in this case is against laws of nature and therefore will not do. While this battle of words is going on, wages and prices continue to go up even during the recession. It looks as if we are living in an irresponsible society.

The nature of our society is aggressively challenged by communism and state capitalism, both systems implying the loss of human freedom. On the other hand, the free world is confronted with many new, baffling and complex problems. It will not serve any purpose to bury our heads in the sand and make believe that we don't notice them. "Facts are stubborn", said Lenin in one of his most memorable statements. Some of these problems are simply the result of human evolution and events. Among these I will single out technical progress, the explosion of population increases and the desire of under-developed countries to get industrialized with the hope of thereby increasing their standard of living. Other problems are of our own doing. They are man-made. Let me mention the deterioration of currencies and business depressions. These are not due to any inner contradictions of capitalism, as is being argued by the Marxists. Business and currency disturbances are due for their largest part to government, bankers, businessmen, labor unions, farmers and to bad laws which are the result, sometimes of lack of understanding, but more often of politics in democracies with universal suffrage.

We must recognize the problems created by universal suffrage because I am convinced that everyone in the free democracies wishes a government by the people for the people. President Eisenhower recently remarked at Gettysburg that people in democracies must develop understanding of basic issues and show the character to rise above their own selfish short-term interest. Otherwise, said he, government would be reduced to nothing more than a device to accommodate the country to the bitter tugs-of-war of conflicting pressure groups which would make free government well nigh impossible to sustain. Universal suffrage will survive only if we face the problems created by it. Otherwise we run the risk of drifting into some form of totalitarian government.

These new, social, political and technical forces will endanger the very existence of the free society unless the problems created by these forces are faced squarely. The shape of the things to come will be strongly influenced by politics, but even more so by ideas and by our behavior. We are too prone to blame the government and the politicians for all of our troubles. Yet it should be obvious that the future of our society is determined not only by government but by business leaders, educators, churchmen, journalists, etc. In other words, we have the kind of government we deserve.

Businessmen and Our Free Society

This Congress will be concerned with the share of responsibilities of businessmen for the preservation of our free society. I hope that everything we recommend will be tested against the criterion whether it will help or will undermine the maintenance of human freedom.

Business is central in our society. The businessmen assume, in the conduct of their own firms, grave obligations and great risks, but they are also often the beneficiaries of the free enterprise system, at least money-wise, too frequently assorted, however, with heart troubles. Precisely because business is central in our society, the businessmen have a great role to play as active guardians of the free market economy, which is being challenged today as never before. It is essential to this effect that businessmen do not try to protect selfish, unenlightened, short-term economic interests—as labor unions, farmers and some business organizations do at present. The businessmen should provide the government and the legislators with sound and competent counsel. Their recommendations should be focussed on the interests of the economy as a whole, having at all times in mind the preservation of a free society. The businessmen will exercise their influence effectively only if they do not act as a pressure group to defend short-term selfish interests but support policies for the long term good of all. In a few words, the businessmen should speak as enlightened citizens and not as businessmen. If businessmen do not defend our way of life who will, may I ask? The ICC comes nearest to the concept of making and supporting recommendations for the commonweal of the free international community maybe because they have to reconcile the interests of a great variety of nations.

When I speak of the responsibilities of businessmen I have in mind particularly the large business organizations. It would not be a good society, that in which men could wield great power and influence without commensurate responsibility. Besides, only the large businesses have the means to support the necessary organizations to defend free enterprise and to help by the competence and experience of their managers the fostering of ideas essential to the preservation of a free society.

Importance of Ideas

A few times I referred to ideas. It is unnecessary, I am certain, to stress the importance and power of ideas. To provide adequate and sensible responses to the new challenges and problems, the free world needs leadership, and leadership means ideas before anything else. Wherefrom is sound and clear thinking to come? I submit that we cannot and dare not leave this essential task solely to the experts or to the academic world. After all, Keynes was and Slichter is an academic economist of great repute. It is difficult to exaggerate the confusion in thinking attributable to these two great experts. To foster inflation and sick currencies, thus undermining our free society, the world did not need the ratiocinations and specious theories of Keynes and Slichter! The academic economists have fallen too much into the habit of recommending short-sighted expedients, instead of policies designed to eradicate the causes of the ills endangering our free society. We businessmen should of course ask for the counsel of experts, but their opinions should be tested by the experience and good sense which we acquire in confronting the realities of our free enterprise system, thus providing balanced recommendations on public policy.

Keynes himself, shortly before his death, probably frightened by the consequences of his ideas, reminded the economists that the classical teaching embodies some permanent truths of paramount significance which cannot be disregarded at the risk that we may just drift on from expedient to expedient and never really get fit again. He referred in his posthumous admonition to the deep undercurrents at work in our economic system, to the natural forces and even the invisible hand which are operating towards equilibrium, and he ended by asserting that we shall need less expedients if the classical medicine is also at work.

Enterprise System in Danger

Our free enterprise system is in serious danger of becoming socialized or of drifting into some totalitarian form. This danger arises primarily from unemployment and from the alleged incompatibility between a high level of employment, economic growth and monetary stability.

I submit that whatever unemployment we have is due primarily to inflation of money and credit and to a complete disregard of the fundamental truths embodied in classic economics, as Keynes asserted, alas! posthumously. As to economic expansion, monetary stability is one of its primary and essential conditions; otherwise we may well have both inflation and unemployment.

My reflections on the mainsprings of a free society lead me to the conclusion that its preservation depends, to a large extent, on the following conditions:

(1) First and above all, the very life of a free society depends on having a sound currency. This can be obtained by a policy of monetary stability, which is not the same thing as a policy aiming at the stabilization of a certain level of prices, assuming that it can be done at all. The fact is, as proven in the 1920s, that we can have monetary inflation and stability of prices.

The monetary report entitled "Monetary Stability Prime Condition of Economic Expansion" which has been presented to this Congress will redound to the great credit of the ICC.

The report will make some sensible recommendations tested by experience on how to obtain monetary stability. The report had the approval of businessmen and experts from 40 nations, and the free world may well be startled by the simplicity of the means proposed, while many governmental committees are still investigating the causes of inflation, as if there were any mystery about them!

Choice Between Inflation and Freedom

The truth is that we have to choose between inflation and freedom, while too many still believe we can have both. Besides, sound currency is a question of morality, because inflation is robbing some for the benefit of others, and ending with the destruction of all. We can't have an enduring free society based on immorality. We shall have sound currencies or our free society will perish!

How to get politicians of the free world to follow what we regard as sensible fiscal and credit policies remains a very serious problem. It is up to us businessmen to refrain from making requests or recommendations of an inflationary character. Neither should we adopt, in running our businesses, policies fostering inflation physically or psychologically. An objectionable policy in this respect is, for instance, the adoption in labor contracts of cost-of-living escalators or continuous yearly increases in wages.

Among the dangers menacing freedom none is more serious than the prevailing skepticism toward the importance of sound currency. You will never repeat often enough that we shall have sound currencies or we shall lose our freedom.

Because of the credit and sometimes prestige they enjoy, the intellectuals who are spreading fallacious or outright false ideas, and thus are distilling poison in the minds of men and particularly politicians, under the pretense of sophistication in economic thinking, are among the most serious enemies of our free society.

I am particularly happy that the President of the United States is speaking so vigorously on the importance of a balanced budget and of the mortal danger inherent in the monetization of government debt. In contrast, it is most unfortunate that some intellectuals of great repute who, as they advance in age become skeptical of many sound precepts, make themselves the conscious or unconscious instruments of forces destructive of our free society, or worse yet, of some sordid and ignorant special interests, private or nationalistic.

Nobody will deny, I hope, that my country has rendered, at great sacrifice, invaluable services to the free world since the end of the war. It shouldn't be a secret that this help has undermined our monetary and financial situation. Therefore I take the liberty to state that those in foreign countries who are at present advocating inflationary policies are rendering a great disservice to my country, which may in the end have serious repercussions on the rest of the free world. Indeed, our banking system has a colossal potential of credit expansion while seemingly still having an adequate gold coverage for the liabilities of the Federal Reserve System. Nor are there any red signals, for the time being at least, like for instance balance of payments deficits, to warn us of the deterioration of our dollar. Under such conditions, monetization of government debt and abuses of inflationary credit by commercial banks are extremely pernicious and dangerous. These being the circumstances, those abroad who advocate further inflation of money and credit (this advocacy directed primarily at the United States) are playing with fire. We have enough monetary cranks in our own country to be able to dispense with those from abroad. It should be obvious to any student of monetary problems that Keynes' teachings have done more harm to our country than to England.

(2) The second condition for the preservation of a free society is that the market forces should be free to determine all prices, including rates of interest of money. Vigorous competition is essential to a free society, the human motivating force of which is self-interest.

(3) The third condition is that we should avoid serious economic disturbances which may result in prolonged and large scale unemployment. To obtain this it is necessary and sufficient that we do not commit abuses of money and credit, and that the wages be determined freely on the market place like any other price (assuming, of course, public vigilance against business monopolies or oligopolies).

Opportunities of Businessmen

We businessmen can by our actions or inactions, in the conduct of our own businesses, help or hinder the forces which put in danger our free society. Moreover, the businessmen will have to organize themselves—more comprehensively and effectively than heretofore to influence the course of our society in the realms of thought, politics and economics. Their aim should be the welfare of the society as a whole, measured as widely as possible in dimensions of the free world. The International Chamber of Commerce, by tradition and by the quality of its leaders, comes nearest to such a concept.

Our great business-statesman Bernard Baruch recently made the following statement: "Rome fell not because the barbarians swarmed in but because the character of her citizens grew soft and their capacity for self-discipline waned." Toynbee echoed the same thought recently in a speech at Harvard.

The ICC will render a great service to the international business community by arousing the consciousness of the businessmen to their share of responsibility for the preservation of a free society.

*A speech by Mr. Cortney at the International Chamber of Commerce, Washington, D. C., April 20, 1959.

Burnham Correspondent

Burnham and Company, 15 Broad Street, New York City, members of the New York Stock Exchange, have announced that Freehling, Meyerhoff & Co. of Chicago are now their correspondents.

Bennett & Co. Formed

NEWARK, N. J.—Bennett & Co. has been formed with offices at 786 Broad Street, to engage in a securities business. Bennett Davies is a principal of the firm.

Submitting East-West Disputes To the Hague World Court

By HON. RICHARD M. NIXON*

Vice-President of the United States

In offering a thoughtful, prefatory gambit to Mr. Khrushchev —in view of the coming East-West conference and missing ingredient in agreements from such past confabs, increasing importance of economic cold war and need to encourage more private investments—Vice-President Nixon's scholarly paper recommends making the Hague Court arbiter of all differences in interpretation of *future* international agreements. He announces Congress will shortly be asked to revise our laws so we may take the initiative in advancing the world rule of law to replace rule of force. Aware this is not a panacea, the Vice-President reasons we must end interminable disputes over interpretation if we are to achieve sound and reliable framework of laws which will make peaceful competition possible.

An invitation to address this distinguished audience is one of the most flattering and challenging a man in my position could receive.

Richard Nixon

Flattering because the very name of this organization at least implies that the profession which I am proud to represent can properly be described as a science rather than by some of the far less complimentary terms usually reserved for politics and politicians.

And challenging because I realize that an Academy of Political Science expects a speech of academic character. I hasten to add, however, if it is proper to quote a Princeton man at a Columbia gathering, that is using the term "academic" I share Woodrow Wilson's disapproval of the usual connotation attached to that word. Speaking on Dec. 28, 1918, in London's Guildhall he said: "When this war began a league of nations was thought of as one of those things that it was right to characterize by a name which, as a university man, I have always resented. It was said to be academic, as if that in itself were a condemnation, something that men could think about but never get."

In my view, the primary function of the practicing politician and of the political scientist is to find ways and means for people to get those things they think about; to make the impractical practical; to put idealism into action.

The most difficult problem confronting our society today is, as I am sure we will all agree, the simple but over-riding question of the survival of our civilization. Because while none of us would downgrade the importance of such challenging problems as the control of inflation, economic growth, civil rights, urban redevelopment —we all know that the most perfect solutions of any of our domestic problems will make no difference at all if we are not around to enjoy them.

Perhaps at no time in the course of history have so many people been so sorely troubled by the times and dismayed by the prospects of the future. The almost unbelievably destructive power of modern weapons should be enough to raise grave doubts as to mankind's ability to survive even were we living in a world in which traditional patterns of international conduct were being followed by the major nations. But the threat to our survival is frighteningly multiplied when we take into account the fact that these weapons are in the hands of the unpredictable leaders of the Communist world as well as those of the free world.

What is the way of this 20th Century human dilemma? For the immediate threat posed by the provocative Soviet tactics in Berlin, I believe that to avoid the ultimate disaster of atomic war on one hand, or the slow death of surrender on the other, we must continue steadfastly on the course now pursued by the President and the Secretary of State.

In the record of American policy, as it has unfolded since the time of Korea, our national resolves to stand firm against Communist aggression are clearly revealed. This has particularly been the case since the policy of containment matured into the policy of deterrence. In the recurrent post-Korean crises of the Formosa Straits, the Middle East and now Berlin, the President and Mr. Dulles have given the Soviet leaders no possible cause to misconstrue the America intent.

I believe moreover that the Soviet leaders are equally on notice that regardless of which political party holds power in Washington, these policies of resolute adherence to our principles, our commitments and our obligations will prevail. I specifically want to pay tribute to members of the Democratic Party in the Congress for putting statesmanship above partisanship by making this clearly evident in the developing situation of Berlin.

We can also take confidence in the fact that at this moment the United States possesses military power fully adequate to sustain its policies, and I am certain that whatever is necessary to keep this balance in favor of the free nations and the ideals of freedom will be done by this Administration and by its successors regardless of which political party may be in power.

What this posture of resolute national unity taken alone must mean in the end, however, is simply an indefinite preservation of the balance of terror.

We all recognize that this is not enough. Even though our dedication to strength will reduce sharply the chances of war by deliberate overt act, as long as the rule of force retains its paramount position as the final arbiter of international disputes, there will ever remain the possibility of war by miscalculation. If this sword of annihilation is ever to be removed from its precarious balance over the head of all mankind, some more positive courses of action than massive military deterrence must somehow be found.

It is an understandable temptation for public men to suggest that some "bold new program" will resolve the human dilemma —that more missiles, more aid, more trade, more exchange, or more meetings at the Summit will magically solve the world's difficulties.

The proposals that I will suggest are not offered as a panacea for the world's ills. In fact, the practice of suggesting that any one program, whatever its merit, can automatically solve the world's problems is not only unrealistic but, considering the kind of opponent who faces us across the world today, actually can do more harm than good in that it tends to minimize the scope and gravity of the problems with which we are confronted, by suggesting that there may be one easy answer.

But while there is no simple solution for the problems we face, we must constantly search for new practical alternatives to the use of force as a means of settling disputes between nations.

The Rule of Law

Men face essentially similar problems of disagreement and resort to force in their personal and community lives as nations now do in the divided world. And, historically, man has found only one effective way to cope with this aspect of human nature—the rule of law.

More and more the leaders of the West have come to the conclusion that the rule of law must somehow be established to provide a way of settling disputes among nations as it does among individuals. But the trouble has been that as yet we have been unable to find practical methods of implementing this idea. Is this one of these things that men can think about but cannot get?

Let us see what a man who had one of the most brilliant political and legal minds in the nation's history had to say in this regard. Commenting on some of the problems of international organization the late Senator Robert Taft said: "I do not see how we can hope to secure permanent peace in the world except by establishing law between nations and equal justice under law. It may be a long hard course but I believe that the public opinion of the world can be led along that course, so that the time will come when that public opinion will support the decision of any reasonable impartial tribunal based on justice."

We can also be encouraged by developments that have occurred in this field in just the past two years.

Not surprisingly the movement to advance the rule of law has gained most of its momentum among lawyers. Mr. Charles Rhyne, a recent President of the American Bar Association, declared in a speech to a group of associates in Boston a few weeks ago that there is "an idea on the march" in the world. He was referring to the idea that ultimately the rule of law must replace the balance of terror as the paramount factor in the affairs of men.

At the time of the grand meeting of the American Bar Association in London in July, 1957, speaker after speaker at this meeting — the Chief Justice of the United States, the Lord Chancellor of Great Britain, the Attorney General of the United States and Sir Winston Churchill—eloquently testified that the law must be made paramount in world affairs.

An adviser to the President, Mr. Arthur Larson, left the White House staff to establish a World Rule of Law Center at Duke University.

One-hundred-and-eighty-five representatives of the legal professions of many nations of earth met in New Delhi last January and agreed that there are basic universal principles on which lawyers of the Free World can agree.

A year ago, through the activity of the Bar Association and by proclamation of the President, May

Continued on page 34

*An address by Mr. Nixon before the Academy of Political Science, New York City, April 13, 1959.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Bank Stocks

On the same day, April 24, the bank stock houses were regaled with two pieces of news — news that should have come to hand long ago. First, the "American Banker" ran an article stating that the Department of Justice in Washington would not block the Morgan-Guaranty bank merger. Then, on the newsticker, came word that, in effect, Federal Reserve had no objection to the consolidation. Superintendent Clark, the new New York State Banking Department head had, only a day or two previous, said that an exhaustive analysis had been made of the state and Federal anti-trust legislation, and that, "I am fully satisfied that my action [in approving the merger] is in conformity with these statutes."

The wonder is that it took the three authorities involved so long to come to a decision; and isn't it a bit puzzling that their determinations came within two or three days? The banks had held their shareholders' meetings as long ago as March 4. There was only minor opposition in these special meetings. Further, as the announcement of the merger plans had been made considerably before the stockholders met, the supervisory authorities had plenty of notice.

One wonders how much politics entered into the decisions. A favorite outcry of those opposed to such mergers is that it prevents competition. Often, and in this case, the reverse is true. For example, take the matter of loaning ability of banks. Guaranty and Morgan as individual institutions could not make a loan of nearly as large a proportion as could Chase Manhattan or First National City Bank because the loaning capacity to one borrower is limited to 10% of a state banks' capital, surplus and undivided profits. But consolidated, the merged bank can come a lot closer to competing with the larger institutions than they could as separate units. Let no one say that competition is not hot among the large banks. It is just as potent as it is among the large corporations in any other category.

As the news broke on the merger, bank stock prices firmed up. After the initial announcement of the plans to merge, both Morgan and Guaranty ran up in the open market, particularly the former. It will be recalled that the terms were: Morgan holders to receive $4\frac{2}{5}$ shares of the new stock per share of Morgan; Guaranty one share of the new per share of Guaranty. As, at the time of the announcement Morgan was some distance from this parity, it took off and ran up to around 410-415. Then as time passed and doubts about the plan going through became widespread, Morgan backed off to about 375-85; but shares changed hands on the 24th at about 410 after all the news was out.

The new bank, Morgan Guaranty Trust Company, in its components, is essentially a wholesaler of credit. It does not cater to the consumer credit business of banking, nor has it a widespread branch system. Morgan has operated no branches; Guaranty only several. Superintendent Clark pointed out that the merged institution will have but five branch offices. Thus, consumer credit business which bulks so large with the banks operating big branch systems, cannot be said to be a field in which the merged bank is in competition with the others in the city. Neither bank has maintained a department for accepting small deposit accounts on a savings basis.

Morgan Guaranty will be the third largest bank in New York, and the fourth largest countrywide, Bank of America N.T.S.A. being the nation's largest by a sizable margin. The capital funds of the six largest in New York, including Morgan Guaranty, at the 1959 first quarter-date were (round figures):

First National City	$750,000,000
Chase Manhattan	639,000,000
Morgan Guaranty	511,000,000
Chemical Corn Exch.	299,000,000
Bankers Trust	271,000,000
Manufacturers Trust	224,000,000

Now, these are all large banks, and there is plenty of competition for accounts, loans, etc., among them.

Morgan Guaranty Trust Company opened its doors for business on April 27!

David Morris on European Tour

David Morris, David Morris & Co., 52 Wall Street, New York City, is leaving on a trip to Europe to investigate economic conditions, and will visit England, France, Italy, Austria, Greece and Turkey. Mrs. Morris will accompany him. The trip will be made by air.

Frank Knowlton Adds

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif. — Robert E. Flagg has joined the staff of Frank Knowlton & Co., Bank of America Building.

With Meyer Lightner

(Special to THE FINANCIAL CHRONICLE)

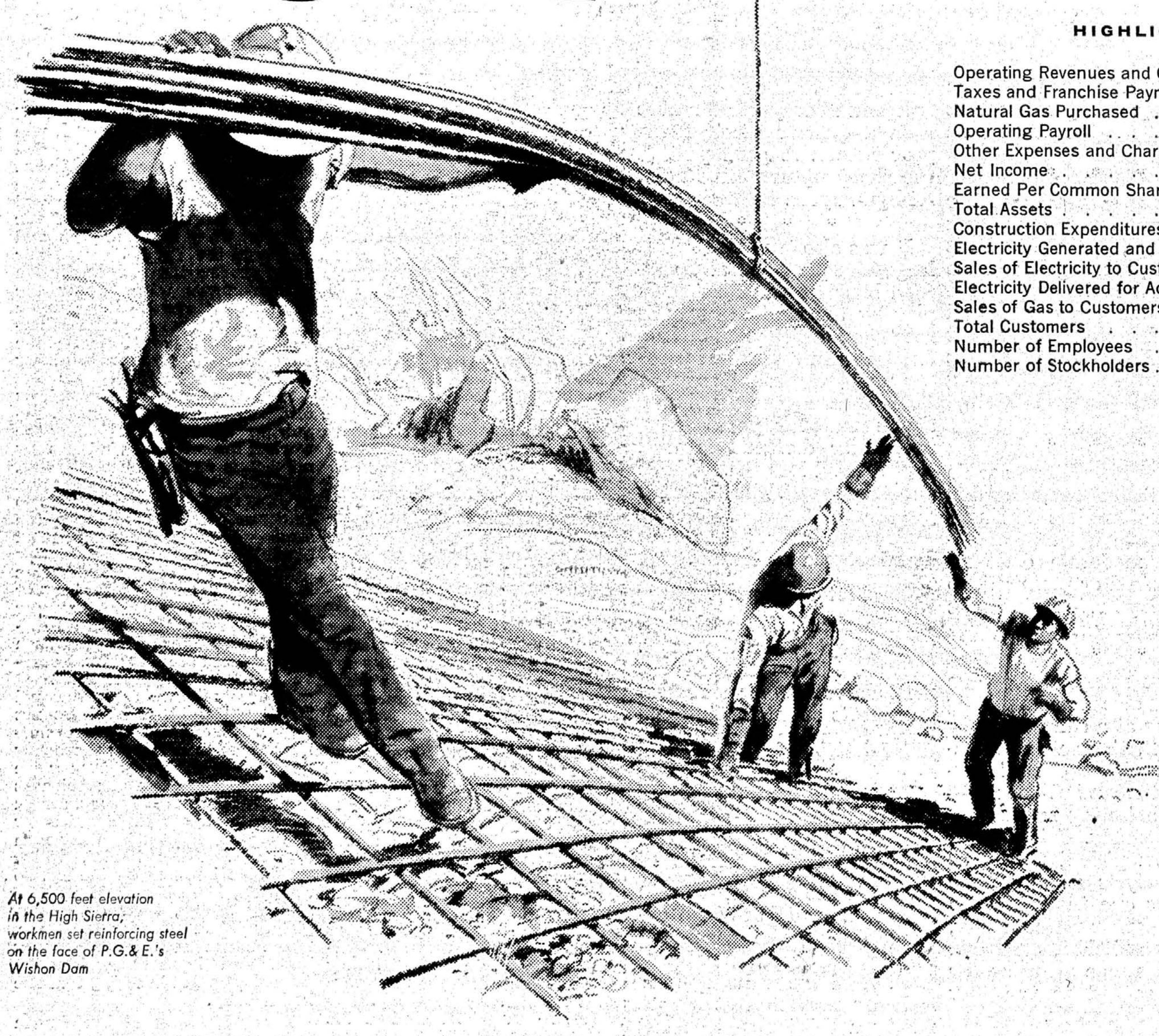
OAKLAND, Calif.—William B. Kinnick has been added to the staff of Meyer Lightner & Co., 3408 Park Boulevard.

Joins Mason Brothers

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif. — Donald P. Roth has become connected with Mason Brothers, First Western Building, members of the Pacific Coast Stock Exchange.

P·G and E· 53rd ANNUAL REPORT-1958



At 6,500 feet elevation in the High Sierra, workmen set reinforcing steel on the face of P.G.& E.'s Wishon Dam

HIGHLIGHTS OF OPERATIONS

Operating Revenues and Other Income	$ 535,644,000
Taxes and Franchise Payments	$ 131,382,000
Natural Gas Purchased	$ 114,590,000
Operating Payroll	$ 68,317,000
Other Expenses and Charges	$ 136,045,000
Net Income	$ 85,310,000
Earned Per Common Share (on average shares)	$3.83
Total Assets	$ 2,290,957,000
Construction Expenditures	$ 192,113,000
Electricity Generated and Received (KWH)	23,125,794,000
Sales of Electricity to Customers (KWH)	18,486,314,000
Electricity Delivered for Account of Others (KWH)	710,199,000
Sales of Gas to Customers (MCF)	323,539,000
Total Customers	3,440,902
Number of Employees	18,299
Number of Stockholders	226,180

PACIFIC GAS AND ELECTRIC COMPANY is an operating public utility engaged principally in the business of furnishing electric and natural gas service throughout a large part of Northern and Central California, with property located and operations carried on entirely in California. The territory served embraces an area of 94,000 square miles. Incorporated under the laws of the State of California on October 10, 1905, its lineage extends deep into the Gold Rush period. Its earliest predecessor company was the San Francisco Gas Company, organized in 1852. Electric operations date back to the incorporation in 1879 of the California Electric Light Company. From these small beginnings the Company's growth and progress have continued until today it is, by most standards of measurement, the largest utility of its kind in the United States.

REVENUES AND SALES:

Gross operating revenues from all sources reached an all-time high of $534,778,000 in 1958, an increase of $33,534,000 or 6.7% over the previous year.

Total unit sales of both the Electric and Gas Departments were substantially the same as in the previous year, which on the surface might appear to indicate that the business recession had a material impact on the Company's business. The fact is, however, that sales in both departments were severely restricted by climatic conditions. Under normal climatic conditions both departments would have shown satisfactory overall gains in sales.

NET EARNINGS:

Net earnings available for the common stock amounted to $66,974,000, or $8,690,000 greater than in the previous year. These earnings were equivalent to $3.83 a share based on an average of 17,502,415 shares outstanding during the year. This compares with earnings of $3.41 a share based on the average number of shares outstanding in the previous year.

DIVIDENDS:

The Board of Directors on December 17, 1958 increased the quarterly dividend rate on the common stock from 60 to 65 cents a share. While applicable to the last quarter of the year, the first dividend at the new rate was not paid until January 15, 1959.

CONSTRUCTION:

Late in 1958 the two billionth dollar was spent on the Company's postwar program of expansion, and it is expected that about $156 million will be spent for this purpose in 1959. The proceeds from securities sold to date to finance this program—bonds, preferred and common stocks—have amounted to almost $1.4 billion.

The principal feature of our construction activities in 1958 was the completion of 685,500 kilowatts of electric generating capacity, consisting of both steam and hydro units. Our installed electric generating capacity now totals 5,219,000 kilowatts in 76 plants.

GAS SUPPLY:

In 1958 approximately 72% of our total natural gas supply originated from out-of-state sources, principally from fields in Texas and New Mexico.

With a view to obtaining an independently controlled natural gas supply, the Company is continuing its efforts to obtain a permit through its wholly-owned subsidiary, Alberta and Southern Gas Company, Ltd., to export natural gas from the Province of Alberta in Canada.

NUCLEAR POWER:

Much progress was made during the year toward the goal of producing nuclear power at a cost competitive with conventional plants. The Company has been actively engaged in this field since 1951, and is now engaged in more nuclear projects than any other electric utility.

While the Company will undoubtedly continue to build conventional electric generating plants for many years to come, recent advances in reactor technology suggests the possibility that competitive nuclear power plants will become a reality much sooner than was thought likely only a few years ago. The Company intends to stay in the forefront of developments in this field.

OUTLOOK:

Taking a realistic view of the future, it must be recognized that the Company's well-being as a business enterprise will depend largely upon the wisdom with which governmental policies are formulated and administered. Policies calculated to encourage further encroachment by governmental agencies into the commercial power business, or policies that would result in further inflation and erosion of the purchasing power of the dollar, would be harmful not only to investors but to our customers and employees as well. Stockholders are urged to take a strong stand against any such policies and to make their views known to their elected representatives.

FOR THE BOARD OF DIRECTORS

Chairman of the Board

N. R. Sutherland
President

PACIFIC GAS and ELECTRIC COMPANY

245 MARKET STREET, SAN FRANCISCO 6, CALIFORNIA

For more information on this dynamic company write K. C. Christensen, Vice President and Treasurer, 245 Market St., San Francisco 6, for P. G. & E.'s 1958 Annual Report.

THE MARKET . . . AND YOU

By WALLACE STREETE

Industrials continued to nudge to new, record peaks in their average this week again, but strength was selective and pretty much confined to electronics, chemicals and a few specialties. Rails and utilities were laggard and given to a gentle downdrift more times than not.

* * *

The pinpoint demand was such that in the electronic section Zenith came close to showing a peak price double its 1959 low while Texas Instruments had about doubled from its low to its high and General Time nearly tripled.

Emergence of Profit-Taking

As has happened before, too, the latest selective advance brought out some profit-taking that gave the list some ragged moments and even Zenith wasn't immune and on occasion it ranged from plus to minus sides on a given session with a range of around a score of points which was best described as a wild performance.

* * *

The notable exceptions to the strength continued to be the same major industrial groups — oils, aircrafts, steels which were about steady at best, nonferrous metals and numerous individual items in farm equipments, home building, cement shares and foods.

* * *

For the industrial average that forges into uncharted territory with each new high, the 630 area was showing up as one of some resistance. While intra-day levels were posted well above the line, the average had trouble holding above 630 by the time the closing figures were compiled. This week's, as well as last week's peaks, actually were achieved while more issues were declining than advancing.

* * *

To the market technicians, however, there was little in the performance that indicated any major troubles developing although the feeling was universal that confirmation by the utilities and rails would make the upward thrusts easier.

Retreat in A T & T

The quality of the leadership continued good although American Telephone had turned laggard after its virtually uninterrupted climb all this year. It retreated less than a score of points from the peak which was entirely normal in the face of the sharp runup since its stock split was announced late last year. The record showed that some of the funds had been taking profits in the issue which apparently was a hint to some of the individual holders.

* * *

The accent was rather heavily centered on stock split items, even du Pont something of a regular on the list of new highs despite the fact that the company had all but ruled out any stock split here pending settlement of its anti-trust troubles and its big bundle of General Motors shares.

* * *

While stock splits per se do little for the holders, the splits in the better-class issues around have been accompanied by moderate dividend boosts, actual or promised, so the big play in share divisions wasn't entirely illogical.

* * *

With so many of the blue chips and electronic and drug specialties at a comparatively high level, there was the inevitable culling out of laggards in the list but—so far—without affecting market favor appreciably. United Fruit has been picked up by as many analysts as any issue around as one that ought to turn the corner momentarily, but the issue held in a narrow, five-point range all this year until it sagged to the new lows lists this week.

An Interesting Laggard

Similarly, W. R. Grace which is one of the more diversified operations around, has held in a tight, five-point range for the year despite what many market students call a substantially improved outlook. Like United Fruit, W. R. Grace has been hobbled to a degree by unrest in the Caribbean and Latin American areas it serves. These, plus the economic recession, trimmed W. R. Grace's results last year rather sharply. But projections show a good rebound possible this year, particularly with the chemical operations continuing to grow and final results could approach the earnings of 1957. Even on the reduced dividend the issue offers an adequate yield of better than 3½% which obviously could change sharply if the dividend is upped in line with anticipated better earnings.

* * *

Like the prime rail shares, those of the railroad suppliers have been definitely laggard even where, as in the case of Alco Products, formerly American Locomotive Co., large strides have been made to end its reliance on one industry. Alco today serves chemical, petroleum, utility and atomic energy lines as well as railroads. Ironically, a sharp pickup in its locomotive business last year boosted this section of its business back to where it supplied more than half of sales after such activities had been trimmed to only a little more than a quarter of sales the year before. A good part of the sharp upturn came from foreign buyers.

* * *

It was also true that Alco's large 1958 position in the railroad business was abetted in part by the general business recession. But the non-rail activities seem assured of perking up perceptibly this year. Even if earnings no more than approximate last year's $2.32, the dollar dividend is well covered and less than half of per share profit. The indicated yield is well above 4¾% with some room for the payment to be sweetened somewhat.

Motors Buoyant

Auto shares for a change, were buoyant for the most. General Motors headed the most active list on one session on reports of an institutional buyer taking on an important commitment. Demand for cars picked up in April to hint that the spring-summer peak demand period might be returning as a seasonal factor. And the Big Three are seemingly committed to compact cars in their new models to help demand during the waning months of the year. Total production of the industry now is being projected at a rate nearly a third ahead of last year.

* * *

Favor among the Big Three rotated pretty much through the group. GM which made a relatively better showing last year than its competition, isn't expected to show any startling gains but it is a solid merchandiser. Ford seems definitely destined for a sharp rebound from a drastically lower 1958 profit. Chrysler, with its limited capitalization and the prospect of snapping back from last year's red ink, could be the more dramatic item and the nominal dividend it retained is almost certain to be boosted in some fashion. For the independents, good earnings statements and, in the case of American Motors, a higher-than-expected 60-cent quarterly dividend, were pretty much balanced off by the specter of increased competition from the Big Three, and these issues moved narrowly.

[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.]

From Washington Ahead of the News

By CARLISLE BARGERON

A Russian woman, Olga Khvalebnova, Vice-President of the Soviet Union's Society of Dissemination of Scientific Knowledge, has been touring the United States, and she sees a bright ray of hope for downtrodden American women. "Because of their vim and vigor," she says, "they should soon be able to attain their rightful place." Madame Khvalebnova is unique in that she is one of the few women in Russia who is not behind a plow or working on the street or doing heavy duty on some building. I doubt seriously if American women will ever want to attain what she considers their rightful place.

Carlisle Bargeron

It was this writer's observation on a visit to Russia some 20 years ago — and more recent visitors have not changed my impression —that the women do all of the heavy work. They remind me of the comic strip Snuffy Smith, the lazy mountaineer whose wife Loweezy takes second place to the hound dawg in the family. She does all the plowing, chops up the kindling for the fire and serves the meals while all Snuffy ever does is to keep away from the "revenoo-ers" and play cards, and go possum hunting.

Women work night shifts as well as day shifts in Russia. Outside our hotel in Moscow, they were working all night long on a street railway. All of the workers were women. The men had the white collar jobs.

Madame Olga Khvalebnova's visit to this country was under the so-called cultural exchange policy, and in this instance was sponsored by the National Council of Women in cooperation with the State Department.

In view of her statements, the question arises as to just what purpose it serves. If we had made no more impression on her than that she sees an opportunity for the American women to catch up with Russian women and attain their "rightful" place in society, then her visit has been wholly lost on her.

She did admire our labor saving devices by which a woman no longer breaks her back washing clothes and spends all of her time in the kitchen, and she said these were coming to Russia soon. They could come much sooner, of course, if Russia would spend some time on manufacturing them and less on building for the cold war.

In Russia, of course, they use women in the armed forces and this does not mean as WAACs or WAVEs. They shoulder guns and serve in the front lines. Their merchant marine is armed with women crews who throw the heavy ropes over to the men on the dock. They have unquestionably attained equality with the men, if that is the sort of equality they want.

In this country we have laws for the protection of women, requiring that they can only be worked for certain periods. To my mind it is an insult to tell them, that on account of their vigor and energy, they will soon be able to catch up with the men; do the same work he does; reach an equality with him.

The League of Women Voters has long been campaigning for what they call equal rights for women, doing away with all discriminatory laws. But even such a redoubtable soul as Mrs. Roosevelt vigorously opposes them.

In Russia the women have equal rights, all right. They have not only the equal but the predominant right to do all of the heavy work. It is an eye opener for the visitor to see the work brigades of them marching to work, armed with picks and shovels and other implements herded by their men overlords. Their babies, which they give birth to on the fly, so to speak, have been taken off to nursery school, their care completely taken over by the State. The mother sees them only at birth and has the satisfaction from then on of knowing that she had a baby.

For every Madame Khvalebnova who has apparently reached a position of distinction in the Soviet regime, and who probably has an apartment to herself, as distinguished from the rank and file who live six to a room, there are hundreds of American women who have attained prominent positions in industry and business. As a matter of fact the way the husbands are dying off, women have come to own about 85% of the wealth in this country. They wouldn't swap positions with Madame Khvalebnova. You can rest assured of that.

Now H. F. Weekley & Co.

WASHINGTON, D. C. — The firm name of Mutual Funds Center, D. C., 3433 Connecticut Avenue, N. W., has been changed to H. F. Weekley & Company.

Morgan Guaranty Trust Formed by Merger

Announcement is made that the Morgan Guaranty Trust Company of New York began operation April 27, 1959 as the banking institution formed by the merger of J. P. Morgan & Co. Incorporated and Guaranty Trust Company of New York.

Henry C. Alexander

Thomas S. Lamont

Dale E. Sharp

Henry C. Alexander is Chairman of the Board; Thomas S. Lamont, Vice-Chairman of the Board; and Dale E. Sharp, President of the institution.

With Nikko-Kasai

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Cal.—Yoshio Hoshino is now affiliated with Nikko-Kasai Securities Company, 2165 California Street.

OIL DIVISION...new source of strength for Texas Eastern

A new operating unit – Texas Eastern's Oil Division – has taken its place alongside our other two divisions which operate our pioneer natural gas transmission pipeline and our "Little Big Inch" petroleum products pipeline.

The Oil Division is a regrouping of company units (including La Gloria Oil and Gas Company) into a single division operating in four oil and gas industry fields . . . exploration, production, custom refining, gas processing.

The exploration and production section is busy exploring in nine states and is producing from some 800 operating wells.

The La Gloria refinery at Tyler, Texas, custom refines high octane auto and aviation gasolines – and a wide assortment of other products, including jet and diesel fuels, heating oils and petroleum coke. Already one of America's most modern refineries, Tyler is expanding for the future.

The natural gas processing plant at Falfurrias, Texas—one of the world's largest—processes some 325,000,000 cubic feet of gas daily—and, in the processing, recovers large quantities of valuable petroleum liquids, including natural gasoline, kerosene, butane and propane. A new gas-liquid separation plant will soon go into service in South Louisiana.

Texas Eastern Oil Division has grown, and will continue to grow lustily on a formula of planned expansion and diversification which has built Texas Eastern from an idea in 1947 to an $800 million organization in 1959—a busy, versatile worker in the service of the nation and all phases of America's petroleum industry.

OIL AND GAS:
Exploring and Producing

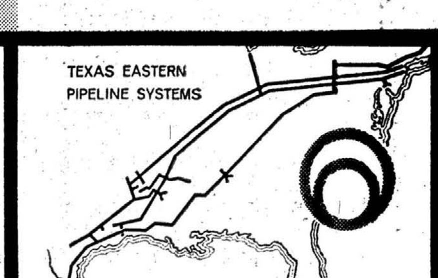
NATURAL GAS:
Processing and Transporting

OIL PRODUCTS:
Refining and Transporting

TEXAS EASTERN

Transmission Corporation

EXECUTIVE OFFICES: HOUSTON, TEXAS



The Matter of Tax Equality For Mutual Savings Banks

By AUGUST IHLEFELD*
President, Savings Banks Trust Company, New York City

Tax equality for mutual savings banks means, Mr. Ihlefeld asserts, taxing them exactly as you would tax common trust funds run by commercial banks, credit unions, trusteed pension funds and mutual investment funds. The banker contends commercial banks and mutual savings banks are about as unlike as two classes of financial institutions can be—the former operated for the benefit of their owners and not depositors and the latter for exclusive benefit of their owner-depositors—and places great importance on the fact that statutory ceiling of 12% surplus and reserve ratio prevents impounding excessive amount of income to reduce beneficiaries' tax liability.

I want to make a plea for equality of tax treatment for mutual savings banks.

Equality is defined in Webster's dictionary as "likeness in status or quality." My plea is for tax treatment of mutual savings banks comparable with that provided in the law for other entities of like status or quality.

Commercial Banks Unlike in Status or Quality

Commercial banks are not like mutual savings banks in status or quality. The differences between the two groups of institutions are many and profound.

August Ihlefeld

Commercial banks are owned by their stockholders. Mutual savings banks are owned by their depositors.

Commercial banks are conducted for the profit of their stockholders. Mutual savings banks are conducted for the benefit of their depositors. The primary purpose of mutual savings banks is to safeguard the savings of these depositors, paying a rate of return on savings deposits that is justified by earnings and the need for maintaining reasonable reserves and surplus to absorb possible future losses.

Commercial banks furnish a comprehensive banking service to business and governmental bodies, as well as individuals. Mutual savings banks provide a highly specialized thrift service for individuals and non-profit institutions only. In New York, the leading savings bank state, the law sets a limit of $10,000 on deposit accounts in mutual savings banks.

In these and other respects, commercial banks and mutual savings banks are about as unlike in status and quality as two classes of financial institutions can be.

Like in Status or Quality

There are a number of other financial institutions, however, which closely resemble mutual savings banks in status or quality. These include common trust funds, credit unions, trustees' pension funds and mutual investment funds.

Let us see how these institutions compare with mutual savings banks. Then we can note how they are taxed under the Revenue Act, and whether mutual savings banks are being taxed on a basis of equality with them.

Common Trust Funds

Common trust funds, a number of which are maintained by commercial banks and trust companies, resemble mutual savings banks in all essential respects.

Both are conducted solely for the benefit of participants. Both distribute their income to participants, who pay income tax on such income. Neither issues capital stock nor pays out profits to stockholders. In both cases, expenses of operation are deducted from earnings to determine the income available for the participants.

Section 584 of the 1954 Internal Revenue Code specifies that "a common trust fund shall not be subject to taxation under this chapter and for purposes of this chapter shall not be considered a corporation." The Code goes on to state that "the proportionate share of each participant in the amount of dividends shall be considered for purposes of such sections as having been received by such participant."

Common trust funds maintained by commercial banks thus have a tax status entirely different from that of the commercial banks themselves. This is as it should be, since the two entities are so different in status and quality. No commercial banker has yet come forward to propose equality of taxation for commercial banks and common trust funds. This would be as unjustified and absurd as to propose that commercial banks and mutual savings banks, institutions that are so different in status and quality, should be taxed as if they were equal.

Credit Unions

Credit unions resemble mutual savings banks in certain basic respects.

Neither credit unions nor mutual savings banks issue capital stock to investors.

Neither credit unions nor mutual savings banks are organized or operated for profit.

Both groups of institutions seek to promote thrift. Both provide credit for lower income groups, credit unions in the form of consumer loans and mutual savings banks in the form of home mortgage loans.

Both are highly specialized popular thrift institutions, operating on an entirely mutual basis.

Section 501 of the 1954 Internal Revenue Code provides that credit "unions without capital stock organized and operated for mutual purposes and without profit" shall be exempt from Federal income taxation.

Trusteed Pension Funds

Trusteed pension funds resemble mutual savings banks in a number of ways. The same holds true for trusteed profit-sharing and stock bonus funds.

Trusteed pension funds, like mutual savings banks, are managed by trustees solely in the interests of their beneficiaries. Neither issues capital stock. Both undertake to safeguard the personal financial security of beneficiaries as their overriding objective.

Section 501 of the 1954 Internal Revenue Code restates the full exemption from taxation of qualified pension, profit-sharing and stock bonus funds. Many thousands of such funds have been qualified under this section of the law and enjoy full exemption from Federal income taxation. The resources of such qualified trusteed funds are well in excess of $20 billion at the present time.

As with common trust funds and credit unions, the tax treatment of qualified pension funds provides a yardstick for the taxation of mutual savings banks, which are like them in status and quality.

Regulated Investment Companies

Regulated mutual investment companies are like mutual savings banks in important respects.

Both are conducted exclusively for the benefit of those who entrust their savings to these institutions, rather than for the profit of outside stockholders. In both cases, the recipients of distributions pay tax on the income received.

Qualified investment companies have received special tax treatment since 1936. President Roosevelt, in a message to Congress on a proposal to tax dividend income of corporations, had urged in 1935 that "bona fide investment trusts that submit to public regulation and perform the function of permitting small investors to obtain the profits and diversification of risk might well be exempted from this tax."

The House Ways and Means Committee and the Senate Finance Committee, in their reports on the Revenue Act of 1954, expressed the philosophy of Congress as regards taxation of qualified mutual investment funds as follows:

"Regulated investment companies which distribute at least 90% of their ordinary income are treated as conduits of income. . . . This method permits investors to pool their funds through the use of a corporation in order to obtain skilled, diversified investment in corporate securities without having to pay an additional layer of corporate tax."

This language can be applied in essence to mutual savings banks as well as to mutual investment funds.

Section 851 of the Internal Revenue Code of 1954 grants special tax treatment to qualified investment companies, for the reasons given by the Congressional committee.

The Problem of Excessive Earnings Retention

One underlying principle governs the taxation of common trust funds, credit unions, trusteed pension funds and qualified mutual investment funds. Because they are operated for the exclusive benefit of participants, rather than for outside stockholders, they are taxed not directly but through taxation of the income received by their beneficiaries.

A possibility exists, however, that these mutual entities may withhold income from the participants to an excessive extent to reduce the tax liability of the latter. To discourage this, we find provisions in the Revenue Act designed to limit retention of income by mutual entities.

In the case of common trust funds, this possibility is precluded because each beneficiary includes his pro-rata share of the entire income of the common trust fund, whether distributed to him or not, in his taxable income. As a result, there is no tax advantage to the beneficiary in withholding income within the trust.

Credit unions are not subject to any limitation on income retention as yet. Compared to mutual savings banks, they are relatively new institutions. The Revenue Act favors the rapid building up of reserves and surplus by credit unions to margin their growth, since they are in the earlier stages of development. Thanks to this favorable tax treatment, they have become the fastest growing of major American financial institutions.

It is reasonable to suppose that, as credit unions come of age, provision will be made to discourage undue withholding of income from participants in these mutual institutions.

In a qualified fully tax-exempt pension trust, the trustee may accumulate reserves to fund pension and other benefits to be paid out under the plan, but may not accumulate additional reserves for the purpose of absorbing losses on investments.

Regulated investment companies must pay out at least 90% of their income as dividends if they are not to be taxed as ordinary business corporations. In addition, they are taxed on earnings which are retained instead of being paid out. Since an investment company has no liabilities of consequence, no necessary purpose is served in their case by retaining earnings and so reducing the taxable income of their shareholders. Hence, profits not paid out so as to become the taxable income of shareholders are taxed to the investment company.

Mutual savings banks, by contrast, have nearly $10 of deposit liabilities for each dollar of surplus, undivided profits and reserves. Moreover, any losses on assets that may be incurred by a mutual savings bank must be absorbed in the first instance by the entity itself, whereas net losses on assets of regulated investment companies and common trust funds fall on the stockholders or beneficiaries directly through reducing the asset value of their shares. In this respect, a mutual savings bank is like a credit union. Hence, it is absolutely essential for the safety of these thrift institutions that they make constant additions to reserves out of retained earnings to provide a cushion for future losses.

The Mutual Savings Bank Formula

The Revenue Act of 1951 provides that mutual savings banks may add earnings in excess of expenses and interest-dividends to depositors to reserves, without payment of tax, so long as surplus, undivided profits and reserves—or, in other words, so long as the aggregate of all earnings retained in the past less realized net capital losses—do not exceed 12% of their deposit liabilities. Regulations of the Internal Revenue Service prescribe the basis for valuation of assets in computing the surplus and reserve ratios in mutual savings banks for taxation purposes. These provisions of law have established an effective safeguard against retention of earnings beyond what is reasonable and necessary for the safety of the institution.

Congress set a 12% surplus and reserve ratio not as a goal, but as a maximum beyond which retained earnings would be taxed. A lower maximum, it can be demonstrated, would not achieve the primary purpose in view, which is the protection of the depositors in mutual savings banks from a weakening of their institutions.

Mutual savings banks have an extraordinary record of safety. Not a single savings bank was forced to suspend payments during the early 1930s when commercial bank suspensions were painfully frequent and widespread. Reserves and surplus that proved adequate to absorb the depression losses that were incurred explain this gratifying record.

We can readily see why Congress selected the 12% reserves and surplus ratio as a yardstick by which to judge whether a savings bank was accumulating excessive reserves and surplus to reduce the tax liability of depositors if we keep in mind the fact that mutual savings banks cannot sell capital stock to margin future deposit growth. Hence, they require reserves and surplus adequate to absorb possible losses not only on their existing assets, but also on those to be acquired in the future.

Let us take the example of a mutual savings bank with a 12% ratio of surplus and reserves to deposits whose deposits are growing at a rate of 7% per annum, or slightly less than the national average for 1958. That savings banks would see its surplus and reserve ratio decline to only 8½% within five years if, for any reason, it could not make net additions of retained earnings to surplus during that time. The fact is that realized losses on sales of Government securities have prevented a number of savings banks from making material additions to surplus during recent years.

Even a mutual savings bank whose deposits are growing at a rate of 7% and whose surplus and reserve ratio is growing at a rate of 3% per annum—a not uncommon situation as bond and other losses are incurred from time to time—would see its surplus and reserve ratio decline from 12% to little over 8% within a decade.

The year-to-year flow of savings into a mutual savings bank causes a compounding of the growth of deposits that can lower the ratio of surplus and reserves to deposit liabilities quite rapidly if bond losses of the kind that have been incurred of late should have to be taken in the future also. To tax retained earnings of mutual savings banks would seriously aggravate this threat, except where the surplus and reserve ratio is quite ample for future as well as present needs. The 12% ratio, but no lower percentage, provides a suitable yardstick for determining when surplus and reserves are ample, so that a tax on further retention of earnings becomes justifiable.

The 12% ratio specified in the Revenue Act of 1951, it is important to remember, was not a figure chosen at random. It was adopted by Congress in 1951, after considerable discussion and debate, as a desirable yardstick for taxing retained earnings of mutual thrift institutions under the conditions then prevailing. Changes in conditions since, such as the sharp decline in Government bond prices, would preclude any lowering of this ratio of surplus and reserves to deposits, beyond which retained earnings become taxed.

Conclusions

Both as a matter of equity and to encourage thrift, savings banks must be taxed on a basis of equality with financial institutions of like status and quality. At a time when our national economic policies seek to foster sound, sustainable economic growth, to combat inflation and to promote personal financial security, unequal and burdensome taxation of mutual savings banks would be indefensible.

Common trust funds, credit unions, pension funds and mutual investment funds are like mutual savings banks in status or quality. They provide a standard for equality of taxation for mutual savings banks. All are taxed by taxing income distributed by these mutual institutions to their participants.

Congress approved a formula for equality of taxation for mutual savings banks in the Revenue Act of 1951. Savings banks were authorized by law to add retained earnings to reserves without payment of tax, so long as the surplus and reserves of a savings bank do not exceed 12% of its deposit liabilities.

The 12% maximum ratio for mutual savings banks, like pro-

*An address by Mr. Ihlefeld before the 66th Annual Meeting of the Savings Banks Association of the State of New York, New York City, April 22, 1959.

visions in the tax law and regulations applicable to pension funds and mutual investment funds, is designed to prevent undue retention of earnings to reduce the tax liability of depositors. Because mutual savings banks cannot sell stock to keep step with deposit growth, retained earnings must be added to reserves or surplus to keep pace with growth of the institution. This will lessen the danger of a rapid decline in the ratio should realized bond losses or other developments prevent material additions to surplus and reserves for a period of years, as would be the case with a further rise in the general level of interest rates.

Tinkering with the present 12% maximum surplus and reserve ratio would serve no useful purpose, and could undermine the ability of mutual savings banks to encourage and promote thrift. Such a step would be inconsistent with the principle of tax equality for financial institutions of like status or quality.

Blyth & Co. Celebrates 45th Anniversary

SANTA BARBARA, Calif. — Blyth & Co., Inc., one of the nation's leading investment banking firms, observed its 45th anniversary last week-end as representatives of the company from all sections of the country gathered at the Santa Barbara Biltmore to celebrate the event.

Charles R. Blyth

Founded in San Francisco in April 1914 by Charles R. Blyth, George C. Leib and Roy L. Shurtleff with capital of less than $10,000, the company today has 24 offices throughout the United States, over

George C. Leib

Roy L. Shurtleff

700 employees and capital funds of $33,500,000.

All three of the company's founders are currently active as officers: Mr. Blyth as Chairman of the Board; Messrs. Leib and Shurtleff as Vice-Chairmen.

Blyth broke the usual east-west expansion pattern when in 1919 it established a New York office, the company's first branch having been established in Los Angeles three years earlier. In subsequent moves, offices were opened in Seattle, Portland, Chicago, Philadelphia and Boston and later in other financial centers.

In an anniversary message to his associates, Mr. Blyth stated that "Blyth & Co., Inc. has played a privileged part in the raising of new investment capital for the continuing expansion of our economy. The role of the investment banker is a vital one.

"What the years ahead will bring, no one can foretell exactly. But if it be true that the image of the future may be disclosed in the past, I believe we can face the future optimistically."

Belgian Franc Bond Offering on May 4

The first issue of Belgian franc bonds of the International Bank for Reconstruction and Development will be publicly offered in Belgium on May 4, 1959. The offering, to be made at 100%, will consist of B.F. 500 million (equal to $10 million) of 5% ten-year bonds. Four leading Belgian banks will offer the issue: Banque de la Societe Generale de Belgique; Banque de Bruxelles; Kredietbank; and Societe Belge de Banque.

The new issue, called the "5% Belgian Franc Bonds of 1959," will mature May 6, 1969. Interest will be payable annually on May 6 of each year, with the first payment due on May 6, 1960.

The bonds will be non-callable for the first five years after issuance. On May 6, 1964, and on any subsequent interest payment date thereafter the bonds will be callable at par. In the event of partial redemption, the minimum principal amount to be called will be B.F. 25 million with a notice of 45 days required. Redemption of the entire issue will require three months' notice to holders.

Giving effect to the sale of the current issue, the net principal amount of bonds and notes sold by the Bank to raise new funds in the current fiscal year, ending June 30, 1959, amounts to the equivalent of $261.5 million. Of these issues $161.5 million was sold outside of the United States. Included in these sales was the first public offering of Deutsche Mark bonds of the World Bank, amounting to D.M. 200 million ($47.6 million), made on April 9, 1959. Upon completion of sale of the new Belgian issue and giving effect to deliveries of bonds under delayed delivery contracts, and to amounts still to be drawn down under a privately placed borrowing, the World Bank's funded debt will be equivalent to about $1,938 million.

A. J. Caradean Opens

HEMPSTEAD, N. Y. — A. J. Caradean & Co., Inc., is engaging in a securities business from offices at 155 A North Franklin St.

How Can We Expand Our Markets In Latin America?

By J. PETER GRACE*
President, W. R. Grace & Co., New York City

Well versed in Latin American economics, Mr. Grace says we will hold our own in meeting increasing competition from Europe and Japan in Latin American export market, and is convinced this area is a good investment on a long term basis with attractive dividends and enormous growth possibilities. He attributes favorable factors to E. C. M. and European convertible currency developments; and an unfavorable factor to the financial difficulty stemming from price drop in export goods. Mr. Grace offers certain recommendations not involving gifts—as to how we can be of more assistance to this area.

The sharp decline in our export trade last year is a serious problem which we face with mutual concern. So too are the many other issues that were created along with it: drastic currency devaluations abroad, heightened European and Japanese competition for foreign markets, decreased world market prices for raw materials causing a substantial drop in earnings for the producing countries and many other difficulties. The recent recession has produced a shock wave abroad that has compounded our own domestic problems and continues to beset us with real problems. There are indications that as our economy improves, the nations abroad that have reacted to our own recession will follow us along in our recovery.

J. Peter Grace

But some countries, such as the 14 coffee-producing nations of Latin America, are suffering from overproduction, and they are now taking energetic steps to resolve the serious financial difficulties that affect their purchases from the United States. For instance, U. S. purchases of coffee last year maintained a high physical volume but dropped 15% in value to $1.2 billion, the lowest dollar figure since 1950. Two prime customers of U. S. exporters, Brazil, which depends upon coffee for 60% of its exports, and Colombia, which derives 75% of its foreign exchange earnings from coffee, were especially hard hit.

Effect of Our Recession on Exports

Our own commercial exports last year were drastically curtailed by the recession. Nonmilitary exports from the United States last year dropped to $16.3 billion compared to the peak 1957 level of $19.5 billion, a decrease of 16%. At the same time, our imports which totaled $12.8 billion were just about equal to our record 1957 level of $13 billion. Almost three-fifths of our export decline was in industrial materials such as steel and other metals, petroleum, coal and cotton. These exports last year were 30% below the 1957 figure and 17% under the total for 1956. Exports of finished manufactures dropped 10% last year from the 1957 level. In Latin America, the area in which our Company is primarily interested, our exports last year dropped 13% from the 1957 level—from $4.6 billion in 1957 to $4 billion last year. It is to this aspect of our foreign trade situation—one with which we deal every day in our company—that I would like to emphasize because of the importance of this market.

The Latin American countries have suffered a setback in the form of economic and financial problems arising from a declining tendency in the prices of their major export commodities. During the past several years, for example, the prices of some of the metals which Peru, Mexico, Chile and Bolivia export in large quantities have declined by 30 to 40%. Fortunately, of late there has been some recovery in these markets principally in copper and tin.

The price of coffee, a problem I have previously referred to, dropped by more than one-third during the same period. These developments have, of course, resulted in a serious loss of dollar income—dollars which these countries use to buy from us. And as a consequence, a number of the Latin American countries have experienced the most drastic currency devaluation of recent history. During 1958 the Brazilian cruzeiro in relation to the dollar devalued by 56%, the Argentine peso by 80.5%, the Peruvian sol 31% and the Chilean peso 44%. These developments have brought about increased inflationary pressures in these countries, severe budgetary problems and a slackening off of imports from the United States. It has also created the greatest single deterrent to new investments in Latin America.

Businessmen interested in foreign trade are also concerned with the formation of the European Common Market and increasing competition in world markets from European and Japanese suppliers.

Our Share of Export Market

The main question uppermost in our minds is what effect these will have on our share of world markets. Will they mean that our exports will drop further and do they signify that we are pricing ourselves out of the market through inflation and rising wages? We in W. R. Grace & Co. are equally concerned about these questions particularly as they might affect markets in Latin America. While there is no substitute for aggressive selling, our studies show that there are certain factors in the picture which indicate that we are not about to lose our share of the Latin American market as some statements I have read suggest. The major competitors of the United States in this market are the United Kingdom, Germany, France, Italy, Belgium, the Netherlands and Japan. Indices of the cost of living in the United States and in these countries show that since 1953, the U. S. cost of living has increased less than in the United Kingdom, Italy and the Netherlands, and at about the same rate as in Germany, Belgium and Japan.

In productivity the United States has lagged behind its competitors. During the period 1953-57 the United States had a lower rate of productivity increase than other countries studied except the United Kingdom and Belgium. This advantage, however, is offset by the rate of wage increases. Indices of average hourly wages in manufacturing for the period 1949-1958 suggest that countries with higher rates of increase in productivity are not necessarily capable of strengthening their competition with the United States. To a very great extent increases in productivity are reflected in increased wages rather than in lower prices. Indices of the increase in wages show that such increases in the United States for the 1953-1958 period have been surpassed by the main U. S. competitors. For example during the six years from 1953 to 1958 the index of average hourly wages in manufacturing in the United States increased by 20%, but in the United Kingdom the increase was 34%, 39% in Germany, 48% in France, 27% in Italy, 21% in Belgium, 54% in the Netherlands and 24% in Japan. While wages do not, of course, represent all costs in manufacturing they are the major cost element for many industries and as wage costs rise so, too, do other costs.

Looks Ahead of Next Four Years

These studies suggest that the cost and price advantages which U. S. competitors have had since 1949 are tending to even out in the Latin American market and that American exporters, under present conditions, could reasonably anticipate having their share of the market in this area remain approximately at present levels during the next four years and with the volume of the market increasing appreciably each year.

On a longer range basis there are sound economic reasons for believing that as the European common market countries move toward lower tariffs and import restrictions, their trade will tend to be directed more and more to inter-common market trade and to trade with Africa. Additionally with European currencies now convertible there would no longer be pressure on the Latin American countries to spend their earnings in European currencies in Europe as before even though they would have preferred to buy in the United States.

There are broad new horizons opening up for American trade and business. We have just experienced a recession which is reverberating with many aftereffects on our international commerce. But by the end of this year the United States should have regained the ground lost last year and resumed its long-range growth pattern.

Yet serious problems in Latin America remain that will require our constant attention and sympathetic cooperation. We have a great stake in these dynamic countries not only as increasingly important trading partners but also as attractive sources of capital investment. American businessmen now have nearly $9 billion invested in Latin America, more than in any other area of the world. These countries have set the pace throughout the world in economic growth, producing an average annual growth rate of 4.5% in gross national product during the period 1950-1957. They lead too in population growth with a record rate of 2.5%. Today Latin America has approximately 185 million people and at its present rate of increase it would have almost 600 million people by the turn of the century. And when you consider that the United States and Canada together would have an estimated 312 million people, you can understand the significance of the growth of Latin America in terms of markets and investment opportunities.

Recommends We Offer More Help

The tremendous interest we have in Latin America calls for an equal effort on our part to assist these countries to resolve their development problems. The Export-Import Bank has established a 25-year record of financial cooperation with Latin America that has brought immeasurable credit to the United States. The World Bank and the International Monetary Fund, although created only since the war, have also been very effective. Our technical aid program was actually initiated and proven out in Latin America. It has done a remarkable job of helping to raise living standards and in turn creating markets. The record of American private enterprise is also a matter of pride in its accomplishments toward strengthening Latin American economies and helping them to diversify.

Yet the task ahead in Latin America far exceeds the efforts we have made to date. These proud nations are not seeking gifts. Only two of the twenty Latin American countries receive any grant aid from the United States—Bolivia and Haiti. We could, for instance, render greater assistance to them in the preparation of long-range economic development projects. We can and undoubtedly will increase our government loans for specific projects whether they be for new industries, road building, transportation, agriculture or financing needed American imports. Our Point Four program could be increased substantially and greater encouragement could be given to private enterprise to invest in Latin America.

The Development Loan Fund could be employed more effectively to stimulate private investment in Latin America by making greater use of dollar and local currency loans without the restrictions that have prevailed up to now. A greater share of the local currencies being generated through the sale abroad of our surplus agricultural commodities should be made available to American private enterprise for foreign investments. Our tax laws should be amended along the lines of the Boggs bill now pending in Congress. This bill would give much needed relief to international investors and encourage them to extend their investments. Additionally our tax laws should also permit American companies having foreign subsidiaries to deduct from taxable income losses arising from foreign currency depreciation.

Summary

In summary, we could and should give the necessary tools to our government officials and particularly to American private enterprise which in the final analysis will have to do the biggest part of the job. Furthermore, I believe that industrial research may very well turn the trick for us in foreign markets and American scientists are the ones who may provide us with that extra edge we need to compete and stay ahead. In the years to come I feel sure we will be exporting new and improved products and advanced technology and knowhow and we will be training more young scientists for the Latin American countries.

We can look to the future with confidence and no greater reward can come to the United States than through economic cooperation with Latin America. We in W. R. Grace & Co. are completely convinced of this through more than a century of fruitful business in these countries. We have gone through good times and bad times with these nations and we are sure that on a long-term basis Latin America is a good investment, the dividends are attractive and the growth possibilities are enormous.

*From an address by Mr. Grace before the Maryland World Trade Seminar, University of Maryland, April 8, 1959.

Continued from page 3

The Bull Market Today

only comes when earnings start to decline, and this affects all stocks regardless of their ratios.

The Yield Question

A great to-do is being made today about stock yields being less than bond yields. There were times in the past when this was a useful danger signal to stock buyers. This time, I am more inclined to think that it is a useful signal to bondholders. It is all in the way you look at it. I happen to think it means right now that while we are all living dangerously and investing dangerously, it is safer to have an equity than a fixed obligation.

The price of stocks might be one thing if when you sold your shares you received something other than a different type of paper. You cannot step out of the stock market and put your savings on a "Sputnik" free from risk and loss of value. Instead, you get money and often if you have a profit you only get part of your money. And the moment that money is in your hands it starts to change in value for the better or for the worse.

So whether you have stocks or whether you have cash, you are running a risk and thereby speculating.

Your aim should be to speculate as intelligently and profitably as you can.

What Policy Now?

So much for warnings.

Now, what to do about them.

I agree that, to begin with, in the practical manner of living today, people just have to have a cash reserve for emergencies before they think about investing.

My interest begins when they have a surplus above these emergency needs and are deciding what to do with it.

Now, obviously, a lot depends on age and personal circumstances. I believe when you are young and starting out you ought to take a chance. I think you ought to try to find out whether you are cut out to be a money-maker or not. If all the people who only had a little money never risked any, of course they could never have changed their status. Thus, the poor would stay poor, and the rich would get richer—the tax collector permitting.

So, I think there are a great many people still in this country who should invest and who could afford to invest in the securities markets and who have yet to begin. I think as time goes on we are going to have more and more stockholders and we are going to have more and more volume.

The stock market is no different from anything else. There is no reason to be afraid of expanding activity and more than expanding population or expanding production. There is a reason, of course, from a timing point of view to avoid getting into something just before it experiences growing pains. The last man to build new productive facilities may find his industry temporarily overbuilt. The last man to jump into a bull market may likewise find it is temporarily overdone.

I have no fear regarding the ultimate level of the stock market.

However, the stock market has been growing more and more into a market of stocks. The averages may indicate a bull market but the shares you own may mark time or go down or perhaps fortunately far outrun the averages. Thus, selection is of primary importance.

Ideally of course one might say selection and timing, but this is really asking too much. Since 1932, the investor who has been continuously fully invested in a changing portfolio of the right stocks has fared the best. The outlook has not changed. Or, I might say, the fundamentals have not changed.

However, of course, I have said a mouthful. It is easy enough to talk about a changing portfolio of the right stocks and difficult enough to accomplish.

A Market of Stocks

While we are in a market of stocks rather than a stock market, the price of one stock still affects the other. It is only human nature to select a stock that seems cheap by measuring it against another stock that seems to be priced about right. If the latter proves to be overpriced, then of course the former will be overpriced also.

So, to get down to the brass tacks of what to do today, I think it is obvious that there is, to begin with, some uninformed participation in the market. Now somewhere this reservoir of buying power is going to be pumped dry and then the market will stop. And somewhere these buyers are going to be disillusioned and then the market is going to go down. It could be soon but my guess is that it is still some months off. I think it will come more in an atmosphere of confidence than in the current atmosphere of care.

The Risk Areas

Next, as to the areas where the most risk exists, it is inevitably in the so-called low priced and relatively new and obscure shares. The difference here between the amateur and the professional is that the amateur believes what he sees or hears and is inclined to buy and hold. The professional is not adverse to going along with a move but he is more skeptical and is more inclined to buy and sell.

There may be some risks in the super blue chips with the super high price earnings ratios, but I would rather pay too much for something that is good than for something that is not.

The last time I spoke before the Harvard Business School Club, I think I said to look for new and small speculative situations rather than industrial giants. Right now, I feel inclined to reverse this advice and stick to blue chips and promising issues that could be the blue chips of tomorrow.

Fifty well established stocks comprise the "Favorite Fifty" roster and there is always a movement among them. For instance, since 1953 Amerada has dropped form first to fifteenth. In the same period, International Business Machines has risen from twenty-second to first.

I would like to try to find stocks at the bottom of the list moving up or not yet in the list but soon to be there. In short, I don't especially want to own the super blue chips with the highest price earnings ratios on the stock exchange and I certainly don't want to own many of the wonder issues with everything in the future and nothing in the past or the present. Thus, I am talking today more of type of issue rather than actual issue.

To summarize, I feel it is important regardless of the risks to make hay while the sun shines, and the sun is certainly shining on this market.

On the other hand, I think you must protect yourself against the rainy day ahead. We know about as much of when it is coming as the weatherman. I think the investment climate today can change, and the groups which are very popular now can lose their popularity. Likewise, groups which are neglected now can later snatch the mantle of desirability from today's favorites.

Protecting Yourself

Stocks are moving so fast today that you can own less of them and still make a good profit. That is one of the ways in which you can protect yourself.

I want most of my investments today to be in active liquid leaders with big continuous trading markets. I want to be able to change my mind quickly. I think there will be plenty of profit in the months ahead but found in the readily marketable blue chips or in those issues which show blue chip promise.

I think a position in the market today should be carefully balanced as to the amount committed to some unusually speculative but nonetheless promising situations.

In conclusion, except for purely transient in and out trading, I would not abandon reason, analysis and logic in evaluating investments. In the final analysis, after the show is over, after the lights are turned out, after the audience has gone home, only those who stick to fundamentals will have anything to take home with them.

Chicago Analysts to Hear

CHICAGO, Ill. — William P. Drake, President of Pennsalt Chemicals Corporation, will be guest speaker at the luncheon meeting of the Investment Analysts Society of Chicago to be held today (April 30th) at the Midland Hotel.

With Bingham, Walter

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Hubert W. Ohrtman is now with Bingham, Walter & Hurry, Inc., 621 South Spring Street, members of the Pacific Coast Stock Exchange

With Leavitt Spooner

(Special to The Financial Chronicle)

BOSTON, Mass. — Leo I. Goulston has ben added to the staff of Leavitt, Spooner & Company, 585 Boylston Street, members of the New York Stock Exchange. Mr. Goulston was formerly with Keller & Co. and in the past was with Bache & Co.

Neary, Purcell Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — Anna-Still Pritchard has become associated with Neary, Purcell & Co., 210 West Seventh Street, members of the Pacific Coast Stock Exchange. She was formerly with Wagenseller & Durst Inc.

With Myrl D. Maynard

(Special to The Financial Chronicle)

FREEPORT, Ill. — Harold W. Widmer has joined the staff of Myrl D. Maynard & Co., Smith Building.

With Bosworth, Sullivan

(Special to The Financial Chronicle)

DENVER, Colo.—Philip E. Hillman is now connected with Bosworth, Sullivan & Company, Inc., 660 Seventeenth Street.

Two With Columbine

(Special to The Financial Chronicle)

DENVER, Colo.—Evelyn R. Lee and Glenn C. Wilkin are now affiliated with Columbine Securities Corp., 621 Seventeenth Street.

The Marginal Income Approach To Long-Range Profit Planning

By ROBERT C. TRUNDLE, Jr.*
Trundle Consultants, Inc., Cleveland, Ohio

Fellow accountants are advised they no longer can afford to remain frozen in conventional approaches and must provide better interpretation of corporate facts of life to avoid misleading information for different managerial decisions. To this end, Mr. Trundle proposed the "marginal income concept" wherein marginal income is kept in focus to ascertain whether there is sufficient income per sales dollar, to liquidate fixed expense and produce a profit after all direct out-of-pocket costs of a product are paid

The complexity of modern business baffles many people. But of those within the business community who can ill afford to be perplexed, perhaps none is so important as the accountant.

R. C. Trundle, Jr.

Yet, the representatives of the accounting profession, are clearly "bewitched, bothered and bewildered," when it comes to interpreting the facts of corporate life. They are *bewitched* by expenses, *bothered* by the idea of breaking them down into their fixed and variable components and then *bewildered* when they are subsequently accused of supplying misleading information for different managerial decisions. These actions may involve make-or-buy decisions, new plant acquisitions, labor negotiations and decisions to increase or cut prices.

Is there an effective alternative to the conventional accounting approaches being used? I believe there is and that it lies in an approach which is in keeping with the principles of long-range profit planning. The approach I propose for consideration is the marginal income concept.

In the broadest sense, the marginal income concept is a management tool of analysis and control. It has been called the "common profit language" because it permits executives representing various management functions of a company to weigh a given course of action within a common frame of reference. The frame of reference, is, of course, the effect of the action on profit.

Defines Proposed Concept

In more specific terms, the marginal income concept requires a breakdown of fixed and variable costs, and the establishment of profit/volume relationships.

Marginal income itself, is the difference between all variable costs (materials, direct labor, commissions, freight) and the sales dollar. Or to put it another way, it is the amount of the sales dollar left after the direct out-of-pocket costs of a product are paid. Marginal income must liquidate fixed expense and then produce a profit. Usually it is expressed as a percentage—

$$\text{MI Percent equals } \frac{\$\text{MI}}{\$\text{ Sales}}$$

In one company, for example, the management spends 68 cents on every dollar of sales for variable expenses. This leaves 32 cents to pay fixed expense and gives no profit until the break-even point is reached. It takes the break-even sales volume to pay for fixed expense. When over-all sales of the company exceed the break-even volume, the company has 32 cents left of every sales dollar to produce profit. The MI percent, in this case is 32 percent.

Why should businessmen consider using such an approach?

For businessmen, the marginal income technique has numerous advantages. By carefully analyzing products on a variable cost basis, marketing executives, for example, can create and extend opportunities for added income. Study of profit-volume relationships can provide a blueprint for expanding markets geographically. It can provide more accurate selective goals for a company's sales, advertising and promotion efforts. In addition, it may indicate the need for product redesign which conceivably could extend the product's appeal to new users. The marginal income approach may indeed generate possibilities of price reductions.

These things are of great importance to the accounting profession. Accountants cannot afford to remain frozen in conventional approaches. Rather, it seems to me, that by placing a new emphasis an adequately analyzing the potential profit contribution of any given decision, accountants will greatly strengthen their claims and aspirations to playing a role in the management decision-making process.

*From a talk by Mr. Trundle before the Cincinnati Chapter of the National Association of Accountants, Cincinnati, Ohio.

Nassau-Suffolk Bank Operations Forum

GARDEN CITY, N. Y.—Forty-one officers representing 21 Nassau and Suffolk County banks organized the Nassau-Suffolk Bank Operations Forum at a meeting Apr. 23, 1959 at Stouffers Restaurant in Garden City. The aim of the new organization is to foster improved operations of all commercial banks in the area by holding open discussions on common problems.

Officers elected to serve for the coming year are: President, F. Warren Papsdorf, Long Island Trust Company, Garden City, N. Y.; Vice-President, Joseph P. Enright, Valley Stream National Bank; Treasurer, Walter F. Thomas, Eastern National Bank; and Secretary, Florence Oates, Matinecock Bank, Locust Valley, N. Y.

The next meeting will be held at Stouffers on June 11, 7:00 p.m. The panel discussions are open to all officers in Nassau-Suffolk County commercial banks.

Phila. Inv. Assn. To Hold Outing

PHILADELPHIA, Pa.—Investment Association of Philadelphia will hold its Third Annual Spring Outing at Whitford Country Club, Whitford, Pa., June 26.

Joins Proctor, Cook

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Albert S. Glueck is now affiliated with Proctor, Cook & Co., 10 Post Office Square, members of the New York and Boston Stock Exchanges. He was formerly with Harris, Upham & Co.

Orie Kelly to Head Div. in Fund Drive

Orie R. Kelly, of G. H. Walker & Co., has been appointed General Chairman of the Financial Division of the Cardinal's Committee of the Laity for the 1959 fund appeal of New York Catholic Charities. Serving with Mr. Kelly as General Vice-Chairmen are William A. Coleman, of Adler, Coleman & Co., and Edward F. Hayes, of Glore, Forgan & Co.

Orie R. Kelly

Committees serving under these General Chairmen include:

Member Firms Committee: Joseph C. Nugent, of Mabon & Co., Chairman; Joseph Gimma, of Hornblower & Weeks, John B. Maher, of Carlisle & Jacquelin, and Walter T. O'Hara, of Thomson & McKinnon, Vice-Chairmen.

Investment Bankers Committee: Peter J. Murphy, of F. S. Smithers & Co., Chairman; Francis Kernan, Jr., of White, Weld & Co., and William J. Stoutenburg, of C. J. Devine & Co., Vice-Chairmen.

Commodities Committee: Edward J. Wade, Chairman; and Charles B. Crofton, Vice-Chairman.

Composed of about 1,000 Catholic laymen, the Cardinal's Committee is organized along business and professional lines, with members soliciting special gifts from individuals in their own field. The Committee has John S. Burke, of B. Altman and Co., as Chairman, and John A. Coleman, a Governor of the New York Stock Exchange, as Executive Chairman.

The Cardinal's Committee has accepted a quota of $1,200,000 of the overall goal of $3,105,267. The remainder will be raised by the 400 parishes of the New York Archdiocese through a house-to-house canvass April 19 to 29.

The goal of the 1959 appeal is an increase of almost 4% over that of last year, prompted, Msgr. George H. Guilfoyle, Executive Director of New York Catholic Charities, states, "by a prudent calculation of need and our ability to meet that need. In the past four decades of public service in our community, through its 192 affiliated health and welfare agencies, Catholic Charities has been a friend in need to hundreds of thousands of men, women and children, of all races and creeds."

Invest-in-America Women Investors Day

PHILADELPHIA, Pa. — The Women's Investors Day Dinner, which will be one of the highlights of Invest-in-America Week, being observed this year from April 26 to May 2, will be held April 30, 1959 at 6:30 p.m. at The Warwick.

Edmund L. Zalinski, Executive Vice-President of the Life Insurance Company of North America, and Vice-Chairman of the Philadelphia Invest-in-America Committee, will act as Coordinator at the Dinner for the Workshop Program, which will take place at The Warwick from 3:00 p.m. to 5:00 p.m. preceding the Dinner.

Now With E. F. Hutton

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Harold E. Saunders, Jr. has become connected with E. F. Hutton & Company, 111 West 10th Street. He was formerly with Prescott, Wright, Snider Company.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Ellmore C. Patterson has been elected a Senior Vice-President of **Morgan Guaranty Trust Company of New York**, it was announced by Henry C. Alexander, Chairman of the board. Mr. Patterson had been since 1951 a Vice-President of **J. P. Morgan & Co. Incorporated**, which merged this past weekend with **Guaranty Trust Company of New York** to form Morgan Guaranty. In his new position Mr. Patterson is one of six Senior Vice-Presidents of the newly merged bank. Thomas P. Jerman and Guido F. Verbeck, Jr., formerly Executive Vice-Presidents of Guaranty Trust, have been elected Senior Vice-Presidents. Stuart W. Cragin, Longstreet Hinton and John M. Meyer, Jr., who were Senior Vice-Presidents of J. P. Morgan & Co., continue in that capacity in the merged bank.

Ellmore C. Patterson

Mr. Patterson, joined J. P. Morgan & Co. in 1935.

* * *

The First National City Bank of New York announced that John Exter, Vice-President of the Federal Reserve Bank of New York, will join the bank on May 1, 1959 as a Vice-President, and will be associated with the Overseas Division as a member of the senior administrative group of the Division.

The First National City Bank of New York opened a branch on April 27 in the new General Telephone Building at Third Avenue and 46th Street.

Manager will be Howard F. Anderson who has been with the bank for 36 years including six years as Manager of the Gramercy Park branch.

Monday's opening was the second on Third Avenue within a week by First National City. Earlier this week it relocated the former Lenox Hill Branch in new quarters at Third Avenue and 72nd Street.

* * *

Clifton W. Phalen, President-elect of the New York Telephone Company, was appointed a director of **The First National City Bank of New York** on April 28.

At the same time, the bank accepted the resignation as a director of Keith S. McHugh who is leaving his post as President of the New York Telephone Company May 1 to become State Commissioner of Commerce.

The First National City Bank of New York on April 29 announced the appointment of Frank De C. Matthews as Resident Vice-President in charge of branches in India.

Mr. Matthews has been Manager of the Bombay branch.

The First National City Bank of New York has become the first American bank to establish a branch in the Federation of Malaya.

The bank opened a branch April 27 in Kuala Lumpur, capital of the Federation, where it will provide a full range of commercial banking services. It is First National City's 78th overseas branch in 27 countries.

Walter K. LeCourt, Jr., formerly an officer with the bank's Singapore Branch, will be in charge of the new office.

The appointment of Robert F. Fitzgerald as an Assistant Vice-President of **Manufacturers Trust Company, N. Y.**, is announced by Horace C. Flanigan, Chairman of the Board.

Mr. Fitzgerald joined the bank in 1941 and was appointed an Assistant Secretary in 1955.

Mr. Fitzgerald is a Regional Operations Officer in the bank's branch administration, 55 Broad Street.

* * *

Irving Trust Company, New York, announces the election of Wesley Lindow to the office of Vice-President and Secretary. Mr. Lindow continues as head of the investment administration division.

He joined the bank as Economist in 1947, was elected Vice-President in 1948, and named head of investment administration in 1955.

* * *

On April 21, 1959, stockholders of **Long Island Trust Company, Garden City, N. Y.**, voted an increase in capital stock of the bank through a two-for-one stock split. They also voted to approve the authorization, issuance and sale of 70,136 additional shares at $20 each to be offered to stockholders of record April 22, on the basis of one share for each six held after the stock split.

Stockholders representing 176,718 shares were present in person or by proxy and voted unanimously in favor of the proposals.

Frederick Hainfeld, Jr., President, explained that the effect of the action will be to raise the bank's capital stock from $2,105,600 to $2,456,530 and boost surplus from $2,617,040 to $3,669,830. Upon completion of the sale of the new stock, he estimated that total capital funds, including reserves of the Long Island Trust Company, will exceed $7,900,000.

* * *

David Graham, formerly of **Brown Brothers Harriman & Company of Boston**, was elected an Assistant Cashier of the **Worcester County National Bank, Worcester, Mass.** Mr. Graham will assume his duties as officer in charge of commercial loans in the Fitchburg area the second week of May.

It was also announced that Arvo D. Peltonen will be moved from his present position as commercial loan officer to officer in charge of the bank's business development activities for the Fitchburg area.

Mr. Peltonen has been associated with the Worcester County National Bank since 1941 when he started as messenger.

* * *

The First National Bank and Trust Company of Bethlehem, Bethlehem, Pa., with common stock of $1,000,000; and **Bethlehem National Bank, Bethlehem, Pa.**, with common stock of $300,000 have consolidated, effective as of the close of business April 10. The consolidation was effected under the charter and title of The First National Bank and Trust Company of Bethlehem, with capital stock of $1,512,500, divided into 151,250 shares of common stock of the par value of $10 each.

* * *

Robert A. Maier, Assistant Vice-President of **Mellon National Bank and Trust Company, Pittsburgh, Pa.**, has been appointed Manager of the bank's Canonsburg Office effective May 1, according to an announcement by Frank R. Denton, Vice-Chairman of the bank. Mr. Maier succeeds Bradford R. Williams, Assistant Vice-President and Manager of that office who is retiring.

Mr. Maier started his banking career in 1929 with the **Forbes National Bank**. In 1941, he was promoted to Assistant Cashier at their Gulf Building Branch. He joined Mellon Bank in 1947 when the Forbes National became part of Mellon Bank.

In December of 1947, Mr. Maier was appointed Assistant Manager of Mellon Bank's Gulf Building Office and in January 1954, he became manager of that office. He was appointed Assistant Vice-President of Mellon Bank in 1958.

Frank R. Denton also announced that Robert H. Smith has been appointed Assistant Vice-President in the National Department of Mellon National Bank.

Mr. Smith came to Mellon Bank in 1947. He served in the bank's Investment Research, Credit and Industry Divisions and in July 1955, was appointed Assistant Cashier in the Banking Department.

George W. Frey has been appointed Assistant Vice-President in the Administrative Office.

Mr. Frey started his banking career in 1938 with **The Union Trust Company of Pittsburgh**. At that time he was assigned to the Tabulating Division and in 1945 he was placed in charge of the Trust Accounting Division. He joined Mellon Bank in 1946 at the time of the merger of the two banks. In 1950, Mr. Frey was appointed Assistant Secretary in the Stock Transfer Division and in 1952, Assistant Cashier in the Methods Division.

At the present time, Mr. Frey is assigned to the Methods Division, in charge of the application of electronics development for use in banking.

Roy A. Hunt, Jr., has been appointed Assistant Vice-President in the National Department.

Mr. Hunt joined Mellon Bank in 1950 as a trainee. The following year, he was assigned to the bank's Credit Department as a public utilities analyst. In 1952, Mr. Hunt became a commercial representative in the Banking Department. He was appointed Assistant Cashier in 1953.

* * *

Charles E. Scripps was elected to the Board of Directors of **The First National Bank of Cincinnati, Ohio**, at the Board's April meeting, according to an announcement made by Reuben B. Hays, Chairman of the Board.

Mr. Scripps' election fills the board vacancy left open by the recent death of Robert McEvilley, retired Vice-President of The First National Bank of Cincinnati and board member from 1916 until the time of his death April 9.

* * *

Stockholders of **Spitzer-Rorick Trust & Savings Bank, Toledo, Ohio** and **Ohio Citizens Trust Company, Toledo, Ohio**, at separate meetings, gave unanimous approval to plans for merging the two banks.

Under the plan, Spitzer-Rorick stockholders will receive three shares of Ohio Citizens common stock for each share of Spitzer-Rorick they now hold. S-R now has 9,000 shares outstanding, Ohio Citizens 90,000. Following the share exchange, Ohio Citizens, the surviving institution, will have 117,000 shares of $20 par value stock as its capital.

It will also have total resources of approximately $100,000,000 and capital and surplus of $5,200,000 with a substantial undivided profits account.

As previously announced, Willard I. Webb, Jr., will continue as President and a director, and Marvin H. Rorick, now President of Spitzer-Rorick, will become Chairman of the Executive Committee and a director.

* * *

The First National Bank in Champaign, Ill., increased the common capital stock from $300,000 to $600,000 by a stock dividend, effective April 15 (number of shares outstanding — 24,000 shares, par value $25).

* * *

The First National Bank of Wadesboro, Wadesboro, N. C., with common stock of $100,000; and **Bank of Morven, Morven, N. C.**, with common stock of $25,600 merged, effective as of the close of business April 15. The consolidation was effected under the charter of The First National Bank of Wadesboro and under the title **The First National Bank of Anson County, Wadesboro**, with capital stock of $112,800, divided into 11,280 shares of common stock of the par value of $10 each.

* * *

By a stock dividend, the common capital stock of **The Florida National Bank at Fernandina Beach, Fla.**, was increased from $200,000 to $300,000, effective April 15 (number of shares outstanding—12,000 shares, par value $25).

* * *

The First National Trust & Savings Bank of San Diego, Calif. is offering holders of its outstanding capital shares the right to subscribe for 105,600 additional shares ($5 par value) at the subscription price of $26 per share, on the basis of one share for each nine shares held of record on April 21. Rights to subscribe will expire on May 11.

* * *

The Board of Directors of **First Western Bank and Trust Company, San Francisco, Calif.**, announced the election of Mont E. McMillen as Chairman of the Board and President on April 15.

New Partnership

A new partnership of Michel Porges, member of the New York Stock Exchange, and Mildred P. Arnold, will do business under the firm name of Porges & Co. from offices at 15 Broad Street, New York City, effective May 1st.

Forms Bernier & Co.

(Special to The Financial Chronicle)

AUBURN, Maine — Rene A. Bernier is conducting a securities business from offices at 40 Beach Street under the firm name of Bernier & Company.

Mitchel, Schreiber Partner

On May 1st, Peter W. Schreiber, member of the New York Stock Exchange, will become a partner in the Exchange member firm of Mitchel, Schreiber, Watts & Co., 20 Broad Street, New York City.

With Schirmer, Atherton

(Special to The Financial Chronicle)

BOSTON, Mass.—Blake S. Jackson is now affiliated with Schirmer, Atherton & Co., 50 Congress Street, members of the New York and Boston Stock Exchanges.

S. Wade Marr Adds

(Special to The Financial Chronicle)

ELIZABETH CITY, N. C.—Lee M. Werner is now connected with S. Wade Marr, Carolina Building.

Chicago Bond Club To Hold Field Day

The 46th Annual Field Day of The Bond Club of Chicago will be held at the Knollwood Club, Lake Forest on Fri., June 5, 1959. The following General Committee has been appointed:

G. Fabian Brewer

Chairman: G. Fabian Brewer, William Blair & Company.

Vice-Chairmen: William A. Noonan, Continental Illinois National Bank & Trust Co., and George R. Wahlquist, Weeden & Co.

Vice-Chairman in Advisory Capacity: Robert I. Kelley, Harriman Ripley & Co., Inc.

The General Chairman has appointed the following Committee Chairmen:

Arrangements—John J. Lynch, Blyth & Co., Inc.

Baseball—Roland C. White, Harris Trust and Savings Bank.

Dividends—Eugene C. Travis, Harriman Ripley & Co., Inc.

Entertainment—Gordon L. Teach, A. C. Allyn and Company, Incorporated.

Golf—Andrew D. Buchan, Bacon, Whipple & Co.

Investments—Edgar F. Grimm, F. S. Moseley & Co.

Luncheon-Dinner—George K. Hendrick, Jr., Blunt Ellis & Simmons.

Trophies—Tad I. Haviland, Halsey, Stuart & Co., Inc.

With William R. Staats

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—George N. Glass has joined the staff of William R. Staats & Co., 640 South Spring Street, members of the New York and Pacific Coast Stock Exchanges.

Four With Dean Witter

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Warren J. Arnett, John F. Hotchkis, Richard Taylor and Gridley L. Wright have become associated with Dean Witter & Co., 632 South Spring Street.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The money market believes that the Treasury will issue only short-term securities in its coming refunding operation and, this being the case, at least a part of the pressure should be taken off from the more distant government obligations since the supply of these issues will not be increased in this undertaking. However, aside from a technical rally of the professional variety, which usually does not mean very much, there are no important changes being looked for in the government bond market until either the offerings are decreased or the demand is increased. Neither one of these two forces is expected to be modified a great deal in the foreseeable future.

The fact that the bulk of the issues that will be refunded here shortly is held outside of the banking system means that the terms of this operation will have to be on the attractive side so as to discourage the turn-in of maturing obligations for cash.

Treasury Seen Relying on Short-Term Issue

The government market is still in an uncertain position since it is waiting for the terms of the May refunding which is expected to be announced today (April 30). There are $4,500,000,000 of special bills and certificates which come due on May 15, and nearly $3,400,000,000 of this amount is owned by "other investors," mainly non-financial corporations. These investors have been principally buyers of short-term obligations since the money which has been put to work in the most liquid Treasury issues is surplus funds that would ordinarily be used for inventory or capital expansion purposes. It would not be prudent to put this money into long-term securities whether they be governments, corporates or tax exempts.

This would seem to indicate that the Treasury in its May refunding operation is forced by circumstances and the prevailing conditions of the money and capital markets to refund the issues that are coming due with short-term liquid obligations which will appeal to the non-financial investor, who has been the main buyer of these obligations in the past. However, with the business pattern very strong and indications pointing to a continuation of this trend, which is resulting in inventories being rebuilt and certain capital facilities being expanded, there will be a growing need for excess funds within the business itself. This means that these non-financial corporations are going to be less and less of a factor with the passing of time in the refunding and new money financing of the government debt.

Corporations May Want Cash

It could be that this impending operation will show some evidences that certain corporations will not be in a position to exchange the issues that are coming due for the ones which are being offered in place of them because of the need for cash in their own business ventures. The maturity could be short enough to meet the requirements of these holders, but with the need for funds for their own purposes great there will not be an exchange but the turning in of the old securities for cash. This refunding will be watched very carefully by money market specialists because it could give some clues as to the amount of attrition that may be expected in the future.

To be sure, the Central Banks could go in and make purchases of the issues that are coming due in the middle of May and turn them in for the refunding obligations and in that way disguise or cut down the size of the attrition. Purchases such as these, however, by the Federal Reserve Banks would have further inflationary effects and this is what the Federal Reserve Board and the Administration is trying to combat, because of the unfavorable influence it will have on the economy.

Long Treasury Bill Expected

It is the opinion of not a few money market specialists that the Treasury in this refunding operation will not only have to stay with short-term issues but will make full use of the long-Treasury bill. There are also beliefs that a certificate will be part of the refunding package, but it is indicated in some quarters that such an obligation will not attract as much attention among the holders of the maturing May obligations as will a long bill, say one that might run as long as a year. With the Treasury bill the rate is set by the buyer and not the Government and it is believed that this will result in less attrition than would be the case with a fixed coupon obligation. A discount issue likewise does not show a loss to its buyers, even if sold at a fixed discount set by the Treasury as might be done in this refunding.

Joins Dewar & Co.

(Special to The Financial Chronicle)

SAN DIEGO, Calif.—Allan V. Mutty has joined the staff of Dewar & Company, First National Bank Building. Mr. Mutty was formerly with Wesley Hall & Co.

Shearson, Hammill Adds

(Special to The Financial Chronicle)

SAN DIEGO, Calif.—Van Duyn Ridgway has been added to the staff of Shearson, Hammill & Company. He was formerly with Hill Richards & Co.

Joins Copley Staff

(Special to The Financial Chronicle)

COLORADO SPRINGS, Colo.—James L. Sanchez is now with Copley and Company, Independence Building. He was formerly with Allen Investment Co.

Irving Rice Adds

(Special to The Financial Chronicle)

ST. PAUL, Minn.—Charles E. Bullock is with Irving J. Rice & Company, Incorporated, Pioneer Building.

Frank J. Connelly

Frank J. Connelly, partner in F. J. Connelly & Company, New York City, passed away April 21st.

Jesse Boehm

Jesse Boehm, partner in Asiel & Co., New York City, passed away on April 20th.

Joins Morrison Staff

(Special to The Financial Chronicle)

CHARLOTTE, N. C.—Richard R. List has become affiliated with Morrison & Company, Inc., 225 West Morehead Street.

Continued from page 7

Jet Age's Financing Prospects Just Before Opening Night

Paradoxically, it can be a "hit" from a lender's point of view while, simultaneously, bringing tears of anguish to the eyes of equity holders—since as we shall see from a little arithmetic, lenders can get their money back if the industry falls substantially short of "breaking even" and, of course, it is only after "breaking even" that equity holders get any return at all. This situation is not accidental but comes about because of the way the senior money financing for the jet age was tailored by the bankers. There was some method to our madness! The following "horseback"—or perhaps "airplane back" arithmetic will make this clear: (Note—the fact that lenders can be "home safe" in the airlines without earnings certainly does not mean that we feel any industry in a free enterprise economy can—or should—long survive without enjoying healthy earning power.)

Point (1)—Examination of a representative group of airline financing packages indicates that about 45% of the airlines' $1.4 billion of proposed borrowed money financing will eventually come from commercial banks—or approximately $600,000,000. Because of the nature of commercial banks' deposits, the maturity of their loans must, in good conscience, fall well within a 10-year period and the bank debt of the airlines will mature, on the average, over a period of between five to six years. This means bank debt maturities of about $100,000,000 per year during the period 1961-1966. The $800,000,000 balance of the airlines' debt structure will be primarily long-term insurance company money with virtually no large maturities during these years.

Insurance Financing

The willingness of the insurance companies to participate so substantially in this jet financing on this "long maturity" basis is one of the most important keys to the successful advent of the jet age. As I've said, the above position of the airlines' debt structure was no accident since the amount of bank debt was really determined by fixing maximum annual debt maturities at a level which actual historical experience showed the airlines could meet (in other words, based on the cash generating ability of their present piston fleet) and multiplying this figure by the maximum number of years over which the banks felt they could extend themselves. This was the lenders' answer to the many people, during the days before even the jet prototypes had flown, who said "what happens to your loans if, for some reason, the jets don't fly"? The piston fleet would have kept on flying and its cash generating potential alone should have eventually paid us out.

Cash Generation vs. Depreciation

Point (2)—The airlines' investment in new jet airplanes alone will be about $2.2 billion. On the basis of 10-year depreciable life for these planes (which apparently will enjoy the acceptance of the Bureau of Internal Revenue versus only seven years for piston equipment) annual depreciation for them alone will be about $220,000,000, which figure excludes a substantial amount of depreciation for non-flight equipment assets. This compares with total annual depreciation in 1958 for all assets of about $200,000,000 and total cash generation of about $250,000,000.

Point (3)—If the jet fleets break even, then—and, as you can see, the break even cash flow target is not stratospherically above even today's cash generation levels — the airlines will cover debt maturities by over $100,000,000 a year—or roughly twice—during the decade of the 1960s. So you can see why we lenders can afford to be somewhat relaxed even though, as professional pessimists, contemplating the possibility of the airline industry being "in the red" from time to time at the net income level.

Now that we bankers, theoretically, at least, can expect to have our money back at less than break even load factors — let's look briefly at the earnings possibilities of the jet age.

Earnings Possibilities

Earnings, of course, depend upon the realization of above break even load factors which means selling enough seats at a price more than sufficient to cover the operating cost of the planes plus overhead. The selling price of the U. S. airlines' available seat miles depends to a great extent upon the CAB and the cost of putting the available seat miles into the sky depends mostly upon the economic efficiency of the new jet aircraft. To help predict the earning power of the jet age, we have been playing with a new statistic which we call "cash generation per available seat mile." This seems to be, from the viewpoint of a lender at least, a good measure of an airline's (and, of course, its aircrafts') efficiency since the lender gets first claim on all cash generation and to him cash throw rather than merely earnings *per se* is an important measure of financial health. For the piston fleet of the domestic trunk airlines flying today, this figure (cash generation per available seat mile) is about 4.5 tenths of a cent and, logically, has declined over the years as aircraft which cost more than previous aircraft to operate per available seat mile have been added to the fleets. Now, if the new jet aircraft and the airline managements during the jet age are no less efficient than the planes and management today, the airlines' cash flow based on any level of available seat miles can be projected on the above basis for what it is worth. Available seat miles today, for example, are 40 billion and load factor is 58%. Mr. Cherington estimates that the available seat miles which the jet fleets today on order will produce in the 1960 are 60 billion annually and if one adds to this the production of some portion of the piston fleet which may be still in action, an estimate of 80 billion available seat miles in 1965 is not unrealistic. Simple arithmetic shows that on the above outlined basis assuming realization of load factors not substantially below today's level, 80 billion available seat miles would produce total cash generation of over $360,000,000 for the domestic trunk airlines. Depreciation should not be this high and substantial earnings are probable.

Whether the operating costs and load factors during the jet age will compare favorably with those of the present piston age, nobody, of course, really knows, but the slide rule boys in the aircraft manufacturing companies in California predict the operating costs per available seat mile of the jets will be below those of any modern piston plane flying today and they also predict that the jets can break even at load factors well under 50%. Only time and actual operating experience can tell the true story.

Financing Subsequent Needs

Question (3) — What will the airlines' further jet equipment needs be and, if substantial, can they be successfully financed?

Answer: In good theory, the future jet equipment needs (or size of their second round of jet orders) should depend upon the extent to which the airline market grows or, conversely, how many available jet seat miles the airlines will need, say in 1965, adequately to fulfill the demand for jet travel. Notwithstanding the good theory, however, the second part of my question—the availability or possibility of adequate financing — has recently loomed larger than actual equipment needs in the thinking of the aircraft manufacturers, who must plan production schedules, since they by now are veteran observers (perhaps a little shell shocked) of the airlines recent battle for money. The statistics quoted earlier in this address give promise of some relatively sunny weather for the airlines by the mid-1960s from the viewpoint of funds available for additional aircraft financing. By this I mean that on a break even basis the airlines should throw well over $100,000,000 of cash per year after covering debt maturities so internal cash generation during the years 1961 through 1965 should provide well over a half billion dollars for additional jet purchases—even leaving out the very real probability that there may be some retained earnings in addition. Furthermore, by the end of 1965, most of the $600,000,000 of bank debt will have been repaid thereby reducing the airlines' total long-term indebtedness to the insurance company portion of their capital structure, which looks as though it will be in the $800,000,000 range.

With a little bit of earnings luck, the book net worth of the airlines by 1965 should be well in excess of $1 billion. If the initial years of the jet age prove at all financially and operationally successful, there is no reason to assume that lenders would not again be willing to consider at least matching dollar for dollar the airlines' equity—so the potential for borrowing additional funds should definitely exist during the 1960s. Therefore, if the airlines need them and want them, they should be able to find the money for substantial additional jet aircraft purchases during the mid-1960s. I might say here that a potential lender to an airline in 1965 will probably look with far more sympathy on a relatively high debt-equity ratio should additional equity through public sale be difficult to obtain at that time, if the airline has shown willingness to seek additional equity during the intervening years whenever it could do so without too severely diluting the stake of its existing stockholders. (I might drop a strong hint that the majority of airline equities today are beginning to sell above book.)

Persuasion Used Against Excessive Orders

From a lender's point of view, however, it seems permature at this point in history for the airlines to order many additional jet aircraft. In many airline loan agreements and, in fact, in virtually all loan agreements with foreign airlines, additional orders for jets are either prohibited or severely restricted and when we hear that the purchasing arm of an airline is negotiating seriously with an aircraft manufacturer for the purchase of additional jets, we ask the manufacturer whether the purchasing agent of the airline has had any recent conversations with his financial V.-P. Usually the manufacturer's sale possibilities decline noticeably shortly thereafter. Of course, the premature birth of a commercially feasible super-sonic jet could change the situation. Even lenders are sympathetic to the vital need for an airline to remain competitive equipment-wise.

The lender that already has a heavy financial stake in the jet age would prefer, however, that the airlines receive favorable reviews from the most important opening night critics before considering additional investment in the show. These critics are, of course: (1) the travelling public which may come to prefer one type of jet airplane to another; (2) the mechanics and operating personnel of the airline who must prove that the operating costs of the jets are not too far out of line with the advance notices; and (3) economic conditions in general plus the ingenuity of the airlines' sale force. Both will have something to say about the size of the airlines' market, since the 1958 recession was reflected in the airline world by a very noticeable slow-down—if not actual halt—in the annual rate of growth in revenue passenger miles during the first half of that year and new airline markets will, in all probability, have to be tapped to realize respectable load factors during the jet age.

Summary

To summarize then, the key jottings in a financial critic's notebook as he awaits the first curtain on opening night of the commercial jet age are likely to be about as follows:

(1) The production costs have been substantially financed although a portion of future ticket sales will be necessary to pay for some of the airplanes on order.

(2) Upon the efficiency and ingenuity of the starring members of the cast (the jet planes themselves and airline managements) will depend the profitability of the production. The planes' efficiency, as advertised, gives promise of profit. The lenders can look forward to getting their money back even if the efficiency of the jets is below advertised levels.

(3) Before thinking too seriously about substantial additional investment in the show, let's all see not only how the financial critics, but the general public in particular, receives the show. We, of course, hope for "Standing Room Only" signs and a golden flow of revenue passenger miles at the box office. This we do know—that the select few who have seen a preview of the show say it looks like a combination of "My Fair Lady" and "The Music Man" evidenced by the close to 100% load factors being experienced by jets in scheduled operations today. Therefore, we have every reason to predict that with the opening night curtain going up, we can settle back in our seats to view a hit show. I'm sure that all of us in this room sincerely hope so!

Public Utility Securities

By OWEN ELY

Mexican Light & Power Company

Mexican Light & Power is the largest private enterprise in Mexico, with assets of $252 million. It serves Mexico City and 411 other municipalities, with an estimated population of 5,105,000. The service territory covers about 12,000 square miles. With nearly 700,000 customers the company supplies about 40% of the nation's electrical requirement. Mexico City is one of the few large cities of Latin America which has had no restrictions on the use of electricity in the past decade—which has had a very favorable effect on the growth of industry. In 1958, 68% of system sales were to industrial and commercial consumers and 25% to residential customers, reflecting the high speed at which Mexico is industrializing.

While a number of other countries in Latin America have suffered political upsets in recent years, Mexico during the past decade has shown a degree of political and economic stability and growth equaled by few countries in the entire world, and there is good evidence that this will continue, despite some recent labor difficulties. Population has grown at the rate of about 3% per annum and national output at about 6%.

Mexico now produces a wide variety of products ranging from boiler tubes and pipes to lathes, electric motors, cables and transformers. Mexican plants are also assembling or producing automobiles, trucks, bicycles, diesel engines, and radio and television receivers. The basic steel industry, which increased its productive capacity from 300,000 tons in 1946 to more than 1,000,000 tons in 1957, hopes to reach 1,500,000 tons annually by 1960. The country is also developing a heavy chemical industry that will provide raw materials for production of synthetic fibers, paper and pulp, plastics, fertilizers and pharmaceuticals. Mexico's sulphur production is growing rapidly. Petroleum and natural gas should provide raw materials for future petro-chemical industries.

Cotton and coffee have now displaced silver and other metals as the most important exports. Also with larger crops Mexico is now able to feed itself. Tourists mostly from the United States spend about half a billion dollars a year in Mexico; and along with new foreign investments this balances the gap between imports and exports.

Mexican Light & Power has shown greater growth in the past ten years than in the previous half century (it was founded as a hydro-electric enterprise in 1902 by a young American engineer). Sales in 1958 were nearly 3 billion kwh. or about 2½ times those of a decade earlier. The bulk of this increased output has been in power for Mexico's expanding industrial enterprises.

The company was originally financed both in Europe and America and perhaps as a result had a rather complicated capital structure in the 1940s. A plan of recapitalization was worked out and became effective in 1950. The World Bank loaned the company $26 million; and the Mexican Government made large long-term peso loans available. The Government's hydro plants also supplied the company with wholesale power. At the time the recapitalization became effective the common stock was quoted around 1, but by 1955 it had advanced to a high of 16½. The stock is listed on the Toronto, London, Brussels and Mexico City Stock Exchanges, and is traded over the counter in New York. With credit established, the company was able last year to sell a $4.5 million bond issue to a group of U. S. institutional and other investors.

The company and its subsidiaries now have 16 hydro and three steam generating plants with a total capacity of 578,000 kw. It also has the use of hydro plants owned by the Mexican Government with a combined capacity of 352,000 kw., bringing the total to 930,000 kw. Of this amount about 72% is hydro and 28% steam. An 82,000 kw. steam unit will be completed next year and the Government's 156,000 Mazatepec Hydro Plant is expected to be ready in 1961, bringing total capacity up to 1.2 million kw.

Since reorganization the financial record may be summarized as follows:

Year—	Revenue (Millions)	Common Stock Record— Earnings	Dividends	Approximate Range
1958	$49	$1.66	*$1.00	13½-11½
1957	42	1.96	0.75	15 - 9½
1956	35	1.59	0.45	16½-11½
1955	31	1.63	0.76	16½- 8
1954	27	0.72	0.22	8½- 5
1953	31	1.43	---	5 - 2½
1952	26	0.78	---	4 - 2½
1951	25	0.38	---	4½- 2½
1950	23	0.13	---	2½- 1

*Also 5% in stock in 1955, 1956, 1957 and 1958.

The decrease in earnings in 1958 was due largely to a non-recurring tax credit of $1,133,000 in 1957, as well as unfavorable hydro conditions in early 1958. A wage increase had also been put into effect in March, 1958 for which the company received a compensating rate increase early in 1959. While heavy rains and resulting high water storage are expected to reduce steam generation considerably in 1959, a substantial increase in fuel prices is an offsetting factor, at least until the company is able to obtain a further rate adjustment.

The stock has been quoted recently over-counter around 15, at which price it yields 6.7% (disregarding the 5% stock dividend) and sells at about 9 times 1958 earnings.

P. R. Salisbury Opens

LAS VEGAS, Nev.—Patrick R. Salisbury is conducting a securities business from offices at 120 South Third Street, under the firm name of Salisbury Securities Co. He was formerly with First California Company.

Capital Inv. Opens

NEWARK, N. J. — Capital Investment Co. has been formed with offices in the National Newark & Essex Building to engage in a securities business. Fred L. Carvalho is a principal of the firm.

Continued from first page

Strategic Factors in Current Business Outlook

justments develop. While there are weaknesses and uncertainties in all stages, at the stage when recovery is becoming prosperity the potential weaknesses are not likely to be important enough to pose an immediate threat. The principal uncertainties are whether inflationary tendencies will develop and the prosperity will turn into a boom.

The Current Outlook

Need I add facts to these simple generalizations to indicate what I think about the current outlook? It is customary for forecasters, after describing in some detail current trends, which are already familiar to any knowledgeable person, to predict that these trends will continue for the next six months, but after that there will be a leveling off or the situation is too uncertain to permit a longer forecast.

I will venture my neck out a little further. Except for some temporary aberrations that can be attributed to the threat of a steel strike and then either to its occurrence or to the inventory adjustment that will accompany the failure of the strike to occur, it is my view that the economy will experience moderate growth for at least a year. The Gross National Product, which is probably by now at an annual rate of close to $470 billion, may increase by as much as 5% further in the next year, measured in present prices. The existing volume of unemployment will permit a somewhat faster rate of growth in the immediate future than can be expected to be maintained indefinitely. If over-all expansion is as great as 5% in the next year, a somewhat slower rate is to be expected after that — probably not more than 3% a year on the average.

It is possible—and this may be a hope rather than a forecast—that this expansion can be accomplished without further inflation. If so, growth at a normal rate with moderate fluctuations could continue for a long time in the future. If inflation develops, the expansion in dollar terms, though not in real terms, will proceed more rapidly and lead sooner or later to a downturn.

This thought leads to consideration of a question that is far more important than the business outlook for the next 12 months. That question may be expressed in various ways: What are the forces that might bring this period of prosperity to an end? What are the possibilities for continuing prosperity and growth for an indefinite period in the future? Or viewing the problem more broadly, what are the essentials for sustained growth with broadening levels of living? What are the threats to the maintenance of stability and growth?

Forecasting Techniques

The techniques of economic analysis and forecasting have developed along a number of different lines. How helpful may each of these be in providing answers to our questions about the maintenance of stability and growth?

One technique of economic analysis that has been developed in the past quarter century and currently the most commonly used for forecasting is what may be called model building. Development of comprehensive measurements of the Gross National Product and of its various components, which provide the basis of such techniques, has been the most significant and invaluable contribution to economic analysis of all times. The necessity of having results fit into a consistent pattern helps in reaching defensible conclusions and reduces the promulgation of inconsistent forecasts.

In the final analysis, the accuracy and reliability of such a technique depends upon the basic principles and postulates on which the model is constructed. Its most common application is in the expenditure-income-flow approach, which deals with aggregates for a few broad components of the total product. These aggregates, however, represent results not causes. Little consideration is given to causative factors or motivational influences that may bring about important shifts in relationships and affect the aggregates in different ways. This technique of forecasting contains a large amount of circular reasoning and can be a substitute for thinking. Frequently if components add up to a total separately derived, the results are considered to be reliable.

One application of model-building in forecasting is the reliance upon so-called multiplier effects. This technique developed from the emphasis by the Keynesians on investment as the primary autonomous factor in causing economic fluctuations. While this is a sophisticated approach based on rational theoretical postulates, its basic tenet may be questioned. Consumer expenditures, which in the aggregate exceed investment, also have some autonomous characteristics.

The investment-multiplier concept has been extended to defining all Government expenditures as investment and thereby has provided the theoretical framework for governmental expenditure programs for economic stabilization purposes. Forecasters who rely on this approach are concerned almost solely with the Government's budget.

Mention may be made of various other forecasting techniques or tools. Some rely on so-called sensitive indicators, which have some of the elements of tea-leaf reading or primitive mumbo-jumbo. Others have faith in control of the money supply and concern themselves with trying to figure out what the monetary authorities will do. If their theory were reliable, the task of determining monetary policy and of predicting it would both be very simple.

In all of the search for simple answers to the complex questions about the future, too little attention has been given to some of the most basic forces that influence the course of events in a market economy. The great contribution of Wesley Mitchell to thinking about business fluctuations was his rigorous analysis, based upon empirical findings, of the underlying forces of the market. Particular emphasis was placed on the factors that influenced prices, upon price relationships, and upon pricing policies of businessmen. This was the basis of the analysis engaged in by those who met at Helen Slade's in the 1920s. The other day I looked through a new book on economic forecasting and nowhere could I find a reference to prices as a causative factor. Analysis based on the motivations of the market place is not precise, simple, or easy, but it comes nearer to the realities of economic forces than the short-cuts provided by the other methods. This is the discipline on which forecasters must rely if they are to produce the most reliable guides to the future.

Essentials for Growth and Stability

After this digression into methodology, let us return to the question that was posed earlier: What factors might bring the current prosperity period to an end? Or expressed more broadly, what are the requisites for the attainment of sustained growth with reasonable stability? Can these objectives be accomplished through the operation of free markets or should there be positive governmental intervention of some sort? What are the underlying market forces that are likely to operate in the near future?

The desired course of events is the maintenance of a rate of growth adequate to broaden our levels of living and also give as much assurance as possible of national security in an uncertain international political climate. It is also desirable that this growth be attained without wide fluctuations in employment and income, but one of the major unsolved questions is whether maximum growth can be achieved without some instability.

It is not the task of the forecaster, however interested he may be in the problem for other reasons, to prescribe measures for achieving such broad social objectives as growth and stability. The forecaster, as such, is concerned only with appraising the likely consequences of the actual forces that may influence the course of events. He is likely to be more concerned with short-run factors that may create instability than with the long-run elements of growth.

Productivity — For a rate of growth adequate to increase the general level of living of the population, the first requisite is a more rapid increase in output of goods and services than in population. This is a commonplace and self-evident statement. In more technical terminology, this requires an increase in the productivity of labor. As statisticians, we can discuss at great length the complex problems of measuring productivity. As forecasters, it is important that we be aware of the measures being used. It is not sufficient to have an increase in output per manhour, unless we find some statistical process of adding leisure to the gross national product. Even output per reported worker presents statistical problems, if many workers have two jobs or if they spend unemployed time doing work they formerly hired others to do. Although changes in individual industries are important for various reasons, the more significant measures are those in terms of aggregate output, which include the effects of substitution among products made with varying amounts of labor. This substitution effect may be a more important contributor to increased output than increased output per worker in individual industries.

Forces Affecting Productivity

While long-term measurements indicate that productivity has increased persistently over extended periods of time, the rate of increase has varied over shorter periods. Nor is the increase automatic or to be taken for granted. It depends upon positive actions taken by businessmen with respect to capital equipment, research, management procedures, and the like. It may depend also upon the availability of credit and upon the volume and structure of taxes. The forecaster is concerned with the forces that affect short-term variations in productivity, as well as with long-term trends.

During the past year there has been a remarkable increase in productivity as measured by total output per worker, as well as by output per manhour. Such an increase seems to be customary in the recovery phase of a business cycle. The future course of the economy will depend in part upon the future rate of increase in productivity and also to a considerable extent upon how the benefits of the increase are distributed among the various elements of the population.

Investment and saving — Whether through improvements in individual industries or through the substitution process, increases in overall productivity require additions to plant and equipment and also expenditures on research and development not immediately reflected in increased output. Expenditures for these purposes require saving and investment in the broad economic meaning of those terms, namely, the withholding of a part of current output from consumption. All investment, of course, does not go to enlarge productive plant and equipment; some goes into housing, some into Government facilities, which may or may not contribute to productivity. Likewise some part of savings is loaned to consumers and to Government.

Since the war, investment throughout the world has been at a high level and productive capacity has expanded greatly. Many shortages that were the heritage of war have finally been met. One of the principal factors in the 1957-58 recession was a reaction from the tremendous capital equipment of the previous years. These business investment demands, together with borrowing demands for housing, for other consumer credit, and for governmental activities, pressed against the available supply of savings. As a consequence interest rates rose to the highest levels in this generation, although not high in comparison with earlier periods of prosperity.

Present Interest Rates

Although business demands for credit — both at long-term and short-term—declined during the recession and have been moderate during recovery to date, borrowings by governments and on mortgages increased substantially. Interest rates at first declined sharply in response to reduced demands and to monetary policy actions. The sudden upturn in rates last summer and subsequent sharp increase, which brought long-term rates above pre-recession levels, reflected the continued large total borrowing demands, especially by the Federal Government, and also a fear by investors of renewed inflation. Little of the rise in rates could be attributed to the shift in monetary policy from one of supplying reserves to a more nearly neutral position. Bank credit in the aggregate has shown only a moderate rate of expansion.

The future course of investment, savings, and interest rates will have an important bearing upon economic growth and stability. Questions to be considered by forecasters include these: Will business capital expansion require as much borrowing as in the 1955-57 period? What will be the effect of the drastic shift in one year from a whopping Government deficit of over $13 billion to something close to a balanced budget? Will home mortgage demands continue as heavy as they have been or even increase further? What other borrowing demands may develop? To what extent will savings flow into investment through the stock market? Will adequate savings be available to meet borrowing demands? How will the use of savings be influenced by fears of inflation?

Avoidance of inflation—Inducement to save and invest requires the prospect of future return or at least some assurance that the amounts saved will be available for future use. This means that savers must feel that the dollars they invest will not lose value in the course of time — or at least will not lose more than the owners are willing to pay for assurance of their future availability. Since the bulk of the saving is invested on a fixed-return basis, an essential for continued saving and investment is protection against depreciation in the value of money. One of the most ominous threats to stability during the postwar period has been the threat of inflation that has resulted from the efforts to spend more for consumption and investment than could be produced at the time.

Less Inflation Seen

Prospects for the avoidance of inflation have probably never been brighter at any time since the war than they are at present. Productive capacity has been expanded throughout the world to such an extent that there are no longer serious shortages of supply relative to demands. Productivity per worker has increased remarkably through the installation of improved equipment, the adoption of more efficient techniques, and the ending of the need to hoard labor in order to assure an effective supply. The continued relatively high level of unemployment—though due in part to structural factors as well as to economies in the use of labor —provides a basis of increasing output as new jobs are developed. The drastic shift of the Federal Government budget from a record-breaking peacetime deficit to an approximate balance will remove or at least reduce an important inflationary factor.

Competition in both domestic and world markets is likely to be much more severe than it has ever been, and should operate to hold down price increases. Prices of foods and other agricultural products will probably decline because of increases in livestock supplies and pressures of surpluses of other products. Thus, there are good prospects that the cost of living index will continue to be stable or possibly decline somewhat. This will remove one element of escalation in wages, that has been an important factor in rising costs.

Wage Costs Not Solely Responsible

It is true that there are other forces that tend to raise prices. Some of the basic raw materials that are still responsive to market forces of demand and supply might recover somewhat further from their declines in the past recession. In the absence of other stimulants, however, this movement may be near its limit. There remains also the persistent tendency for prices of services and various elements of cost to adjust upward in a lagging response to the inflationary movement of the past. The strongest force for rising prices continues to be increased labor costs resulting from the pressure of powerful labor organizations for higher wages and fringe benefits. Of perhaps as great importance are the continued increases in prices of finished goods that result in part from the higher labor costs. Rising profits, following maintenance of a surprising level of profits even when operations were sharply reduced, would indicate that wage costs are not the sole element of price increase.

One of the important questions in economic analysis for the immediate future is whether these forces for rising prices will be strong enough to bring about the persistent inflationary trend that is so often predicted, occasionally extolled, and widely feared. Can these forces induce inflation without fiscal and monetary policies that distribute newly created money? Will political pressures be strong enough to force the adoption of such policies?

Pricing policies — Perhaps an even more important threat to stability than the danger of inflation may arise from the price and wage policies of business and of labor organizations. In a market economy, one of the most important essentials for stable growth is appropriate pricing of the factors of production and distribution. Most of the currently used forecasting techniques ignore pricing decisions and their effects as strategic factors. Wesley Mitchell placed great emphasis upon the pricing policies of businessmen operating in competitive markets. In view of the growth of labor organizations to a position of powerful influence, if not dominance, in the determination of wages, they too must bear some of the responsibility for the maintenance of stable growth. Prices are important in large part because of their influence on the distribution of income, which in turn affect the balance of saving, investment, and consumption, as well as because of their direct effects upon decisions to buy, sell, or produce.

Justifiable Price Increases

There has been much discussion recently of what is called "adminstered price inflation." Unquestionably under conditions otherwise favorable for inflation, price and wage increases, however determined, can contribute to the inflationary spiral. This is not to imply, however, that all price and wage increases are necessarily inflationry. In a free market economy, particular prices and wages should be increased where necessary to attract capital and labor into activities for which there is a growing demand. It is when prices are administratively fixed at a level not necessary to accomplish these purposes and not justified by market forces of supply and demand that they create distortions and become an influence for instability.

More important than the expansionary aspect of administered prices is their influence toward instability. There is more reason to be concerned about the deflationary effect of such policies than about their inflationary effects. Excessive increases in prices or failure to decrease them as costs decline result in income distortions, which curtail the demand for goods and services being offered. These are factors of instability which may bring on downward adjustments and retard, rather than promote, growth. The objection to administered prices and wages is not so much that they create inflation but that they tend to retard growth and to increase unemployment. Inflation might be created if monetary and fiscal policies attempt to validate such prices, but eventually these attempts will only make the inevitable collapse more disastrous.

The More Harmful Impact

Rising prices and costs of this nature sooner or later become factors for retardation of growth in demand. To the extent that the benefits of increased productivity go to enhance profits, investment and expansion of productive ca-

Continued on page 28

Continued from page 27

Strategic Factors in Current Business Outlook

pacity in the affected industries is encouraged. If all the benefits of increased productivity, plus the returns from rising prices, go to workers and to profits in industries experiencing the increases, then other consumers will find it difficult to buy the products of those industries. Attempts to raise wages and other incomes accordingly will create serious difficulties and further dislocations, as is evident, for example, in the problem of teachers' salaries and in other costs of government. People on fixed or lagging incomes will suffer a reduction in their purchasing power. Many consumers will simply decide not to buy the products offered, as they did with automobiles in 1957 and 1958.

There is need for broader recognition of the postulate that attainment of maximum growth requires that the benefits of increased productivity be shared by the largest possible number of consumers. This can be done most effectively — perhaps only — by a lowering of the prices of those products that can be produced at less cost. To be sure, some of the benefits must accrue to the industries affected in order to attract capital and labor to them. But undue increases in those shares would stimulate output without a corresponding stimulus to demand.

Most Important Unstabilizing Force

The tendency to limit the distribution of the benefits of productivity is perhaps the most important unstabilizing force in our economy today. It is the force most likely to bring to an end or greatly retard the current upward movement. It will be aided by competition from abroad. Unless farsighted price and wage policies are adopted by industry and labor, instability will continue to be a characteristic of our economic development. As Neil Jacoby recently pointed out to the Joint Economic Committee, a requisite for maximum growth is the restoration of what he calls "structural flexibility" through "creating the framework for workable competition in many markets where it is now absent."[1] He explained that "Competition in open markets is the fundamental principle of a free versus a centrally-directed economy. If competition is pervasive and resources are mobile, enough prices will decline quickly enough when aggregate demand is shrinking and enough resources will move into more remunerative industries, so that sensitive monetary-fiscal restraints will serve to prevent inflation without creating 'pockets' of unemployment and economic stagnation. Conversely, an expansionary monetary-fiscal policy will more rapidly induce movements of resources into the most urgent uses, enabling total output to grow for a longer time without producing 'bottlenecks' and inordinate price increases."

In a recent speech, Per Jacobsson, Managing Director of the International Monetary Fund, expressed a similar point of view with respect to the current outlook. He said:

"* * * If in these circumstances costs and prices are held down, there is a very good chance that recovery will continue and unemployed workers will be absorbed into the active labor force although, as in the past, pockets of high unemployment may present special difficulties. Moreover, if there is proper restraint in costs and prices, there will be a real increase in the gross national product on a scale which will permit such an increase in the standard of living as cannot be achieved in any other way. If, however, costs are allowed to increase, the danger is perhaps not so much of renewed inflation but rather of a failure to expand production and reduce unemployment."[2]

Government Cannot Assure Stability

Governmental Intervention — Attempts to overcome or circumvent the unstabilizing effects of unwise price and wage policies, through governmental supports and stimulants or through easy credit will in the long run increase instability. Such policies may prevent or defer the adjustments that are essential for the attainment and maintenance of a balance in the forces of demand and supply. They may also inject artificial stimulants that induce unsustainable commitments.

There has developed in the past generation a view that stability and growth can be assured by governmental actions. The attempts to induce recovery from depression and the disturbances of war and of postwar reconstruction led to governmental actions of various sorts to control or influence economic developments. Many of these were necessary or highly desirable because of the exigencies of the times; others accomplish desirable social objectives. Some reflect the desires and needs of society for services and protection that can be supplied best, or only, by government. Many, however, have been positively harmful interferences designed to protect particular sectors or interests from the unpleasant effects of economic change. They often retarded essential adjustments.

Existing interventions of government into the operation of the economic system — through price supports, credit guarantees, tariffs, subsidies, and the like—as well as current deficits, already have a powerful influence upon the course of events. Many of them are not adjusted to cyclical changes in the private economy and tend to aggravate instability. Not enough consideration has been given to the question of how much these various measures have contributed to stability and growth or how much they have actually created instability and retarded growth. Special and temporary stimulants by government may either have the effect of inducing commitments that are not sustainable or, if recognized as temporary palliatives, have no influence in encouraging investment that will contribute to sustained growth. Whatever the reason for their adoption, they have sometimes had the result of causing forecasters to be more concerned with governmental policies and actions than with the forces of the free market.

This does not imply that government cannot or should not endeavor to help maintain growth and stability. It simply means that such policies and actions should be directed more purposively to that end. Vision and foresight are essential elements of economic planning. Fiscal policies must be planned in advance. Too often governmental measures adopted to correct economic difficulties have been continued after the reason for their adoption had ceased to exist.

Monetary policies — For the same reasons, "easy money," i.e., abundant credit availability and low interest rates, taken alone, cannot assure sustainable growth. Adequate credit is essential, but excessive credit, though a temporary stimulant, in the long run will lead to unstabilizing consequences. Where there are special weak elements in an otherwise strong economy, easy credit is likely to stimulate the already exuberant sectors without aiding those that are depressed.

Fixes Monetary Policy

The role of monetary policy is to assure the maintenance of an adequate supply of cash balances for the effective operation of the economy. There is no fixed amount relative to gross national product or any other measure that is appropriate under all conditions. Allowance must be made for changes in the rate of use of existing money, which may be influenced by liquid assets other than cash and by anticipations and other attitudes of the business community.

It is most important that bank credit not be employed as a substitute for saving at a time when investment demands exceed the supply of savings available for lending and when there is relatively full utilization of resources. In a broad sense, bank credit changes should correspond to changes in savings that are held in cash form, if economic balance is to be maintained.

Monetary policies should be conducted so as not to contribute to instability by forcing credit liquidation or stimulating unsustainable credit expansion. Monetary policies, however, cannot be expected to offset instability arising from other factors. To attempt to do so would be likely to accentuate rather than prevent instability in prices and employment in the long run. There is no case—at least since the establishment of the Federal Reserve System — in which a downturn has been brought on by tight money. Downturns have usually developed because of pricing policies and income distortions or unsustainable speculative developments that were often aided by excessive credit expansion.

Summary

Conclusion—The foregoing discussion of strategic factors in the current business outlook leads to the conclusion that there remain enough uncertainties so that forecasters are not likely to experience the hazards of technological unemployment. Some of the tools of economic analysis that have been developed in recent years provide more precise instruments to work with, but skill and judgment are needed in their application. The course of events during the past 30 years has been influenced by powerful factors of a special and transient nature. Governmental intervention has been a dominant rather than an incidental or marginal influence. Forecasts have naturally been based to a large extent upon information or views as to governmental policies.

In recent years, however, there has been a shift in nearly all countries away from governmental controls and interventions. Private activities and policies have been ascending in importance. More and more the judgments of the market place, the pricing policies of businessmen, and the demands of organized labor are again becoming strategic forces that must be given greater consideration. Perhaps it is a vain hope to expect that special interest groups will reduce their pressures on government for selfish benefits, that labor organizations will temper their demands, that business will have the vision to follow pricing policies so that the privileges and benefits of progress and growth will be shared by most or all of the people and not by a limited portion.

Such policies would probably result in slowly falling prices for those products that can be produced with lessening utilization of resources—not creeping inflation that benefits few and harms many and that in the long run retards rather than promotes progress and growth. It is perhaps not to be expected that policies of this nature will be adopted for altruistic motives, but their adoption might be forced by the discipline of the market. Until they are adopted, and maybe even if they are, there will continue to be elements of instability in the economy that will raise problems for forecasters to solve. They cannot be solved, however, by simple techniques of analysis.

1 Cf. Dr. Neil H. Jacoby's argument for flexibility in prices and resources in March 12 issue of the "Chronicle," p. 1.

2 Cf. also Per Jacobsson's Admonition, "Chronicle," p. 18.

Canadian Bank Advises Keeping an Open Mind on Exchange Rate

In reviewing the behavior of the Canadian dollar, the Bank of Nova Scotia concludes foreign exchange rate is an enigma.

During the past year and a half the foreign exchange market for the Canadian dollar has remained remarkably strong, says the current "Monthly Review" of The Bank of Nova Scotia entitled "The Canadian Dollar: Foreign Exchange Enigma." The Bank's general office is located in Toronto, Ontario.

It is true that in this period the exchange rate has shown more frequent variations than in the previous six or seven years. And perhaps also one may detect a slight underlying downward tendency. Nevertheless, each sizable dip has been followed by a notable rise and just recently the rate has been running above \$1.03½ (U. S.)

The Review points out that the strength in the rate has persisted in spite of some important changes in economic and financial conditions, including the weaker world markets for Canadian exports and the big deficit in the government accounts. It notes that Canada is continuing to run a big deficit in her current international accounts and that for the financing of this deficit there has been an increasing reliance on capital inflows through security transactions.

Such inflows are affected considerably by official fiscal and monetary policies and by the relative levels of interest rates in Canada and the United States, which are far from easy to predict. In such circumstances, the Review concludes that "it is probably wise to keep an open mind about the likely movements of the exchange rate."

One of the most notable features of Canada's external position during the past year or two has been the stability of total merchandise exports in the face of the marked cyclical swings in the U. S. economy. In 1958, it is true, exports of most basic wood and mineral products did show substantial declines. But these were offset for most of the year by increases in a few products subject to special sales conditions. With the disappearance of these conditions toward the end of the year, total exports began to sag a little, despite the business recovery in the United States.

Outlook for Exports

The present export prospect, the "Review" suggests, must be viewed against the background of plentiful world supplies and increased competition both among the Western countries themselves and from the expanding Communist economies. There is hope that the total flow of Canadian exports will turn up before the end of the year, but the outlook for 1959 as a whole is for no more than a continuation on the 1957-58 plateau.

Meanwhile, it may be noted that Canadian merchandise imports declined substantially during the greater part of 1958; and, with exports comparatively unchanged, the deficit in merchandise trade narrowed quite sharply. Since last September, however, imports have turned up again and the merchandise deficit has been increasing once more.

At the same time, the traditional deficit in non-merchandise transactions has been continuing to grow reaching a new high of \$940 million in 1958. The key developments during the year included a marked decline in U. S. outlays on defense installations in Canada, a sharp drop in immigration and immigrants' funds, and a continued deterioration in the balance of tourist traffic. Net payments for various business services and for interest and dividends remained very large, though easing a little from the previous year. In 1959, however, net payments for interest and dividends seem likely to rise again and the prospect is for a further widening in the total non-merchandise deficit.

With the widening here and in the merchandise trade deficit as well, the "Review" says there is little doubt that the total current account deficit in 1959 will be larger than the \$1,100 million registered in 1958. Whether it will go as high as the \$1,400 million reached in the 1956-57 boom is more problematical, but there can be no question at all that the Canadian economy will continue for some time to come to depend upon a heavy use of foreign resources.

Change in Inflow of Funds

The "Review" goes on to point out that the inflows of foreign capital which have been financing the continued current deficit have been changing noticeably in character. On the one hand, the volume of direct investment in foreign-controlled companies in Canada has shown a substantial decline. And certain related types of corporate financing have also fallen sharply. On the other hand, the inflow of investment funds of a more strictly financial character expanded very markedly in 1958. In particular, the amount of new provincial and municipal borrowing returned very close to previous peak rates and, in a reversal of the fairly consistent repatriation of Federal Government securities in earlier years, there were substantial net purchases by non-residents in 1958.

Rockford Sec. Dealers Elect New Officers

ROCKFORD, Ill.—The Rockford Security Dealers Association have elected their officers for the 1959-1960 season, as follows:

President: Al Surprise, King, Olson, Surprise & Co.

Vice-President: James E. Pence, Stone & Webster Securities Corp.

Secretary & Treasurer: Paul Kent, The Paul Kent Company.

Board of Directors: Paul E. Conrads, Conrads & Co.; Dudley M. Hallberg, Boyd J. Easton Inc.; John D. L'Hommedieu, A. G. Becker & Co., Incorporated.

Gross to Admit

Gross & Company, 400 Park Avenue, New York City, members of the New York Stock Exchange, on May 1st will admit Jeanne G. Unterweiser to limited partnership.

S. Rogers Named By Midwest Exch.

CHICAGO, Ill. — Sampson Rogers Jr. has been named official candidate for Chairman of the Board of Governors of the Midwest Stock Exchange, it has been announced by George F. Noyes, Chairman of the Nominating Committee. Nomination to the one-year post is tantamount to election.

Sampson Rogers, Jr.

Balloting will take place Monday, June 1. Mr. Rogers will succeed Arthur C. Allyn, senior partner of A. C. Allyn & Co., who has served the past two years.

Mr. Rogers, active in the securities business since 1930, has served as floor broker, investment banker and investment dealer. From 1930 to 1935, he was a floor broker on the Chicago Stock Exchange, predecessor to Midwest. For the past 24 years, he has been a partner of McMaster, Hutchinson & Co.

He is a member of the Executive Committee of the Central States Group, Investment Bankers Association. He is a former President of the Bond Club of Chicago.

Hunter Breckenridge, President of McCourtney-Breckenridge & Co., St. Louis, has been nominated as Vice-Chairman of the Board of Governors.

New nominees to the board from Chicago, each to serve three years, are Harry A. Baum, partner of Wayne Hummer & Co.; David J. Harris, partner of Bache & Co., and Louis J. Stirling, partner of Betts, Borland & Co.

Other newcomers are Harold L. Emerson, President of H. L. Emerson & Co., Inc., Cleveland; Joseph A. Glynn, Jr., President of Blewer, Glynn & Co., St. Louis, and Robert W. Haack, partner of Robert W. Baird & Co., Milwaukee.

Renominated to new three-year terms are Scott Davis, partner of Ralph W. Davis & Co., Chicago, and James G. Peterson, Vice-President of J. M. Dain & Co., Inc., Minneapolis.

Lyman Barr, partner of Ralph W. Davis & Co., Chicago, was named Chairman of the 1960 Nominating Committee.

Governors of the Midwest Stock Exchange are elected by the 400 members to serve three-year terms. Eight Governors, a Chairman and Vice-Chairman are chosen each year.

Bache Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

RALEIGH, N. C. — Thomas G. Chapman is now affiliated with Bache & Co., 130 South Salisbury Street.

With Merrill Lynch

WILSON, N. C. — Bradford C. Cantwell is now affiliated with Merrill Lynch, Pierce, Fenner & Smith Incorporated, 119 West Nash Street.

J. K. Mullen Co. Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — William B. Matthews has been added to the staff of J. K. Mullen Investment Co., 621 Seventeenth Street.

H. Hentz Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Robert S. Cooper has been added to the staff of H. Hentz & Co., 141 West Jackson Blvd.

Continued from first page

As We See It

production, and that the problem for that day on was to redistribute wealth and income. We now hear no more about economic maturity—on the contrary the need for economic growth has become a fetish—but it is still a cardinal principle of the New Deal and all its successors and imitators that those who through their energy, initiative and resourcefulness are responsible for economic growth shall be required to provide in substantial part for all those who prefer to leave their welfare to a paternalistic government or to monopolistic organizations of their own.

At Public Expense

It has long been the outspoken doctrine of the reformers and the do-gooders that the less fortunate shall be given all sorts of things at public expense and the cost of it all be levied through progressive income taxation upon those who produce in abundance. The elements which are to be thus sheltered include not only the individuals who would normally receive ordinary charity, but a great many others who have more votes than economic initiative and who are, of course, quite ready, contrary to the true American spirit, to make it pay the politicians to see to it that they have abundantly of what can be taken from those who have.

One of the most outstanding cases of all, this is, of course, the farmer. The Federal Government with the best wishes in the world could not come near doing what it is and has long been doing for our agriculturists were it not for progressive income taxation which leaves the lower income groups relatively untouched while it takes much the large part of the income of the really successful businessman, and, of course, a somewhat less progressive but nonetheless inequitable system of corporate income taxation. Of course, the farmer tells himself—he has long been told by others, particularly vote seekers—that there is something *sui generis* about his calling, and that his largesse is really the price we must pay to preserve a "way of life" (that is, farming) in this country. As a result of all this, he does not think of himself as a recipient of charity, but rather as one who has been placed in a perilous position if not by his stars then at least by some force beyond his control. And the fact that this is true is the most distressing aspect of this distressing mess.

So also with the unemployed and the aging. Of course, there are instances where one is without work through no fault of his own, but such is not the case in nearly the numbers that we are constantly being told is the case. As things now stand, there is not the slightest tendency among the unemployed to imagine that their ill fortune could in any way have been avoided by foresight and initiative on their own part. On the contrary, the fault is found in their stars, so to speak, and relief is expected as a matter of right from a friendly government which in turn takes it from those who had more foresight and more initiative and more energy. No one will ever know, probably, just how much unemployment is now a result of knowledge that unemployment insurance is available—not infrequently through tactics which should bring shame to the cheeks of all good Americans.

Not Enough Work?

The early New Deal notion that there was not, and never would be, enough work for us all to do is responsible in large part for an enforced retirement system which takes out of active production literally millions of men who could continue to produce, if not quite as effectively as in their heyday, at least in significant and helpful proportions. It is a part of the "share-the-work" idea—the idea being to take a substantial element of the working population out of the way to give the remainder a chance to earn a living. The so-called old age and survivors pension system of the Federal Government has led the way and contributed a great deal to making it possible and even attractive for men still quite able to produce to live on those still at work. Here, too, we have been told and all too many of us believe, that it is the basic nature of the economic universe which requires this sort of treatment.

"Decent housing" has become another fetish. Men and women have come to suppose that better housing than they are prepared to provide for themselves is theirs by some sort of divine right. They do not have what they want, so they have come to believe, for the simple reason that some force not under their control and not subject to their foresight or management has ordained that they must remain underlings in this respect. A more or less natural sequel to this type of reasoning is the conclusion that someone, somewhere owes it to them to see that they get "decent housing." And so those who have taken the trouble to look out for themselves are taxed to provide what the "stars" have deprived others of.

There are, of course, many other instances of this sort of thinking and this sort of program, but little is to be gained by carrying the list further. The really serious aspect of it all is the patent fact that the younger generation—and all too many of the older generations—have by now come to regard it as perfectly normal. We are far too much given to the thought that the fault lies in our stars rather than in ourselves that we do not have what we want. It is a dangerous frame of mind.

Continued from first page

Our Economic Objectives —Are They Compatible?

on the cost of living. The argument is advanced with increasing frequency that the *primary* economic goals of this country under conditions of "cold war" with the Soviet must be full employment and vigorous growth, and that pursuit of these objectives will necessarily involve a further and continuing rise of the general price level, thereby creating a conflict with one of our basic economic goals — general price stability. Thus, it is argued that America can have full employment and economic growth but only at the expense of a further decline in the value of the dollar.

The purpose of my paper is to discuss this issue of our general economic goals, and whether they are mutually compatible and interdependent, and to set forth my own personal views. . . .

Explains Our Economic Goals

First, let us consider the meaning of our national economic goals. Living under the pressures of "cold war," we all are inclined to stress that before everything else we must place first our national security and that of our allies. That is, we agree that we must first of all provide a system of military security which will do the job of protecting the free world from military or political aggression. But with this vital objective recognized, the view has been, and still is, widely held that there is no inherent reason why our broad economic objectives — full employment, economic growth, general price stability, and preservation of economic and political democracy —are out of step. In fact, it has commonly been understood that the attainment of these broad economic objectives is essential to a successful national security program.

Ever since the Great Depression of the 1930s the goal of "full employment" has had great appeal in this country. The political popularity of full employment is as great here as the avoidance of inflation is in a country like Germany, for example, which has learned the bitter experience of a runaway rise in the general price level. What do we mean by "full employment?" In a dynamic free economy such as ours there will always at any given time be a certain amount of "frictional unemployment" — that is, people temporarily unemployed and moving from job to job as a normal part of the mobility of labor in our economy. Studies show that this normal unemployment can be expected to be about 3 to 4% of our labor force.

This suggests that today, out of total unemployment of 5.8% of the labor force, 4% is more or less normal and the remaining 1.8% are people who have been actively seeking jobs and have been unable to find them. This latter group of involuntarily unemployed is a truer measure of our problem of unemployment, and is a just source of public concern. Unemployment is, of course, much more than an economic statistic; it is a measure of human suffering and indignity which should be held to a minimum. At the same time, however, it should be recognized that the unemployment which persists today in the face of business recovery from the recession of early last year is to be found primarily in geographical and industrial pockets which are the product of technological change and stickiness in the mobility of labor. Perhaps a useful way to view our goal of full employment is to ask whether our economy is functioning in a way to provide a favorable climate for the frictionally unemployed and the temporarily involuntarily unemployed to move promptly to useful jobs. Also involved is whether our system, through such means as unemployment insurance, is geared to provide adequate protection against the hardships of unemployment—whether it be frictional or involuntary and prolonged in nature.

Instability of Progress

Our second goal—economic growth—means a rising level of output of goods and services produced in this country measured in terms of a stable dollar. With regard to this objective—which has become so important in the competition with Soviet Russia—it is essential to remember that economic activity does not always proceed entirely smoothly in a dynamic free economy such as ours. Economic growth has usually moved in waves because of such fundamental forces as bursts of technological improvements, major new industries, population growth, and similar developments. These waves are inevitable in a free economy and even desirable in some degree. What is needed is to avoid the sharp cyclical upswings and downswings in economic activity—we desire growth on a *sustainable* basis and in *real terms,* that is, in terms of greater output of goods and services and not merely in depreciating dollar terms. Over a long period of history we have experienced a growth of 3-4% in our total national output in real terms—a commendable record. Since World War II we have experienced a remarkable growth of 50% in our real national output of goods and services measured in terms of dollars of constant purchasing power.

Turning now to the general economic objective of stability in the general price level, this goal calls for public and private measures designed to keep the *general* level of prices on a reasonably stable basis. It is essential to recognize that this goal includes the idea of freedom for the prices of *individual* products to move up or down in response to market demand and supply forces. It also admits and approves the idea of a *general price decline* in response to improvements in productive efficiency. The essence of the goal is the prevention of a persistent rise in the general level of prices growing out of inflation of the supply of money or an upward push of wages and other costs at a rate in excess of improvements in productive efficiency—or both of these forces.

Economic and Political Democracy

Lastly, a word of explanation about the fourth major economic goal — preservation of economic and political democracy. One way to achieve our national economic objectives would be to move toward a political dictatorship like Soviet Russia. This path would be repugnant to the American people. We must think of achieving our economic goals within the framework of economic and political democracy. Economic democracy means freedom of choice by individuals on how to spend their disposable income; freedom to work in the jobs of their own choice; freedom to control their own property; and other similar aspects of economic freedom. Freedom does not mean license, for it can only be exercised within the ground-rules set by the State in a democratic society.

Generally speaking, economic democracy means primary reliance upon competitive market forces. It is, moreover, important to recognize that economic democracy is closely linked with political democracy—freedom of speech, freedom of worship, and all the political freedoms which we hold so sacred. A vital question of our time is whether under economic and political democracy we can achieve the goals of full employment and economic growth as successfully as Soviet Russia under a dictatorship and a garrison economy. Or, as I shall develop more later, is there a danger that, in our eagerness to compete successfully with Soviet Russia for full employment and economic growth, we may ultimately move away from economic and political democracy to a Socialist State? I believe that we can compete successfully with Soviet Russia under political and economic democracy, but there are pitfalls which we must avoid.

Current Debate Over Economic Goals

So much for a discussion of the meaning of our national economic goals. I would like to turn now to consideration of the great current debate about these goals. There are two main schools of thought. One group might be called the "creeping inflationists" and the other the "stable dollar school."

The creeping inflationists pursue the following line of reasoning. The *primary* national economic goal, in view of the Soviet threat to survival of the free world, must be vigorous economic growth, particularly growth in our capacity as a nation to produce goods and services vital to national defense. The need for vigorous and sustained growth requires that our labor force be fully employed — waste of resources is intolerable in the climate of cold war. However, it is held, under full employment conditions the strong collective bargaining strength of powerful organized labor groups will inexorably produce the wage-cost push as wages are driven up faster than labor productivity increases. The result, then, must be a rise in the general price level.

The argument continues that this general price rise could be prevented if the monetary and fiscal authorities of the country would act determinedly to restrict spending by consumers, business, and the Government. This they could do by Federal Reserve restriction of the quantity of money and by Federal budget surpluses. That is, the argument holds, the monetary and fiscal authorities have it within their power to prevent or curb a general price rise, but they can do so only by precipitating a sufficiently high degree of unemployment of labor to take the steam out of the wage-cost push.

Such a degree of unemployment, it is further contended by the creeping inflationists, seriously conflicts with the basic objective of vigorous economic growth. Moreover, it subjects our people to the hardship of unnecessarily high unemployment. So, as a country we are faced with a painful choice. We must choose between full employment and maximum growth, on the one hand, accompanied by "creeping inflation," or on the other hand, general price stability but at the same time excessive unemployment and less than maximum economic growth. The choice we make, it is held, must be full employment and vigorous growth, even if it does mean a chronic decline in the value of the dollar. After all, the argument runs, inflation is not so terribly bad—most American really like it. Through various "escalators" we have learned more and more to adjust to a general price rise and consequently to a decline in the value of the dollar. Moreover, there is no reason to believe that "creeping inflation" will have to break into a gallop, as many contend. Our great national output, among other things, assures that inflation will remain at a creeping pace. So runs the argument of the creeping inflationists.

Stable Dollar Position

The "stable dollar school"—at the other extreme—takes a position along the following lines. Certainly the country must, under conditions of cold war, strive for vigorous growth. But there is no *inherent* conflict between the goals of full employment, vigorous economic growth, and stability of the general price level. In the *short run,* it is contended, there may be some incompatibility because of the wage-price spiral under conditions of full employment. The solution to this short-run conflict, it is held, must lie in restoring a condition in the national labor markets in which wage increases are held in line with increases in labor productivity. What is meant here is that the ability of labor and management to push wages and prices up in the inflationary spiral is the outgrowth of monopoly power, and that antitrust laws must be applied to labor unions as well as to business concerns. It is recognized that this course of action would be difficult but not impossible of attainment. Moreover, it is contended, even in the short run, the monetary and fiscal authorities can stop the wage-cost push by restricting the total demand for goods and services. To do so, it may be necessary for short periods to tolerate a moderately higher degree of unemployment, and this would not be too expensive a price to pay for preserving the value of the dollar. The "stable dollar school" is fully cognizant of the human losses of unemployment and realizes that they must be minimized by adequate programs of unemployment insurance.

The stable dollar school of thought goes on to argue that regardless of the apparent short-run incompatability of full employment and vigorous economic growth with general price stability, *in the longer-run* the three goals are not only compatible but are vitally interdependent. That is, economic growth is dependent upon the savings of the nation and the investment of these savings in real capital goods such as industrial plant and equipment. But, it is argued, in the longer-run the willingness of our people to save and to make their funds available for economic growth will flourish only under conditions of stability in the value of the dollar, because people will not for long, under creeping inflation, be willing to save "dear dollars" and be paid in cheap ones. That is, if our people come to expect a continuing rise in the general price level, they will be unwilling to save dollars of comparatively high purchasing power only to be paid back in dollars of reduced purchasing power.

Further Argument

Moreover, it is argued by the stable dollar school, inflation cannot be kept on a "creeping" basis. Once our people start to expect creeping inflation as a way of life, the tempo of spending will increase and we shall experience a galloping inflation. This will destroy the will to save and hence choke economic growth at its very source. Also, of vital importance, under conditions of fast-moving inflation, Government direct controls will multiply in our economy as efforts are made futilely to hold the lid on rising prices. The ultimate outcome, it is argued, would be a completely controlled national economy at the expense of economic democracy. Added to this, the stable dollar school stresses the basic dishonesty of a policy of inflation. Rising prices rob the people whose incomes are relatively fixed — especially our older people living on pensions and the proceeds of their life savings.

The conclusion of the stable dollar school of thought is, therefore, that preservation of the value of the dollar is over the longer-pull indispensable for achievement of full employment and economic growth. Moreover, as a matter of moral principle, the Government must strive for stability in the value of our unit of account.

All of this discussion may seem highly philosophical and academic, but it is far from being so. These two extreme positions lie at the base of the great political debate today over monetary and fiscal policy, especially the latter. Should the Federal budget be balanced in fiscal 1960, or should the monetary authorities be restraining an expansion of the money supply in the face of 4.4 million unemployed workers and less than vigorous economic growth? Many influential voices are advocating a policy of Federal deficit-financing and monetary expansion to stimulate growth more strongly. Others stress the urgent need for the Federal Government to live within its means and for monetary restraint. What are the merits of these positions? The importance of the question of whether full employment, economic growth, and general price stability are compatible goals is underscored by the fact that the Joint Congressional Committee on the Economic Report, under the chairmanship of Senator Paul Douglas, is in the beginning stages of a major investigation of the matter.

The Fundamentals of Economic Growth

In considering this question of the compatability of our economic goals, it would be helpful to review the fundamentals of economic growth. I believe that there is much talk about growth without understanding of the basic nature of the process.

What are the sources of economic growth? In a free society such as ours, the well-spring of growth is the voluntary saving of the people. Through saving, or refraining from spending all of their disposable income for current consumption purposes, the American people make it possible each year to employ some part of our labor force and other resources in building up our productive capacity—our capital goods such as industrial plant and equipment. Thus, saving makes possible a greater productive capacity and a resultant greater national output of goods and services. Without saving, all of our annual output of goods and services would be used for current consumption purposes, and we would have no capacity for economic growth.

As I shall review presently, the main channels of personal saving today are through institutions such as mutual savings banks, savings and loan associations, pension funds and life insurance companies. These personal savings, invested by the institutions or directly by individuals, provide the financing for real capital formation . . . [and] also provide an important part of the financing of social capital goods such as schools, roads, bridges, and other pubic improvements. . . .

In addition to personal saving, a highly important source of growth is business saving—that is, business concerns retain a portion of their earnings and plow it back into their productive expansion. Thus, the voluntary saving of the American people and business and industry provides the fundamental basis for economic growth in our economy.

In addition, there are two other means of financing economic growth in our system. One of these is taxation. To the extent Federal, state, and local revenues are employed to finance capital projects (in addition to meeting current operating expenses of Government) such as schools and highways, they serve to build capital goods of a public nature which add to our productive capacity and, hence, contribute to our economic growth.

Savings via "Forced Savings"

The other means of financing economic growth is what the economist terms "forced savings." This is the product of an inflationary rise in the general price level. As the general price level is driven up as the result of monetary inflation, the incomes of some of our people cannot keep pace with the price rise. Thus, part of the public is forced to save, or to reduce their consumption, because their lagging incomes do not permit them to pay the higher prices. This is how, through deficit financing with commercial banks under conditions of high employment, the Federal Government can force the private economy to save. The effect of Federal financing with the commercial banks is just the same as would occur if the government printed paper money, so that armed with this additional purchasing power the government can bid resources away from other uses because it can afford to pay the higher prices. It should also be noted that the same effect of forced saving occurs under conditions of high employment when private individuals or business concerns resort to deficit financing with the commercial banking system.

There are two observations that can usefully be made at this point about "forced saving." First, it runs counter to Christian ethics because it is based on a process in which some parts of our people—those with comparatively fixed incomes—are robbed to the advantage of the State or private individuals who have a capacity to increase their spending power along with inflation. Secondly, "forced saving" runs into headlong conflict with voluntary saving. Over any significant period of time a rising general price level, the essence of forced saving, is bound to destroy the willingness of the American people to save on any voluntary basis. This is so as noted earlier, because under inflationary conditions the people save comparatively dear dollars and are paid back in cheap ones. I intend to return presently to this idea, but I would like now to review briefly the record of saving, economic growth, and inflation in the period since the end of World War II.

Saving, Economic Growth, and Inflation in the Postwar Period

"Savings Institutions" include life insurance companies, savings and loan associations, mutual savings banks, and the time deposits of commercial banks. The total for these institutions rose sharply from $7.5 billion in 1950 to $15.5 billion in 1954, with moderate tapering off until 1957 when it stood at $17.9 billion. The figure in 1958 was $21.6 billion. It should be noted that all of these figures on sources of funds are on a net basis—that is, they show the *net* flow of funds available and do not include funds obtained through refinancing.

"Other Nonbank Sources" include state and local government funds, uninsured corporate pension funds, fire and casualty insurance companies, corporations, U. S. Government funds such as the Old Age and Survivors' Insurance Fund, and all other nonbank sources of funds, the latter being in the main individuals and unincorporated business. . . . [There has been] a general rising trend in the total supply of capital funds available annually from savings sources. The total nearly doubled from 1947 to 1957, rising from $19.4 billion to $37.7 billion. The jaggedness of the movement from year to year is largely explainable in terms of the sharply changing role of corporations as a source of funds. During the postwar period the volume of nonbank funds has displayed an encouraging growth. This growth not only reflects the growth of national income in *real* terms; it likewise is a product in part of the postwar inflation and the effect which inflation has had in raising money income.

The growth of savings and loan associations as a channel of saving is particularly noteworthy. . . . Savings — capital funds — have been put to great use to finance residential construction. The figure rose from a net increase in residential mortgage debt of $5.7 billion in 1947 to a high of $8.7 billion in 1950, and then after some decline, to a new high of $13.4 billion in 1955. It amounted to $11.5 billion in 1958. The growth of our housing in this country has taken a major share of the country's voluntary saving. . . .

Private savings became available to aid the expansion in productive capacity of corporate enterprise. The net availability of these funds totaled $67 billion in the period 1947-1957. The amount in 1958 was $8.1 billion. Here, of course, is a primary source of the country's economic growth, along with corporate saving. . . . [Regarding] the relationship between capital funds supplied to finance residential mortgages and corporate securities, it is interesting to see that the net increase in residential mortgage debt each year, with the exception of 1957, has exceeded the net increase in corporate securities. . . .

Governmental Financing

Outstanding Federal debt has been reduced. In 1947 and 1948, for example, the Federal debt was reduced in the aggregate by $6.6 billion, and again in 1956-1957 by $5.8 billion. In these years the Federal Government was actually "saving" and supplying funds to the capital market. However, in the years 1949 and 1951-1955, inclusive, the Federal Government was a net borrower of $28.4 billion, and in 1958 borrowed net an additional $8 billion. . . .

State and local governments [have steadily used capital funds] to finance schools, roads, bridges, and the like. During the period 1947-1957 state and local debt rose $35.7 billion. In 1958 the amount of net increase was $6.8 billion. . . .

During the period 1947-1957, the savings and loan associations contributed a net amount of $32.2 billion to residential mortgage financing; the life insurance companies $21.0 billion; and the mutual savings banks $15.4 billion. The commercial banks contributed $12.0 billion. These four institutions thus accounted for $80.6 billion, or over 86%, of the total increase in residential financing in this period. The remainder was accounted for by corporate pension funds, the Government, and individuals.

The net uses of funds in selected investments of mutual savings banks, 1947-1957, show how the savings of the people accumulated through savings banks have gone into residential mortgage financing and corporate financing. . . . Throughout this period the savings banks sold Government securities to make even greater amounts of funds available for mortgage and corporate financing. . . .

Corporate pension funds are uninsured pension funds being accumulated for employees of business corporations such as the Bell Telephone System, General Electric, U. S. Steel, and other corporations. This is one of the fastest-growing fields of personal saving. During this period the pension funds supplied nearly $15 billion to finance the growth of corporate enterprise in the United States. . . .

Life insurance company funds are, of course, the savings which millions of Americans accumulate each year as life insurance reserves. During this period the life companies provided $21.0 billion of residential mortgage financing, $27.7 billion of funds for the financing of business and industrial corporations through the purchase of their bonds, and $1.8 billion of funds for state and local government financing

These [data] . . . have by no means presented a complete picture of the flow of savings into investments uses in the American economy. I hope, however, that it is a sufficiently broad picture to show how in the period following World War II, as throughout our country's history, the savings of our people through savings banks, savings and loan associations, life insurance companies, uninsured pension funds, and in many direct ways, have made possible the building of new industrial plant and equipment, new housing, new public improvements, new public utilities, and all of the other capital goods which have increased our productive capacity and have thus made possible our national economic growth.

Capital Goods—Locus of Inflation

Much of the inflationary pressure we have experienced in our economy since the war has originated in the capital goods sectors. It is impossible to show the detailed analysis in this paper, but a study of the postwar capital market makes it clear that in most years the demands for capital funds have tended to outrun the supply of savings. The aspirations of the United States to grow—to build more industrial plant and equipment, to have more and better housing, to build more and better schools, to aid the economic development of less fortunate countries, and to obtain a host of other capital goods—have tended strongly to exceed our willingness to pay for these projects out of voluntary saving and taxation. The strongest proof of this tendency of the demand for capital to outrun the supply of saving has been the persistent rise of interest rates during the period.

To a considerable degree our capital goods expansion since the war has been the product of "forced savings." That is, through both public and private deficit financing with the commercial banks, which has resulted in a corresponding increase in the supply of money, the gap between the demand for capital funds and the supply of voluntary savings has been filled by an inflationary expansion of the effective money supply. The housing field, where prices have risen much more sharply than most other prices, is a particularly good example of how much of the inflation and decline in the value of the dollar has originated in the capital goods fields. The inflationary demands in the capital goods industries have, in turn, provided a fertile climate for the cost-push type of inflationary pressures.

Consequences of Inflation

Against the background of the foregoing discussion of the process of economic growth and the record of growth in the postwar United States, I would like now to return to the basic question Should the goals of full employment and economic growth be pursued as a matter of public policy without regard to whether such a course of action leads to a rise in the general price level? Can we afford to regard stability in the value of the dollar as a second-class objective which must be abandoned in our efforts to maintain full employment and vigorous growth?

It is my view that full employment, economic growth, and general price stability are vitally *interdependent* in the longer run, and that they must be pursued as a whole if we are to preserve our free economic society. This is because a national policy of inflation—even creeping inflation—would have destructive consequences for economic growth and economic and political democracy. Many of these consequences are already much too apparent as the result of the inflation we have already experienced. What are these consequences?

First, a decline in the value of the dollar, as forced saving proceeds, is bound to injure and eventually destroy the will of the American people to save voluntarily and thereby to finance economic growth in all the many ways we have just reviewed. Who would have the desire to save under conditions in which the general price level is expected to move upward as a way of life? Who would find it attractive to invest in fixed-income obligations such as corporate bonds or mortgages under such conditions? If inflation became generally anticipated as being inevitable, people would be driven to spending a higher proportion of their current income before it deteriorated in value. Moreover, under the expectations of inflation—creeping or otherwise—people would have the incentive not only to stop saving but also to incur debt more freely in order to accelerate their spending, for inflation robs creditors to the advantage of debtors.

Hedging With Equities

When the general public's expectation of inflation grows, the stock market becomes a refuge for investors because it provides a means for hedging against the rising general price level. Unfortunately, as is already becoming evident today, the increased flow of funds into common stocks largely results in a churning of transactions in the existing supply of stocks, driving up the prices of outstanding stocks without providing any real basis for corporate growth. That is, funds which under a more stable general price level would have gone into the financing of new industrial plant and equipment are shifted to the stock market where they are largely lost to economic growth and are dissipated in the bidding up in price of the floating supply of stocks.

Thus, it seems inevitable to me that inflation and forced saving is bound to destroy volutary saving and to curb economic growth. It is, therefore, bound to lead to bigger and bigger doses of inflation and forced saving in an effort to replace the destroyed voluntary saving.

Raises Gross Interest Rate

A second general consequence of inflation affecting economic growth is that when investors expect a continuing rise in the general price level, they demand and can obtain a premium in the interest rate charged. That is, for example, if investors anticipate a 2% decline in the value of the dollar, they tend to demand an interest payment 2% higher than would be required strictly in terms of the current demand for and supply of capital funds. Of course, expectation of inflation does not have such a precise effect, but there is no doubt that it leads to a premium in the interest rate. Most students of the capital markets are of the opinion that an inflation premium already exists today in the interest rate. Consequently, a rising general price level causes interest rates to increase because lenders demand a premium in the interest rate to compensate them for the expected decline in the value of the dollar. Interest rates also tend to rise in a period of increase of the general price level because, with the prices of capital goods rising, the total demand for capital funds tends chronically to run ahead of the supply of savings. Thus, higher interest rates in an inflation are

Continued on page 32

Continued from page 31

Our Economic Objectives —Are They Compatible?

an inevitable outcome of market forces.

Rising interest rates in a period of inflation exert a number of effects which have a bearing upon vigorous economic growth. For one, they lead to an increasing interest charge on our huge national debt, which makes it that much more difficult for the Federal Government to avoid deficit financing. Another is that as interest rates rise, the prices of bonds automatically fall. Investors interested in long-term capital gains are thereby turned away from the bond market to the stock market under inflationary conditions, thereby lessening the availability of funds for the purchase of corporate and Government bonds. Still another practical difficulty of rising interest rates in a period of inflation is that certain interest rates are fixed by statute, the most important of which are the rates on long-term Government bonds and on Government-insured and guaranteed mortgages. I shall consider the problem of the fixed interest rate on Government bonds presently. So far as Government-insured and guaranteed mortgages are concerned, the problem is as follows: As market interest rates are inexorably forced up in an inflation, the fixed and relatively low rates of FHA and VA mortgages lead to a reduction in the flow of funds into these mortgages because of the comparatively low fixed rates. The Congressional reaction to this situation has always been to seek to maintain the low fixed rates on Government-insured and guaranteed mortgages by pouring newly-created money into the residential mortgage market through direct Government loans and the Federal National Mortgage Association. But this is no solution because it merely accentuates inflationary forces and exerts greater upward pressure on market interest rates.

Accordingly, rising interest rates are an inevitable market outgrowth of inflation in our economy. As interest rates rise, they are bound to cut the investment spending of some business and industrial concerns and thus exert a drag on economic growth. Rising interest rates are in particular bound to act as a deterrent to the expansion of social capital goods such as schools, highways, and similar projects. This is especially true because statutory limits exist on the interest rates which State and local government units can pay.

Impairs Federal Financing

A third important consequence of a continuing rise in the general price level lies in the difficulties encountered in Federal financing. With recurring Federal budgetary deficits and continued increase in the general price level, investors are bound to become less and less willing to purchase Government bonds because of the fixed-income nature of such securities. The difficulties become especially great when market interest rates rise above the statutory rate on long-term Government bonds, now fixed at 4¼%. Under these circumstances investors shift to the purchase of bonds bearing interest rates including an inflation premium—or they shift even more into common stocks. Thus, the Government is compelled to rely upon short-term financing, much of which finds its way into the commercial banks, which create new money in purchasing it. The short-term Government securities which do not lodge in the banks become highly liquid assets in the hands of corporations and thus render the task of the monetary authorities more difficult in controlling the volume of spending in the economy.

With corporate liquidity high, it takes more time for a restrictive Federal Reserve credit policy to have a real biting effect. Moreover, the frequent Treasury trips to the market to refinance short-term debt seriously hamper wise and effective control of the money supply by the Federal Reserve authorities. In addition, a persistent rise of the general price level makes the sale of U. S. savings bonds more difficult and tends to accentuate the redemptions of outstanding bonds. This is a highly important problem because there are over $40 billion of E-bonds outstanding at the present time, payable on demand by the U. S. Treasury.

These are the reasons why the U. S. Treasury attaches such great importance to balancing the Federal budget in a highly prosperous economy such as today. Continued Federal deficits do much to promote inflation and the expectation of more inflation. The rising general price level, by driving up market interest rates, forces the Treasury into inflationary debt management and into further deficit financing in a vicious circle. There is little wonder, then, why most thoughtful students of fiscal policy think it is urgent that the Federal budget be brought under control.

Escalation Would Escalate

Still another consequence of inflation for economic growth is that if continuing inflation should become a way of life, everyone would redouble his efforts to hedge and protect against it. Escalation clauses in labor contracts designed to keep wages in stride with the increasing cost of living would be bound to spread throughout the economy. Through other measures such as increased common stock purchases, variable annuities, purchasing power bonds, and in countless other ways the American people and business would seek to ride along with rising prices. Regardless of how much escalation did occur, some elements of our society would be unprotected and would suffer because their incomes would be comparatively fixed. However, to whatever extent a stimulating effect of a rising general price level comes from the fact that some elements of society are able to benefit at the expense of others, the stimulus will be weakened as inflation becomes a way of life and means are found by many to ride along with it.

Under these circumstances, it is highly likely that bigger doses of inflation would be required to produce a stimulating effect. This is one of the important reasons why "creeping inflation" is bound to break out into "galloping inflation" as the public becomes more and more impressed by the need to guard against a continuing rise of the general price level. The history of almost every inflation the world has experienced is that it started out as a modest creeping inflation but as it proceeded it sooner or later moved at an accelerating pace into galloping ruinous inflation. There is no reason that I can see why creeping inflation would not follow the same course in the United States.

Multiplicity Controls

A final, and most unhappy consequence of inflation, is that it is bound to breed a multiplicity of Government controls and ultimately to place serious curbs on our free market economy. For example, inflation is bound to lead to more and more direct controls over the free capital market. As noted earlier, rising interest rates are an inevitable market phenomenon under inflationary conditions. Political reactions we have already experienced indicate that an interest rate rise would soon be met by further legislative efforts to hold down the rise of rates through direct Government lending and Government purchases of mortgages and state and local bonds. We have already started down this path. Since interest rates are the prices of borrowed funds, if the free movement of interest rates is restricted by Government, the result will not only be policies which will accentuate inflation but also the spread of a network of direct Government controls over where capital funds can be employed and on what terms.

Moreover, continuing inflationary measures will ultimately lead to the ineffective but politically popular spread of direct government controls over wholesale and retail prices. As we learned so well during World War II these controls are not effective in stopping inflation because of a breakout of "black market" transactions. This is why, as we go the route of direct Government controls, they are bound to multiply and become more pervasive. Under these circumstances could the freedom of labor to bargain collectively remain intact? I doubt it. It seems inevitable that wages would be brought under control, and this would ultimately restrict the freedom of the worker to select his own job.

These are just some of the ways in which direct Government controls would inevitably spring from inflation and become all-pervasive as inflation proceeded. If there is any doubt about the prospect, it is well to remember that the controlled economy of Hitler grew out of the ruinous inflation in Germany after World War I and the inflationary methods used by the Nazis to finance their military expansion. Similarly, the Soviet controlled economy had its origins in a runious inflation in Russia after World War I and has been continued in no small measure by the inflationary methods which the Soviet has used to finance its military and economic growth.

America must remain strong to protect herself and her allies against the threat of Soviet tyranny. This means that we must maintain high employment of our resources and maintain vigorous economic growth. But, we must find the way to do this within the limits of general price stability, for continued inflation will destroy the very system of political and economic democracy which we are so anxious to preserve.

We have often talked about the threat of socialism as though it might develop here through a process of ideological salesmanship by the Communists. Actually, socialism is much more likely to become established in this country as the result of following an inflationary policy to promote full employment and economic growth.

Conclusions

In conclusion, the public debate concerning our national economic objectives is of great importance to the future of this country. It is my view that full employment, economic growth, and general price stability are vitally interdependent in the longer-run and that they must be pursued as a whole if we are to preserve our free economic society. We cannot afford to regard stability in the value of the dollar as a second-class objective to be easily abandoned in our efforts to maintain full employment and vigorous economic growth. This is because a national policy of inflation—ever creeping inflation—would in the longer-run have destructive consequences for growth and our democratic system of government. It would, moreover, lead us down the path of moral bankruptcy.

As the authoritative studies by Simon Kuznets and Raymond Goldsmith show so conclusively, the economic growth of the United States has been made possible by the saving of the American people and business. There are no shortcuts to economic growth. The only way in a free economy that we can increase the pace of growth is by a greater rate of saving and investment spending. This means establishing a more favorable climate for saving. The place to start is with an honest, stable dollar.

Several months ago Senator Hubert Humphrey reported that Nikita Khrushchev, in discussing the inevitable world-wide growth of Communism, predicted: "Your grandchildren will live under a socialist state!" It is hard for us to take this prophecy seriously. It can come true, however, if as a nation we seek full employment and strong economic growth without regard to stability in the value of the dollar.

Continued from page 2

The Security I Like Best

in South America that has been estimated at 145 million tons of ore yielding approximately 4% of Ferro Columbium. For purposes of comparison, the average yield in American and Canadian Columbium deposits is four-tenths of 1%. Together Molybdenum with its partners own what is estimated to be 75% to 90% of the world's supply of low-cost Columbium. As is the case with the Rare Earths, exploitation of these deposits requires development of large new markets.

The corporation's pioneering research in the application of Ferro Columbium to the production of large volume steels, such as are used in pipeline steel, gas cylinders, truck bodies and heavy duty machinery, and plate steel has paid off in important applications and "know-how."

The breakthrough came with Great Lakes Steel's dramatic announcement, in October, 1958, of an entirely new line of steels, called GLX-W steels. A brand new, large volume use, had unquestionably been developed for Columbium.

By adding approximately a half pound of Ferro Columbium per ton of steel, Great Lakes Steel can now produce a new series of steels which are up to 50% stronger, easier to work, and superior in weldability. These all spell out a great competitive advantage for Great Lakes Steel.

My investigations of the steel industry indicate that the response to the new GLX-W steels has been so vigorous that substantially every major steel producer is now running tests on some 160 different uses of Ferro Columbium in steel making. These developments substantiate our theory, as stated several months ago, that adoption of the use of Ferro Columbium steels by one major steel producer would force the rest of the steel industry to follow suit.

Potential Earnings: There is evidence to support our estimate that Great Lakes Steel can use half a million pounds annually of Ferro Columbium. This company has about 3% of the American steel market. From this figure it can be estimated that the American steel industry alone could use more than 16 million pounds of Ferro Columbium annually. Taking what we consider the conservative figure of a 12 million pound annual market, I have estimated Molybdenum Corporation's earnings conservatively at approximately $2 per share.

Again we can only guess at the market's evaluation of the worth of Molybdenum Corporation's reserves of Columbium ore.

Molybdenum Division: Molybdenum is an important metal for alloying with other metals to give them greater toughness and heat resistance. The announcement this January by the U. S. Bureau of Mines, which made front page news, that they had succeeded in casting pure molybdenum for the first time, underlines the growing importance of this metal in the "age of alloys."

Kennecott and American Metal Climax at present can produce, domestically, about 42 million pounds annually of molybdenum out of a total world production of approximately 48 million pounds annually.

Although Molybdenum Corporation is the second largest American **processor** of molybdenum, it has been buying its molybdenum ores from Kennecott since 1936.

Because the company up until now has not released any definite statistics on the extent of the molybdenum ore reserves in their wholly owned property at Questa, N. Mex., there have been few attempts to evaluate the significance of this ore body. But now, after more than two years of underground drifting and drilling, the company is willing to reveal that their Questa ore body is a major molybdenum mineralized area of great value. Their work to date has substantiated this estimate, and indications are that they have at least 200 million tons of molybdenum ore at Questa, N. Mex. It is significant that during 1958 and also in 1959, Molybdenum Corporation has continued to acquire additional claims in the Questa area and is believed to now own substantially all the valuable properties in this area. I have reason to believe that this will prove to be one of the largest molybdenum ore bodies in the world.

To sum up the case for Molybdenum Corporation as an outstanding growth situation, I believe this company is in the unique position of having not one but three major new areas of growth about to reach fruition simultaneously, within the next 18 months, and of being fully able, both financially and technologically, to reap the benefits.

The Corporation, listed on the N. Y. S. E., has no funded debt or preferred stock. There are 1,570,950 shares of common outstanding along with 170,000 warrants entitling the purchase of one share of common (through October, 1963) at a price of $29.70 a share.

The stock is currently selling around the 45 level.

With Josephthal & Co.

Josephthal & Co., members of the New York Stock Exchange, announced that Joshua Ostrov is now associated with the firm as a registered representative in the New York office, 120 Broadway.

Two With Gallagher-Roach

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio — John A. Bernard and Eugene F. Rausch are now with Gallagher-Roach and Company, 16 East Broad Street.

F. J. Mitchell Opens

NEWPORT BEACH, Calif.— Francis J. Mitchell is conducting a securities business from offices at 300 West Coast Highway. He was formerly with Dean Witter & Co. and Lester, Ryons & Co.

Continued from page 9

Implications for the Bond Market With and Without Inflation

taining inflation that management of the Federal budget and monetary policy be designed to promote growth in total demands only so fast as our real economy grows. There is perhaps no empirical regularity among economic data that is based on so much evidence for so wide a range of circumstances as the connection between substantial changes in the stock of money per unit of production and the level of prices. The Federal Reserve System has the power to control the stock of money through its monetary policy actions. In the main, these policies since 1951, when the "accord" was achieved, have been of a stabilizing nature. If the causal relation is correct—as I believe it is—the key to preventing future inflation lies in two things; **one**, encouraging maximum growth in the ability of our economy to produce goods and services and, **two**, limiting growth in the money supply in accordance with the real growth of the economy.

Some say that we must have inflation if we are to achieve maximum economic growth. Yet two recent independent and careful studies by Bach and Friedman concluded that there was no apparent relation between the rate of inflation and the rate of economic growth in previous periods in this country. During some periods we achieved substantial growth without inflation and during other periods we had substantial growth with inflation. There was no apparent consistency.

(b) Preventives

Let us turn for just a moment to the means for encouraging economic growth. Certainly achievement of adequate growth requires a continued high level of investment and more efficient use of our existing resources. We might well give greater attention to revising our tax system to encourage investment and hence increase our productive potential. Also, our nation can no longer afford such wasteful luxuries as our farm support program, uneconomic regulation of transportation rates, Federal support of retail price maintenance, high tariffs and permissive policies toward feather-bedding practices of unions. Government efforts should be designed to reduce artificial barriers to the flow of labor and capital from less to more efficient lines, rather than the reverse.

The Federal Reserve System currently has the power to control the stock of money through its monetary policy actions. Yet, strong pressures are now developing in many circles for eliminating the power of the Federal Reserve to restrict credit when inflationary pressures exist. If a flexible money policy is abandoned, we may as well abandon all hope of preventing substantial long-run inflation. Federal Reserve powers in recent years, as you know, have been used to restrict credit in times of full employment when inflationary pressures increase, and to encourage monetary growth during recessions. Since the adoption of this type of policy in 1951, prices have been more stable than in most earlier periods in our history. I would argue that this is not an accident. It is very closely related to the fact that we have a different type of monetary policy today than we used to have.

The rate of growth in the money supply is clearly correlated both to periods of boom business and recession. I have traced this relation back to 1909. Prior to every recovery including the last one we have had a rise in the rate of monetary growth and prior to every recession a decline in monetary growth. Some say this is accidental. The data strongly suggests that the relation is a causal one.

Our present monetary policy is much superior to what we become accustomed to prior to 1951. There are, however, probably further improvements that can be made. I think it is not accidental that in the past 50 years, the three periods when we had the most violent declines in the rate of monetary growth preceded the three worst depressions. At present, extreme fluctuations in monetary growth are being avoided and this practice should continue. Certainly we have to tie monetary policy to sensitive action guides. One gathers that sometimes in the past the Federal Reserve used the consumer price index as a guide to action. That was probably a mistake because the consumer price index moves upward after business activity is well down, and it continues level long after we start getting inflationary pressures. Monetary policy must be tied to sensitive indicators rather than laggers such as the consumer price index.

As explained previously, it is much more important from an inflation point of view that we be concerned about whether or not the budget is balanced in the next fiscal year than it was in the past year. The reason is simple, of course. The economy is getting back closer to full employment. We have not arrived yet—I think most of us would agree that nearly 6% of the labor force unemployed is not full employment. Something on the order of 4% would be practical full employment. As we get closer and closer to that level, and I think we will attain that level in the latter part of the year, it is extremely important that we be willing to pay in taxes for any increased spending we insist upon.

The President recently pointed out that we should not be concerned about balancing the budget in each and every year, that we should welcome deficits in some periods, but that we should push just as ardently for surpluses in others. A period when a budget surplus will be desirable lies immediately ahead.

I would also argue—and this is debatable—that we should amend the Employment Act to include the goal of price stabilization as an equally important objective of government as the current goal of maximum employment and production. As of now the emphasis is primarily on maintaining maximum employment and production. We do not emphasize price stabilization. If we amended the Employment Act to include price stabilization as one objective—not the most important, but equally important—it would give clear direction to responsible government agencies in their policy formation and such an amendment would tend to stabilize expectations of the private sector of the economy.

In my opinion there is no convincing evidence that direct wage and price controls would stop inflation. Such controls do not affect the cause of inflation but merely affect the symptoms. It is completely inconsistent with a free enterprise economy to fix particular prices and particular wages. I would refer you, if you would like to read further on this interesting question, to an article written by Richard Seldon, published in the February, 1959, "Journal of Political Economy," entitled "Cost-Push versus Demand-Pull Inflation 1955-57." His conclusion is that we have far overworked the cost-push argument. I will leave it to you to make up your own minds after you read the article.

V

Implications for the Bond Market

What are some of the implications for the bond market of inflation and its control? First, we should recognize that if the investing public begins to expect perpetual inflation, higher interest rates, to compensate for the expected loss in purchasing power, will be demanded. We can observe inflation effects in the economies of many of our South American neighbors, where price levels have risen substantially over long periods of time and interest rates are quite high. An "easy money" central bank policy, similar to our own in the early postwar period, can keep interest rates low only so long as investors do not recognize the inevitable inflationary results.

Although our economy has not suffered substantial inflation in recent years, it would appear that the expectation of future inflation accounts for a portion of the recent weakness in the bond market as investors shift toward equity-type investments.

An effective anti-inflation program would do much to insure the long-run health of the bond market.

Second, an effective inflation control and stabilizing program must include a flexible monetary policy which encourages monetary ease during recessions and limits monetary growth during periods when the economy is operating at practical full employment of resources. Such a policy accentuates fluctuations in bond prices over the business cycle.

A flexible monetary policy, in my opinion, provides considerable assurance that the basic trend in interest rates will follow closely the basic trend in business activity. Not each week, or even for a period of a month or two—but over any period of several months, it is almost inevitable.

I recently compared the relation between business cycle peaks and troughs to interest rate peaks and troughs for the period since 1951 and contrasted the results to the earlier period running back to 1920. Throughout the period there has been a fairly close relation of the timing between business cycle peaks and troughs and the interest peaks and lows.

However, since 1951 interest rate highs and lows have more nearly coincided with business cycle turning points. Also, the amplitude of interest rate fluctuations over moderate business cycles is now greater. Monetary policy, I think, is part of the reason for the closer timing and greater amplitude of fluctuation in recent years.

Certainly a flexible money policy imposes an additional risk burden on bond underwriters as well as bond investors, but in my opinion the contribution toward a stable dollar makes the result well worth the added risk. The basic choice is between a stable economy and a stable dollar versus a stable interest rate pattern. Postwar experience demonstrates we cannot have both.

Railroad Securities

Baltimore & Ohio

Baltimore & Ohio Railroad has started the year off well due mainly to a good earnings report for the month of March. Net income in that month amounted to $2,185,000 as compared with $1,555,000 in the like 1958 month. This brought net income for the first quarter up to $1,260,000 or up 5.3% over the like period last year.

B & O's report for the quarter is considered good in the face of unfavorable weather conditions in the territory. Snows, rains and floods hampered the movement of traffic and caused some loss of volume. The April report also is expected to show improvement over a year ago.

This carrier is highly dependent on heavy industry—the steel industry—and with these operations at a high rate currently, second quarter results should make very favorable comparisons. It also is a larger mover of bituminous coal for both industrial purposes and for the utilities. To meet competition from residual fuel oil for the electric utility market, the railroads in the East have proposed a rate reduction of 50 cents a ton on soft coal to users who agreed to take specified amounts. The utility companies continue to grow and should be large consumers of coal over the period ahead. It is believed that many of the utilities postponed building up of inventories until after April 1 when the new rate reduction became effective. Consequently, bituminous shipments in coming weeks are expected to expand in the Eastern District. This is true also because of the high rate of activity in the steel and automotive industries which means a good demand for electric power.

The road has shown good control over expenses and, if revenues expand, much of the gain can be brought down to net income benefitting the highly leveraged common stock. B & O has a large bad order fleet, being almost 18% of total car ownership. As traffic increases, it is believed the road will have a stepped up equipment repair program which will be spread over coming months.

The passenger deficit was cut in 1958 to $11,900,000 from $18,000,000 in 1957. The elimination of the New York - Washington service in April of last year was one of the principal factors in cutting these losses. Further savings are anticipated during 1959 and this should reduce the drain on the profitable freight business. Further savings are expected from more efficient yard operations. Also, indications are that the Cumberland Yard will be completed later this year. Once traffic moves through this installation in volume, it is believed that savings could amount to as much as $3,000,000 annually.

Leeds, Comptroller of Richard E. Kohn Co.

NEWARK, N. J. — Thomas J. Leeds has been appointed Comptroller of Richard E. Kohn & Co., 20 Clinton Street, members of the New York Stock Exchange.

Long experience in the securities business precedes Mr. Leeds' present association. He has been Branch manager of Edward A. Viner & Co., Bangor, Maine; manager of Edward J. Duffy & Co., Assistant Cashier of Carreau & Co. and fiduciary accountant with Manufacturers' Trust Company. The latter three firms are in New York City.

Denschor Realty Trading

LONG ISLAND CITY, N. Y.—Denschor Realty & Trading Corp. is engaging in a securities business from offices at 36-20 Thirtieth Avenue. Dr. Morris Schor is a principal of the firm.

Div. Mutual Funds

LOS ANGELES, Calif.—Diversified Mutual Funds, Ltd., has been formed with offices at 613 South Spring Street to engage in a securities business. Phillip E. Sperry is a principal of the firm.

Continued from page 14

Submitting East-West Disputes To the Hague World Court

1—the Communist May Day—became Law Day in the United States. The Bar Association stimulated more than 20,000 meetings over the country on the first Law Day. In a few weeks, this tribute to an advancing idea will be repeated on a far greater scale.

President Eisenhower, you will recall, said in his State of the Union Message last January: "It is my purpose to intensify efforts during the coming two years . . . to the end that the rule of law may replace the obsolete rule of force in the affairs of nations. Measures toward this end will be proposed later, including reexamination of our relation to the International Court of Justice."

Time for Initiative is Now

I am now convinced, and in this I reflect the steadfast purpose of the President, and the wholehearted support of the Secretary of State and the Attorney General, that the time has now come to take the initiative in the direction of establishment of the rule of law in the world to replace the rule of force.

Under the Charter of the United Nations and the Statute of the International Court of Justice, institutions for the peaceful composing of differences among nations and for law-giving exist in the international community. Our primary problem today is not the creation of new international institutions, but the fuller and more fruitful use of the institutions we already possess.

The International Court of Justice is a case in point. Its relative lack of judicial business—in its 12-year history an average of only two cases a year have come before the tribunal of 15 outstanding international jurists—underlines the untried potentialities of this Court. While it would be foolish to suppose that litigation before the Court is the answer to all the world's problems, this method of settling disputes could profitably be employed in a wider range of cases than is presently done.

As the President indicated in his State of the Union Message, it is time for the United States to reexamine its own position with regard to the Court. Clearly all disputes regarding domestic matters must remain permanently within the jurisdiction of our own courts. Only matters which are essentially international in character should be referred to the International Court. But the United States reserved the right to determine unilaterally whether the subject matter of a particular dispute is within the domestic jurisdiction of the United States and is therefore excluded from the jurisdiction of the Court. As a result of this position on our part, other nations have adopted similar reservations. This is one of the major reasons for the lack of judicial business before the Court.

Proposes Change in Federal Law

To remedy this situation the Administration will shortly submit to the Congress recommendations for modifying this reservation. It is our hope that by our taking the initiative in this way, other countries may be persuaded to accept and agree to a wider jurisdiction of the International Court.

There is one class of disputes between nations which, in the past, have been one of the primary causes of war. These economic disputes assume major importance today at a time when the cold war may be shifting its major front from politics and ideology to the so-called "ruble war" for the trade and the development of new and neutral countries.

As far as international trade is concerned, an imposing structure of international agreements already exists. More complex and urgent than trade, as such, is the area of international investment. For in this area will be determined one of the most burning issues of our times—whether the economic development of new nations, so essential to their growth in political self-confidence and successful self-government, will be accomplished peacefully or violently, swiftly, or wastefully, in freedom or in regimentation and terror.

We must begin by recognizing that the task of providing the necessary capital for investment in under-developed countries is a job too big for mere government money. Only private money, privately managed, can do it right in many sectors of needed development. And private investment requires a sound and reliable framework of laws in which to work.

Economic development, involving as it does so many lawyers and so many private investors, will tend to spread and promote more civilized legal systems wherever it goes. Already, in its effort to encourage United States private investment abroad, the United States government has negotiated treaties of commerce with 17 nations since 1946, tax conventions with 21 nations, and special investment guaranty agreements under the Mutual Security Act with 40 nations. A host of other special arrangements are in effect, such as those under which we have helped six nations draft better domestic legislation relating to foreign investment.

What has been done is for the most part good but there are several areas where additional action is called for. The countries that need economic development most are too often least likely to have the kind of laws, government and climate that will attract investment. The political risks of expropriation and inconvertibility against which ICA presently sells insurance are not the only political risks that investors fear. Three United States government commissions, as well as numerous private experts, have recently recommended a variety of improvements in our machinery for fostering foreign investment.

Fostering Foreign Investment

I select three for particular endorsement. Our laws should permit the establishment of Foreign Businesss Corporations meriting special tax treatment, so that their foreign earnings can be reinvested abroad free of United States tax until the United States investor actually receives his reward. In addition, more tax treaties should be speedily negotiated to permit "tax sparing" and other reciprocal encouragements to investors. The ICA guaranty program should be extended to include such risks as revolution and civil strife. Finally, a concerted effort should be made to extend our whole treaty and guaranty system into more countries, especially those in most need of development.

The great adventure of economic development through a world-wide expansion of private investment is bound to develop many new forms and channels of cooperation between governments and between individuals of different nations.

We need not fear this adventure; indeed we should welcome it. For if it sufficiently engages the imagination and public spirit of the legal profession and others who influence public opinion, it must be accompanied by the discovery or rediscovery, in countries old and new, of the legal principles and the respect for substantive law on which wealth and freedom alike are grounded.

There are encouraging signs at least that we are on the threshold of real progress toward creating more effective international law for the settlement of economic disputes between individuals and between nations.

Turning to the political area, we have now come far enough along in the great historic conflict between the free nations and the Communist bloc to know that negotiation and discussion alone will not necessarily resolve the fundamental issues between us. This has proved to be the case whether the negotiations took place through the very helpful processes of the United Nations, or at the conference table of foreign ministers, or even at what we now call the Summit.

What emerges, eventually, from these meetings at the conference table are agreements. We have made a great many agreements with the Soviet leaders from the time of Yalta and Potsdam. A major missing element in our agreements with the Soviet leaders has been any provision as to how disputes about the meaning of the agreements in connection with their implementation could be decided.

Looking back at the first Summit Conference at Geneva, for example, we find that it produced an agreement, signed by the Soviet leaders, which elevated the hopes of the entire world.

It should be noted, however, that the President and the Secretary of State repeatedly warned both before and after the holding of the conference that success could be measured only in deeds. One of the announced purposes of the conference was to test the Soviet sincerity by the standard of performance.

The Summit Conference has since been characterized by some as a failure, but in terms of agreements, as such, it was a success.

Let me quote briefly from that agreement: "The heads of government, recognizing their common responsibility for the settlement of the German question and the reunification of Germany, have agreed that the settlement of the German question and the reunification of Germany by means of free elections shall be carried out in conformity with the national interests of the German people and the interests of European Security."

In other words, those who participated in the Conference, including Mr. Khrushchev, agreed at Geneva on a sound method for dealing with the German problem—the very same problem from which he has now fathered the new crisis at Berlin. But while the agreement seemed clear, as events subsequently developed, Mr. Khrushchev's understanding of its meaning was ostensibly different from ours.

The crucial question remained—how was the agreement to be effective when the parties disagreed as to what it meant? This is typical of a problem that can arise wherever any agreement is entered into between nations.

Agreements to Include World Court

In looking to the future what practical steps can we take to meet this problem? I will not even suggest to you that there is any simple answer to this question. For obviously there can be none. But I do believe there is a significant step we can take toward finding an answer.

We should take the initiative in urging that in future agreements provisions be included to the effect: (1) that disputes which may arise as to the interpretation of the agreement should be submitted to the International Court of Justice at The Hague; and (2) that the nations signing the agreement should be bound by the decision of the Court in such cases.

Such provisions will, of course, still leave us with many formidable questions involving our relationships with the Communist nations in those cases where they ignore an agreement completely apart from its interpretation. But I believe this would be a major step forward in developing a rule of law for the settlement of political disputes between nations and in the direction all free men hope to pursue. If there is no provision for settling disputes as to what an international agreement means and one nation is acting in bad faith, the agreement has relatively little significance. In the absence of such a provision an agreement can be flagrantly nullified by a nation acting in bad faith whenever it determines it is convenient to do so.

While this proposal has not yet been adopted as the official United States position, I have discussed it at length with Attorney General Rogers and with officials of the State Department and on the basis of these discussions I am convinced that it has merit and should be given serious consideration in the future.

The International Court of Justice is not a Western instrumentality. It is a duly constituted body under the United Nations Charter and has been recognized and established by the Soviet Union along with the other signatories to the Charter.

Sees Soviet Going Along

There is no valid reason why the Soviets should not be willing to join with the nations of the Free World in taking this step in the direction of submitting differences with regard to interpretation of agreements between nations to a duly established international court and thereby further the day when the rule of law will become a reality in the relations between nations.

And, on our part, as Secretary Dulles said in his speech before the New York State Bar Association on Jan. 31: "Those nations which do have common standards should, by their conduct and example, advance the rule of law by submitting their disputes to the International Court of Justice, or to some other international tribunal upon which they agree."

We should be prepared to show the world by our example that the rule of law, even in the most trying circumstances, is the one system which all free men of good will must support.

In this connection it should be noted that at the present time in our own country our system of law and justice has come under special scrutiny, as it often has before in periods when we have been engaged in working out basic social relationships through due process of law. It is certainly proper for any of us to disagree with an opinion of a court or courts. But all Americans owe it to the most fundamental propositions of our way of life to take the greatest care in making certain that our criticisms of court decisions do not become attacks on the institution of the court itself.

Mr. Khrushchev has proclaimed time and again that he and his associates in the Kremlin, to say nothing of the Soviet peoples, desire only a fair competition to test which system, Communism or free capitalism, can better meet the legitimate aspirations of mankind for a rising standard of living.

Welcomes Peaceful Competition

Perhaps it is significant that the leaders of the Free World do not feel obliged to so proclaim so often. The world knows that this is the only kind of competition which the free nations desire. It is axiomatic that free people do not go to war except in defense of freedom. So obviously we welcome this kind of talk from Mr. Khrushchev. We welcome a peaceful competition with the Communists to determine who can do the most for mankind.

Mr. Khrushchev also knows, as we do, that a competition is not likely to remain peaceful unless both sides understand the rules and are willing to have them fairly enforced by an impartial umpire. He has pointedly reminded the world that Soviet troops are not in Germany to play skittles. The free peoples passionately wish that Mr. Khrushchev's troops, as well as their own, could find it possible to play more skittles and less atomic war games. But we remind him that his troops could not even play skittles without rules of the game.

If the Soviets mean this talk of peaceful competition, then they have nothing to fear from the impartial rules impartially judged which will make such peaceful competition possible.

The Soviet leaders claim to be acutely aware of the lessons of history. They are constantly quoting the past to prove their contention that Communism is the wave of the future. May I call to their attention one striking conclusion that is found in every page of recorded history. It is this: the advance of civilization, the growth of culture, and the perfection of all the finest qualities of mankind have all been accompanied by respect for law and justice and by the constant growth of the use of law in place of force.

The barbarian, the outlaw, the bandit are symbols of a civilization that is either primitive or decadent. As men grow in wisdom, they recognize that might does not make right; that true liberty is freedom under law; and that the arrogance of power is a pitiful substitute for justice and equity.

Hence once again we say to those in the Kremlin who boast of the superiority of their system: "Let us compete in peace, and let our course of action be such that the choice we offer uncommitted peoples is not a choice between progress and reaction, between high civilization and a return to barbarism, between the rule of law and the rule of force."

In a context of justice, of concern for the millions of men and women who yearn for peace, of a constant striving to bring the wealth abounding in this earth to those who today languish in hunger and want—in such a context, competition between the Communist world and the Free World would indeed be meaningful. Then we could say without hesitation: let the stronger system win, knowing that both systems would be moving in a direction of a world of peace, with increasing material prosperity serving as a foundation for a flowering of the human spirit.

We could then put aside the hatred and distrust of the past and work for a better world. Our goal will be peace. Our instrument for achieving peace will be law and justice. Our hope will be that, under these conditions, the vast energies now devoted to weapons of war will instead be used to clothe, house, and feed the entire world. This is the only goal worthy of our aspirations. Competing in this way, nobody will lose, and mankind will gain.

Form Strathmore Secs.

PITTSBURGH, Pa.—Strathmore Securities, Inc., has been formed with offices in the Bakewell Building to engage in a securities business. Officers are Charles E. Klein, President and Secretary; Auldus H. Turner, Jr., Vice-President and Treasurer. Both were formerly with Kettering-Frankel Company.

Securities Salesman's Corner

By JOHN DUTTON

Twelve Things to Remember

The Value of Time.

There are normally eight working hours during a day. After allowing three hours for eating, one hour for miscellaneous duties, and eight hours for sleep and rest, there are still four hours unaccounted for. How well we use all 24 hours each and every day, and those long weekends when for most of us Saturday and Sunday are no longer work days, makes the difference between a rewarding life and one that is not. When we are 20 we scarcely heed time, when we are 40 we begin to notice how it is fleeting away, at 50 we count the days, after that we know the previous value of time.

The Success of Perseverance.

Nothing worthwhile is accomplished without constant and continued effort. The fellow who is in too big a hurry to arrive, and who becomes discouraged often quits just before he comes to the last turn in the road which would have led him to his goal. Nothing can be gained easily that is of true and lasting value.

The Pleasure of Working.

If you apply all your efforts and concentrate upon the task at hand the rewarding pleasure is one of the greatest blessings given to a healthy man.

The Dignity of Simplicity.

Say what you have to say in the fewest possible words, live modestly, and conserve your energy for constructive living.

Worth of Character.

The man who has established a reputation for reliability, punctuality, sobriety and faithfulness, will always have a bankable asset that he will probably never have to use.

The Power of Kindness.

Only when we appreciate the frailties of all human beings do we understand the meaning of kindness to others. None is so perfect that he can look down upon another, and there is never a day that some kindly act, word or deed cannot be accomplished. In no other way can the world become a happier and better place —if man were kind to man most of the world's ills would soon be overcome.

The Influence of Example.

If you wish your children, your business associates, and your friends to be more friendly, efficient, capable, or energetic, your own actions must lead the way.

The Obligation of Duty.

No man can shirk his duty without facing the indictment of his own conscience. You can fool others sometimes but yourself never.

The Wisdom of Economy.

The greatest opportunities do not always come to the man who lives within his income and who systematically builds a surplus, but no man ever regretted having a nest egg when opportunity did knock at his door.

The Virtue of Patience.

Check the careers of most successful men and you will find that they had the patience to build step by step and stone upon stone disregarding discouragement and misfortune. Whether it was a Lincoln in politics, an Alexander Graham Bell and his telephone, an Edison with his electric light, or a John Wanamaker in business, patience was their watchword.

The Improvement of Talent.

Talent is something with which we are born. To have talent is not enough. Many a born genius has made nothing of his great talent while others of lesser ability have left an impact upon their era and upon posterity. It is only when we improve upon our given talents that we grow as individuals and this is true in every field of human endeavor.

The Joy of Originating.

Why it is that man of all the animals takes such great delight in developing and creating new and better ideas and things we do not know. Possibly that is also something which makes him ponder over his unique role in the universe. Given this great talent it should be used and enjoyed and all men have it to a degree.

I am indebted to a very good friend of mine who has these *Twelve Things to Remember* framed and hung over the doorway to his factory and office. His life has been an example of just this kind of living. He is now in his seventies but he comes to business every day that his health permits. He started life a poor boy and today he is a wealthy man, not only financially but spiritually as well. It seems to me that we could well turn back to such practical living in these times when so many believe that you can get rich by living above your means, that an expense account should be padded, that the stock market will never go down again, and that the more you do the less the boss will appreciate you.

After reading the foregoing precepts and philosophical observations, some may say that Mr. Dutton used them just to fill up the column this week. However, any salesman that lives by this creed should never have to worry about his bread and butter (and maybe a roast capon occasionally as well).

Continued from page 6

The State of Trade and Industry

143 major reporting cities and their environs. Slight decreases are reported in 12 other places and in 38 places prices are a little higher. In contrast, labor costs have risen in 79 places and remained unchanged in 64 places for the half year just past.

Combining material prices and base hourly wage rates for all places, costs have gone up in 66 of the cities, remained static in 74, and dropped slightly in three. "These observations do not hold uniformly true in each of the cost-sampling cities, but represent the way the averages happen to work out. Nationally, overall cost increases since 1941 range from 126% to 216% for an average of 156%," Mr. Matthews revealed.

Steel Output May Exceed 1955 Record High

Steel men are beginning to hope that the current strong market is based more on actual use than on inventory building, according to "The Iron Age," national metalworking weekly.

"Iron Age" said more steel people are becoming convinced that the rise in gross national product, one of the best barometers of economic activity, is the real thing. They look for a continued rise in the second half and in 1960.

If their hopes are borne out, steel output this year could approach or even exceed record production of 117 million ingot tons in 1955. This, of course, would depend on whether there is a steel strike, and how long it might last.

"At any rate," said "Iron Age," "the mills are now accepting third quarter orders with more confidence than was the case earlier this year. On top of this is the knowledge that not all the steel ordered for delivery before June 30, possible strike deadline, will actually be shipped on schedule. Thus, considerable second quarter business will carry over into third quarter."

Meanwhile, customer pressure for delivery is growing daily as more inventories are affected by delivery carryovers. Steel users are becoming more critical now because they are consuming more steel on the one hand and taking in less than they had expected on the other.

Because of the carryovers, steel users are now almost all gambling on going into a possible steel strike period with less inventory than they had been planning on as little as two weeks ago. This is particularly true of steel service centers in some areas.

"Iron Age" said the auto companies will be among those who will have less steel on hand at the end of second quarter than they had hoped for: "Some of them will be going well if they have two months' supply, whereas they had been counting on three months' supply."

All these things add up to a basically strong steel market, said "Iron Age." Even if there is no strike, steel demand in the third quarter will decline but it will not collapse. And there could be a strong comeback in the fourth quarter.

Will Steel Union Accept Face-Saving Offer?

Steel production will probably continue at last week's record pace of 95% of capacity in the remainder of the first half, "Steel" magazine predicted April 27.

Steelmakers made 2,689,000 tons for ingots and castings, more than twice as much as they turned out a year ago when recession-hit production bottomed out at 1,270,000 tons. Operations were up 1.5 points from the previous week.

Demand may boost the ingot rate slightly higher before the half ends, but it probably won't hit 100%. To put the rate appreciably above 95% would require use of uneconomical equipment and expensive overtime.

The metalworking weekly said open hearth furnaces are running full, producing some 86% of the industry's rated tonnage. Electric, basic oxygen, and bessemer units make the rest. Since the market for bessemer steels is shrinking, it is unlikely that the idle bessemers will be pressed into service.

All 12 steelmaking districts were at or above 93% of capacity.

Much talk and probably a strike will come before the denouement in the steel labor drama, "Steel" said. The first act in the most publicized labor play in U. S. industrial relations history starts May 5 when bargaining talks begin.

Veteran labor observers are guessing that the steelworkers will settle for a package costing between 6 and 11 cents per manhour. That would likely mean a 4 to 6 cents wage boost, plus improved pensions, insurance, and vacations. The package would face for the union and also be noninflationary.

First quarter sales by steel service centers were 15% to 25% better than those of the similar period in 1958, the magazine said. Sales are best in the Chicago area where flat-rolled products are in strong demand by auto and appliance makers. Business in New York and New England remains slow.

A new steelmaking process which directly reduces iron ore to steel in 35 minutes may revolutionize the industry, "Steel" reported. The process could enable a small producer of steel castings to buy ore directly and refine it into steel.

Iron ore is mixed with an "alloying" compound and charged into any kind of melting furnace. Scrap and coke are not used. Production costs are $30 to $35 a ton, but the saving in the average steel mill would be $20 to $25. Invented by Frank Madrigal, its developer is International Ore Processing Co., Los Angeles.

Railroad investment in piggyback truck vans is picking up steam, "Steel" reported. Piggyback carloadings this year may average 7,500 to 8,000 units weekly—50% better than last year's pace. Altogether, 48 American railroads are doing piggyback vs. 18 in 1954 (piggybacking's first year).

"Steel's" price composite on steelmaking scrap held unchanged at $34.67 a gross ton last week, but the market tone continues weak.

Steel Output Maintains Upward Swing

The American Iron and Steel Institute announced that the operating rate of the steel companies will average *166.5% of steel capacity for the week beginning April 7, equivalent to 2,674,000 tons of ingot and steel castings (based on average weekly production for 1947-49) as compared with an actual rate of *164.7% of capacity and 2,646,000 tons a week ago.

Actual output for the week beginning April 20, 1959 was equal to 93.5% of the utilization of the Jan. 1, 1959 annual capacity of 147,633,670 net tons. Estimated percentage for this week's forecast is 94.4%.

A month ago the operating rate was *164.2% and production 2,638,000 tons. A year ago the actual weekly production was placed at 1,289,000 tons, or 80.2%.

*Index of production is based on average weekly production for 1947-1949.

April's Auto Output May Exceed Original Goal

Indications are that U. S. production of cars and trucks in April will surpass the assembly goals set up at the beginning of the month.

Estimated for week ended April 24 by "Ward's" were volumes of 133,918 passenger cars and 26,260 trucks, off 1.5% and 0.7% respectively from previous week's totals of 135,934 and 26,440. The recent week's truck figure represented a 1959 peak while cars were only a fraction off the year's high of 135,953 set Jan. 12-17.

The statistical publication reported that current schedules are pointing toward April production of 585,000 cars and 115,000 trucks compared to the 577,000 and 111,000 units planned as the month got underway. Turned out in April last year were 316,503 cars and 74,522 trucks.

On a year-to-date basis, according to "Ward's" both car and truck making are 38% higher than last year. Totals are 2,086,293 cars and 401,644 trucks contrasted to 1958's efforts of 1,507,467 and 290,334. This week's schedules of 133,918 cars and 26,260 trucks bettered the corresponding week a year ago—58,664 and 16,204—by 128% and 62% respectively.

"Ward's" said Chevrolet was primarily responsible for the 2,016-unit dip in car programming in the week ended April 24. The division's assembly plants at Baltimore, Md., and Tarrytown, N. Y., worked only four days because of an adjustment in new car inventories. A Buick-Oldsmobile-Pontiac at Framingham, Mass., was closed April 20 because of Patriots' Day.

Elsewhere five-day car-building operations were scheduled except for six-day work at American Motors in Kenosha, Wis., Pontiac in Michigan, Lincoln-Thunderbird in Wixom, Mich., and Ford Division at Atlanta, Ga., Dallas, Tex., Kansas City, Mo., and Louisville, Ky.

Electric Output 11.9% Above 1958 Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, April 25, was estimated at 12,538,000,000 kwh., according to the Edison Electric Institute.

For the week ended April 18 output decreased by 71 million kwh. below that of the previous week but showed a gain of 1,332,000,000 kwh. or 11.9% above that of the comparable 1958 week.

Car Loadings 18.5% Above Corresponding 1958 Week

Loadings of revenue freight for the week ended April 18, 1959, totaled 633,546 cars, the Association of American Railroads announced. This was an increase of 99,039 cars, or 18.5% above the corresponding week in 1958, but a decrease of 53,404 cars, or 7.8% below the corresponding week in 1957.

Loadings in the week of April 18 were 15,187 cars, or 2.5% above the preceding week.

Lumber Shipments Again Exceed Production

Lumber shipments of 484 mills reporting to the National Lumber Trade Barometer were 5.1% above production for the week ended April 18, 1959. In the same week new orders of these mills were 2.9% above production. Unfilled orders of reporting mills amounted to 43% of stocks. For reporting softwood mills, unfilled orders were equivalent to 20 days' production at the current rate, and gross stocks were equivalent to 43 days' production.

For the year-to-date, shipments of reporting identical mills

Continued on page 36

Continued from page 35

The State of Trade and Industry

were 2.6% above production; new orders were 4.5% above production.

Compared with the previous week ended April 11, production of reporting mills was 1.7% above; shipments were 7.2% above; new orders were 6.4% above. For the latest week, as against the corresponding week in 1958 production of reporting mills was 15.7% above; shipments were 16.7% above; and new orders were 5.5% above.

Small Dip in Business Failures

Commercial and industrial failures dipped to 300 in the week ended April 23 from 304 in the preceding week, reported Dun & Bradstreet, Inc. Casualties remained below the 329 occurring in the similar week last year, but they exceeded the 263 in 1957. Continuing below the prewar level, business mortality was down 8% from the 326 in the comparable week of 1939.

All of the week's downturn occurred among small failures, those with liabilities under $5,000, which declined to 41 from 48 in the previous week and 47 a year ago. On the other hand, casualties involving liabilities of $5,000 or more edged up to 259 from 256 last week but remained below the 282 of this size in the preceding year. Thirty-one of the failing concerns had liabilities in excess of $100,000—the same number as a week earlier.

Retailing casualties declined to 149 from 155 during the week, and commercial service dipped to 24 from 29. Contrasting increases lifted the toll among manufacturers to 54 from 49, among wholesalers to 35 from 34, and construction contractors to 38 from 37. Fewer businesses failed than last year in all groups except wholesale trade where a mild rise from 1958 prevailed.

Four of the nine major geographic regions reported lower tolls. In the East North Central States, failures fell to 37 from 55 in the previous week; in the West South Central States, they dropped to eight from 17. As well, there were relatively slight dips in the South Atlantic and Mountain States. No change appeared in the Middle Atlantic total, 110, but increases were noted in four regions, including the Pacific States where casualties rose to 76 from 66. Failures were less numerous than a year ago in six of the nine regions; the only appreciable increase from 1958 was in the Pacific States.

March Failures Below Year Ago

Rising moderately in March, business failures were up 9% to 1,263, and their liabilities, at $65.1 million, loomed 11% larger than in February, according to Dun & Bradstreet. But, casualties did not return in either number or size to their January level and remained considerably below the postwar high of 1,495 recorded in March last year. The failure rate continued down to 50 per 10,000 listed enterprises, the lowest since mid-1957.

Manufacturing mortality changed little from February and fell most sharply, 25% from last year's level. Only about half as many casualties occurred in the apparel and leather industries as in the previous March. Wholesaling failures climbed steeply from the preceding month in food, furniture, and general merchandise. Tolls among wholesalers held close to 1958 levels, however, in all trades save building materials.

Mixed month-to-month trends appeared in retailing. While more food, automotive, and restaurant concerns succumbed than in any other month this year, casualties in the retail apparel, general merchandise, and building materials trades fell the lowest so far in 1958. Year-to-year comparisons also reveal contrasting trends in retail lines. Tolls in apparel, furniture, appliances, building materials, dropped 23% to 36% but mortality remained about even with last year in most other retail lines.

All except two of the nine major geographic regions reported more failing businesses than in the previous month. However, none of them had as heavy casualties as in March of 1958. Connecticut casualties dipped the lowest in over two years and the Florida total was the smallest in a year and a half. Among the cities, noticeably fewer businesses failed than last year in New York, Chicago, Philadelphia, Detroit, Los Angeles, Cleveland, St. Louis.

On the contrasting side of the regional picture, Illinois casualties climbed the highest since 1942 and marked year-to-year increases also prevailed in Rhode Island, New Jersey, Georgia, Washington and Oregon.

Wholesale Commodity Price Index Continues to Decline

The Daily Wholesale Commodity Price Index, compiled by Dun & Bradstreet, Inc., fell to 276.76 on April 27 from 277.88 a week ago. The figure was also lower than the 278.73 level of one year ago. Steel scrap, eggs and grains led the decline.

Wheat prices dropped from the previous week in active trading. Liquidations and slow export market were factors in the decline. The Agriculture Department estimated 1958-1959 world wheat production to be the highest on record, topping 1956 by 12%. Corn prices were off at the close of the week. Rye and oats continued to drop in price in quiet trading. Soybeans continued to gain, closing ahead of last week.

Flour was in little demand during the week but prices edged upward. Purchases of rice increased over the weekend and prospects for export sales are good. Prices held steady.

Raw sugar prices spurted ahead this week with sizable orders from refiners and beverage manufacturers. Prices of coffee remained firm in moderate trading this week. There was little activity in the cocoa market but prices rose slightly.

Cattle receipts were smaller than the week before, partially because of the Jewish Holiday. Prices moved ahead, rather sharply. The price of hogs also showed a slight increase at the end of the week, following earlier declines brought on by the heaviest receipts in months. Trading was only moderately active in lambs and prices remained unchanged.

The price of cotton fluctuated during the week but ended unchanged from the previous week. The announcement by the Department of Agriculture that carrying charges would be included in the price of government owned cotton next season stimulated demand for new-crop months. Softening in near July contracts prevented week to week gains. United States cotton exports for the week ended last Tuesday were estimated at 54,000 bales, as compared to 50,000 bales a week ago and 140,000 in the same week last year.

Wholesale Food Price Index Again the Same

The Wholesale Food Price Index, compiled by Dun & Bradstreet, Inc., was unchanged from the prior week on April 21. For the fourth consecutive week the index was $6.16. This was a decline of 6.4% from the $6.58 of the comparable date last year.

Flour, corn, rye, barley, beef, sugar, cottonseed oil, and cocoa were all higher in price this week. Lower were wheat, oats, eggs, lard, steers, and hogs.

The Index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use. It is not a cost-of-living index. Its chief function is to show the general trend of food prices at the wholesale level.

Retail Trade Volume Steady

Although there was a reduction in sales promotions this week, consumer buying was close to the prior week and moderately exceeded that of a year ago. Shoppers were primarily interested in apparel, furniture, and linens. Scattered spot reports indicated that volume in new passenger cars expanded somewhat and marked year-to-year gains were maintained.

The total dollar volume of retail trade in the week ended April 22 was 1% to 5% higher than a year ago, according to spot estimates collected by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1958 levels by the following percentages: East North Central +5 to +9; Middle Atlantic +3 to +7; West North Central +2 to +6; Mountain +1 to +5; South Atlantic and East South Central 0 to +4; New England and Pacific Coast —1 to +3; West South Central —2 to +2.

The buying of women's Spring dresses, coats, sportswear, and fashion accessories remained at the high level of the prior week, while interest in beachwear moved up moderately; over-all sales of women's apparel were up appreciably from a year ago. Increased buying of men's Summer clothing, especially sportswear, boosted total sales of men's apparel moderately over both the prior week and the similar period last year. There were slight year-to-year increases in children's merchandise.

Furniture stores reported gains over last year in occasional tables, outdoor metal tables and chairs, and case goods. Interest in major appliances moved up somewhat from both the prior week and last year, especially laundry equipment and refrigerators. Volume in linens and draperies advanced moderately over the similar 1958 week and the call for floor coverings was up appreciably. There were further gains in barbecue supplies, garden implements, and hardware during the week.

Housewives noticeably stepped up their buying of frozen juice concentrates, canned goods, and some dairy products. Volume in fresh meat, poultry, and baked goods advanced slightly from the prior week, while the call for fresh produce was sluggish.

Nationwide Department Stores Sales Up 6% For April 18 Week

Department store sales on a country-wide basis as taken from the Federal Reserve Board's Index for the week ended April 18, increased 6% above the like period last year. In the preceding week, for April 11, an increase of 18% was recorded. For the four weeks ended April 18 a gain of 6% was registered.

According to the Federal Reserve System department store sales in New York City for the week ended April 18 showed an 8% increase over that of the like period last year. In the preceding week, April 11, an increase of 18% was reported; April 4 a decline of 18% was reported and March 28 showed a 3% advance over the 1958 week. For the four weeks ended April 18 a 2% increase was noted over the volume in the corresponding period in 1958.

Form Spilka, Leavitt

FT. DODGE, Iowa — Spilka, Leavitt & Co. has been formed with offices in the "Daily Record" Building to engage in a securities business. Partners are Seymour E. Spilka and Harvey R. Leavitt. Both were formerly representatives of R. G. Dickinson & Co.

Form Platnick-Bader

BROOKLYN, N. Y. — Jack Platnick and Stanleigh Bader have formed a partnership, Platnick-Bader Associates with offices at 1562 Ocean Avenue to engage in a securities business.

Irwin Schloss Opens

Irwin Schloss is conducting a securities business from offices at 15 Broad Street, New York City.

Daniel Widelock Opens

WANTAGH, N. Y. — Daniel Widelock is conducting a securities business from offices at 1096 Johnston Avenue.

New Bache Branch

DALLAS, Tex. — Bache & Co. has opened an office in the Mercantile Dallas Building under the direction of Arthur J. Messing.

A. E. Beit Opens

RENO, Nev.—Alfred E. Beit is conducting a securities business from offices at 526 Ralston Street.

Form Writurs Affiliated

DENVER, Colo.—Writurs Affiliated has been formed with offices at 105 Fillmore to engage in a securities business. Partners are William R. Wright and Hulan H. Turner.

Meric & Co. Opens

NEW ORLEANS, La. — Albert Meric is engaging in a securities business from offices in the Cotton Exchange Building under the firm name of Meric & Company.

Grant, Fontaine Branch

MODESTO, Calif.—Grant, Fontaine & Co. has opened a branch office at 123 McHenry Avenue under the management of Theodore O. Leydecker.

Moore, Leonard Office

NEW KENSINGTON, Pa. — Moore, Leonard & Lynch have opened a branch office in the Mellon National Bank & Trust Building.

Cruttenden, Podesta Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Melvin C. Richards, Jr. has become associated with Cruttenden, Podesta & Co., 209 South La Salle Street, members of the New York and Midwest Stock Exchanges. He was previously with F. S. Moseley & Co.

Spring Outing for Nashville Dealers

NASHVILLE, Tenn. — The Security Dealers of Nashville will hold their annual spring outing May 14 and 15. A cocktail party and dinner will be given at the Hillwood Country Club on May 14. An outing, including sports, special events, etc., will be held May 15 at the Belle Meade Country Club.

Reservations may be made with Louis Todd, Jack M. Bass & Co. Tariff $35.00.

Morgan & Morgan Branch

DALLAS, Texas — Morgan & Morgan have opened a branch office at 110 Lake Highlands Village under the direction of Henry A. Morgan.

Princeton Inv. Co.

WASHINGTON, D. C.—Princeton Investment Company has opened a branch office at 1412 13th Street, N. W. under the direction of Howard R. Bloch.

Now First State Secs.

HOUSTON, Texas — The firm name of Mickle & Company, Inc., Bank of the Southwest Building, has been changed to First State Securities Corporation.

Now First Bergen Corp.

RIDGEWOOD, N. J.—The firm name of J. L. Montgomery & Co., 494 Hanks Avenue, has been changed to First Bergen Corporation.

With Walston Co.

(Special to THE FINANCIAL CHRONICLE)

LOUISVILLE, Ky. — Garrett Hampton, Lincoln R. Lewis, James A. McCrocklin and John L. Reid are now with Walston & Co., Inc., 430 South Fifth Street.

Two With Grant, Fontaine

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif. — Ralph H. Keeler and Roy L. Thomas are now connected with Grant, Fontaine & Co., 360 21st Street. Mr. Thomas was formerly with Stephenson, Leydecker & Co.

Forms Financial Planning

WILMINGTON, Del. — Alice S. Rhodes is engaging in a securities business from offices at 1512 Fresno Road under the firm name of Financial Planning Co.

Garden City Secs.

GARDEN CITY, N. Y. — The Garden City Securities Corporation is engaging in a securities business from offices at 1001 Franklin Avenue.

Saul Lerner Co.

Saul Lerner is engaging in a securities business from offices at 12 West 44th Street, New York City, under the firm name of Saul Lerner Company.

Shufro, Rose & Meyer

The firm name of Shufro, Rose & Co., 2 Broadway, New York City, members of the New York Stock Exchange, on April 30th, will be changed to Shufro, Rose & Meyer.

Form Capital Aid Corp.

GREAT NECK, N. Y.—Capital Aid Corp. is conducting a securities business from offices at 300 Northern Boulevard.

With Walston Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — David E. Hagenow is now with Walston & Co., Inc., 550 South Spring Street. Mr. Hagenow was previously with Daniel Reeves & Co.

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)	May 3	§94.4	*93.5	93.2	47 §
Equivalent to—					
Steel ingots and castings (net tons)	May 3	§2,674,000	*2,646,000	2,638,000	1,289,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	April 17	7,133,025	*7,134,125	7,202,870	6,267,835
Crude runs to stills—daily average (bbls.)	April 17	†7,856,000	8,092,000	8,082,000	7,051,000
Gasoline output (bbls.)	April 17	27,491,000	28,268,000	28,592,000	24,531,000
Kerosene output (bbls.)	April 17	1,936,000	2,107,000	1,902,000	1,918,000
Distillate fuel oil output (bbls.)	April 17	12,833,000	12,602,000	14,507,000	10,901,000
Residual fuel oil output (bbls.)	April 17	6,410,000	6,788,000	7,239,000	6,495,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	April 17	212,742,000	214,594,000	212,139,000	211,030,000
Kerosene (bbls.) at	April 17	19,846,000	19,281,000	18,333,000	17,537,000
Distillate fuel oil (bbls.) at	April 17	81,518,000	78,994,000	77,194,000	73,060,000
Residual fuel oil (bbls.) at	April 17	56,430,000	57,393,000	55,082,000	56,794,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	April 18	633,546	618,359	603,178	534,507
Revenue freight received from connections (no. of cars)	April 18	577,461	568,620	569,071	493,728
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	April 23	$314,300,000	$371,300,000	$355,400,000	$325,733,000
Private construction	April 23	141,200,000	167,700,000	179,900,000	113,512,000
Public construction	April 23	173,100,000	203,600,000	175,500,000	212,221,000
State and municipal	April 23	126,600,000	176,000,000	135,000,000	165,987,000
Federal	April 23	46,500,000	27,600,000	40,500,000	46,234,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	April 18	8,055,000	*7,985,000	7,935,000	7,172,000
Pennsylvania anthracite (tons)	April 18	363,000	336,000	386,000	390,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	April 18	132	130	137	125
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	April 25	12,538,000	12,609,000	12,709,000	11,206,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	April 23	300	304	297	329
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	April 21	6.196c	6.196c	6.196c	5.967c
Pig iron (per gross ton)	April 21	$66.41	$66.41	$66.41	$66.49
Scrap steel (per gross ton)	April 21	$34.83	$35.17	$40.50	$31.83
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	April 22	31.225c	31.150c	31.775c	23.750c
Export refinery at	April 22	29.100c	29.175c	30.200c	21.800c
Lead (New York) at	April 22	11.500c	11.000c	11.500c	12.000c
Lead (St. Louis) at	April 22	11.300c	10.800c	11.300c	11.800c
‡Zinc (delivered) at	April 22	11.500c	11.500c	11.500c	10.500c
Zinc (East St. Louis) at	April 22	11.000c	11.000c	11.000c	10.000c
Aluminum (primary pig. 99.5%) at	April 22	24.700c	24.700c	24.700c	24.000c
Straits tin (New York) at	April 22	102.500c	102.500c	103.250c	93.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	April 28	84.35	84.32	85.59	96.09
Average corporate	April 28	88.54	89.09	90.06	96.23
Aaa	April 28	91.77	92.50	93.82	103.13
Aa	April 28	90.63	91.05	92.20	100.00
A	April 28	88.81	89.23	90.06	96.23
Baa	April 28	83.66	83.91	84.55	96.65
Railroad Group	April 28	87.59	87.86	88.54	91.62
Public Utilities Group	April 28	88.27	88.95	89.78	97.94
Industrials Group	April 28	90.20	90.34	91.91	99.20
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	April 28	4.03	4.03	3.90	2.84
Average corporate	April 28	4.52	4.48	4.41	3.99
Aaa	April 28	4.29	4.24	4.15	3.56
Aa	April 28	4.37	4.34	4.26	3.75
A	April 28	4.50	4.47	4.41	3.99
Baa	April 28	4.91	4.87	4.82	4.66
Railroad Group	April 28	4.59	4.57	4.52	4.30
Public Utilities Group	April 28	4.56	4.49	4.43	3.88
Industrials Group	April 28	4.41	4.39	4.28	3.80
MOODY'S COMMODITY INDEX	April 28	389.8	392.9	389.8	389.2
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	April 18	287,889	296,719	279,776	230,130
Production (tons)	April 18	323,387	312,695	306,218	263,614
Percentage of activity	April 18	95	94	94	87
Unfilled orders (tons) at end of period	April 18	448,740	482,117	444,024	336,737
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	April 24	110.98	111.01	110.76	109.99
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS					
Transactions of specialists in stocks in which registered—					
Total purchases	April 4	2,505,290	1,996,400	3,242,110	1,009,950
Short sales	April 4	394,040	369,580	628,060	210,960
Other sales	April 4	2,074,590	1,566,260	2,584,620	886,960
Total sales	April 4	2,468,630	1,935,840	3,212,680	1,097,920
Other transactions initiated on the floor—					
Total purchases	April 4	381,410	383,300	555,610	241,250
Short sales	April 4	17,400	21,700	44,900	22,850
Other sales	April 4	370,220	434,120	492,050	298,150
Total sales	April 4	387,620	455,820	536,950	321,100
Other transactions initiated off the floor—					
Total purchases	April 4	669,645	562,540	894,279	348,350
Short sales	April 4	85,830	71,660	135,130	56,600
Other sales	April 4	633,399	552,070	924,700	325,255
Total sales	April 4	719,229	623,730	1,059,830	381,855
Total round-lot transactions for account of members—					
Total purchases	April 4	3,556,345	2,942,240	4,691,999	1,599,550
Short sales	April 4	497,270	462,940	808,090	299,410
Other sales	April 4	3,078,209	2,552,450	4,001,370	1,510,465
Total sales	April 4	3,575,479	3,015,390	4,809,460	1,700,875
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	April 4	1,809,526	1,420,266	2,313,987	1,055,385
Dollar value	April 4	$100,603,462	$70,874,815	$118,922,621	$45,075,900
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	April 4	1,629,361	1,301,227	2,117,527	811,646
Customers' short sales	April 4	6,767	5,912	9,755	17,893
Customers' other sales	April 4	1,622,594	1,295,315	2,107,772	793,753
Dollar value	April 4	$84,533,142	$64,042,553	$108,954,498	$35,334,040
Round-lot sales by dealers—					
Number of shares—Total sales	April 4	435,070	368,660	562,140	207,870
Short sales	April 4				
Other sales	April 4	435,070	368,660	562,140	207,870
Round-lot purchases by dealers—					
Number of shares	April 4	606,790	467,240	784,900	424,410
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	April 4	580,590	529,060	903,300	552,490
Other sales	April 4	15,961,310	13,150,930	20,969,810	8,488,750
Total sales	April 4	16,541,900	13,679,990	21,873,110	9,041,240
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	April 21	119.9	119.9	119.3	119.4
Farm products	April 21	92.5	*92.5	90.3	97.5
Processed foods	April 21	107.5	*107.3	107.0	111.4
Meats	April 21	102.3	101.8	98.6	110.7
All commodities other than farm and foods	April 21	128.1	128.1	127.8	125.7

*Revised figure. †Includes 769,000 barrels of foreign crude runs. §Based on new annual capacity of 147,633,670 tons as of Jan. 1, 1959, as against Jan. 1, 1958 basis of 140,742,570 tons. †Number of orders not reported since introduction of Monthly Investment Plan. ‡Prime Western Zinc sold on delivered basis at centers where freight from East St. Louis exceeds one-half cent a pound.

	Latest Month	Previous Month	Year Ago
AMERICAN GAS ASSOCIATION—For month of February:			
Total gas sales (M therms)	9,372,500	10,016,900	8,749,300
Natural gas sales (M therms)	9,042,000	9,658,500	8,409,400
Manufactured gas sales (M therms)	29,200	29,300	27,400
Mixed gas sales (M therms)	301,300	329,100	312,500
AMERICAN HOME LAUNDRY MANUFACTURERS ASSOCIATION — Month of March:			
Total home laundry appliance factory unit sales (domestic)	444,309	424,686	371,724
Combination washer-dryers	16,207	20,586	12,317
Washers	329,668	297,826	287,884
Dryers	98,434	106,274	71,523
AMERICAN IRON AND STEEL INSTITUTE:			
Steel ingots and steel for castings produced (net tons)—Month of March	11,567,000	*9,602,938	6,254,622
Shipments of steel products (net tons)—Month of February	6,524,374	6,186,168	4,262,935
AMERICAN PETROLEUM INSTITUTE—Month of January:			
Total domestic production (barrels of 42 gallons each)	250,623,000	248,000,000	238,052,000
Domestic crude oil output (barrels)	223,926,000	221,210,000	212,810,000
Natural gasoline output (barrels)	26,660,000	26,755,000	25,527,000
Benzol output (barrels)	37,000	35,000	15,000
Crude oil imports (barrels)	28,664,000	33,434,000	31,747,000
Refined product imports (barrels)	36,237,000	33,955,000	24,569,000
Indicated consumption domestic and export (barrels)	351,750,000	357,898,000	319,387,000
Increase all stocks (barrels)	36,226,000	42,509,000	25,019,000
AMERICAN RAILWAY CAR INSTITUTE—Month of March:			
Orders for new freight cars	10,795	1,806	193
New freight cars delivered	2,797	2,486	5,906
Backlog of cars on order and undelivered (end of month)	35,487	28,789	38,027
AMERICAN TRUCKING ASSOCIATION, INC.—Month of February:			
Intercity general freight transported by 363 carriers (in tons)	4,915,398	5,027,794	4,178,493
AMERICAN ZINC INSTITUTE, INC.—Month of March:			
Slab zinc smelter output all grades (tons of 2,000 pounds)	79,918	71,174	72,274
Shipments (tons of 2,000 pounds)	74,296	66,490	57,822
Stocks at end of period (tons)	206,083	200,461	203,641
BANKERS' DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK—As of March 31:			
Imports	$278,127,000	$274,669,000	$263,335,000
Exports	329,239,000	338,711,000	432,276,000
Domestic shipments	11,795,000	12,576,000	12,377,000
Domestic warehouse credits	70,099,000	170,631,000	458,239,000
Dollar exchange	111,173,000	111,870,000	139,240,000
Based on goods stored and shipped between foreign countries	253,314,000	252,412,000	223,780,000
Total	$1,053,747,000	$1,160,869,000	$1,529,247,000
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD — Month of March (000's omitted):			
Total U. S. construction	$1,644,300	$1,314,469	$1,397,691
Private construction	837,400	750,150	617,595
Public construction	806,900	564,319	780,096
State and municipal	590,800	427,372	619,384
Federal	216,100	136,947	160,712
COAL EXPORTS (BUREAU OF MINES)—Month of February:			
U. S. exports of Pennsylvania anthracite (net tons)	165,987	180,942	210,621
To North and Central America (net tons)	121,260	162,532	140,544
To Europe (net tons)	33,917	17,970	63,310
To Asia (net tons)	10,610		6,157
To South America (net tons)			10
Undesignated	200	440	600
COMMERCIAL PAPER OUTSTANDING—FEDERAL RESERVE BANK OF NEW YORK—As of Mar. 31 (000's omitted)	$883,000	$897,000	$862,000
COPPER INSTITUTE—For month of March:			
Copper production in U. S. A.—			
Crude (tons of 2,000 pounds)	117,235	99,857	98,943
Refined (tons of 2,000 pounds)	140,928	142,235	130,075
Deliveries to fabricators—			
In U. S. A. (tons of 2,000 pounds)	124,220	120,134	79,046
Refined copper stocks at end of period (tons of 2,000 pounds)	82,952	85,523	238,641
EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES—Month of March:			
All manufacturing (production workers)	12,088,000	*11,949,000	11,542,000
Durable goods	6,913,000	*6,805,000	6,502,000
Nondurable goods	5,175,000	*5,144,000	5,040,000
Employment indexes (1947-49 Avge. = 100)—			
All manufacturing	163.6	*160.6	144.9
Payroll indexes (1947-49 Average = 100)—			
All manufacturing	97.7	*96.6	93.3
Estimated number of employees in manufacturing industries—			
All manufacturing	15,925,000	*15,772,000	15,355,000
Durable goods	9,180,000	*9,063,000	8,742,000
Nondurable goods	6,745,000	*6,709,000	6,613,000
FABRICATED STRUCTURAL STEEL (AMERICAN INSTITUTE OF STEEL CONSTRUCTION)—Month of February:			
Contracts closed (tonnage)—estimated	294,367	235,784	185,646
Shipments (tonnage)—estimated	216,127	224,260	282,576
INDUSTRIAL PRODUCTION—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—1947-49=100—Month of March:			
Seasonally adjusted	147	145	128
Unadjusted	149	147	129
LIFE INSURANCE PURCHASES — INSTITUTE OF LIFE INSURANCE — Month of Mar. (000,000's omitted):			
Ordinary	$4,477	$3,757	$3,942
Industrial	596	531	550
Group	715	765	1,296
Total	$5,788	$5,053	$5,788
METAL OUTPUT (BUREAU OF MINUS)—Month of February:			
Mine production of recoverable metals in the United States:			
Gold (in fine ounces)	130,706	*145,077	117,166
Silver (in fine ounces)	2,811,717	*2,855,135	2,812,494
Copper (in short tons)	90,376	97,102	82,048
Lead (in short tons)	21,578	*23,397	23,538
Zinc (in short tons)	36,379	*35,436	33,980
UNITED STATES EXPORTS AND IMPORTS BUREAU OF CENSUS — Month of Jan.: (000's omitted):			
Exports	$1,400,400	$1,513,600	$1,510,900
Imports	1,119,100	1,154,200	1,095,300

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

Academy Life Insurance Co.
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.

★ **Adage, Inc.**
April 17 (letter of notification) 3,300 shares of preferred stock (par $10), convertible into common stock on a share for share basis. **Price** — $30 per share. **Proceeds** —To retire demand note, purchase inventory, and equipment and for working capital. **Office**—292 Main Street, Cambridge 42, Mass. **Underwriter**—None.

• **Adam Consolidated Industries, Inc. (5/4-8)**
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.

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**—To be received up to 11 a.m. (EDT) on April 30 at office of Southern Services, Inc., 250 Fifth Ave., New York 17, N. Y.

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.

★ **Alberta Municipal Financing Corp. (Province of Alberta) Canada) (5/20)**
April 29 filed $50,000,000 of 25-year sinking fund debentures, guaranteed as to both principal and interest by the Province of Alberta. **Price**—To be supplied by amendment. **Proceeds**—To be used towards the purchase of securities of municipalities, cities, towns and villages within the Province. **Underwriters**—The First Boston Corp. and Wood, Gundy & Co., Inc., both of New York.

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 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 Hospital Supply Corp.
April 20 filed 20,610 shares of common stock (par $2) to be offered in exchange for common stock of Massillon Rubber Co. on the basis of nine shares of American common for one share of Massillon common. **Office**—2020 Ridge Avenue, Evanston, Ill. **Underwriter**—None.

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. (5/11-15)
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 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., New York, has withdrawn as underwriter. **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.

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. (5/4-8)
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 Fund, Inc., St. Louis, Mo.**
April 28 filed (by amendment) an additional 10,000 Full Paid Accumulative Trust Fund Certificates. **Price**—At market. **Proceeds**—For investment.

★ **Associated Testing Laboratories, Inc. (5/20)**
April 22 filed 166,666 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—For capital expenditures and general corporate purposes, including working capital. **Office**—Caldwell, N. J. **Underwriter** —George, O'Neill & Co., Inc., New York.

• **Atlantic Research Corp. (5/4-8)**
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 Cafeterias for Industry, Inc. (5/4-8)**
April 17 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds** —For expansion, equipment and working capital. **Office** —450 Westbury Ave., Carle Place, L. I., N. Y. **Underwriter**—None.

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.

• **Avnet Electronics Corp.**
April 17 filed 175,000 shares of common stock, of which, 75,000 shares are to be offered for the account of certain selling stockholders. **Price**—$5.75 per share. **Proceeds**—To retire presently outstanding loans, and the balance will be used for working capital and other corporate purposes. **Offices**—70 State St., Westbury, L. I., N. Y., and 5877 Rodeo Road, Los Angeles, Calif. **Underwriters** — Michael G. Kietz & Co., Inc. and Amos Treat & Co., Inc., both of New York.

Ballard Aircraft Corp.
April 17 filed 300,000 shares of common stock (par $1). **Price** — $3.25 per share. **Proceeds** — To develop and manufacture aircraft embodying the body lift principle, etc. **Underwriter**—Weil & Co., Washington, D. C.

Baltimore Gas & Electric Co. (5/8)
April 17 filed $19,925,500 of convertible debentures due July 1, 1974 to be offered for subscription by common stockholders of record May 7, 1959, on the basis of $100 principal amount of debentures for each 35 shares of

common stock then held; rights to expire on May 25. **Price**—To be supplied by amendment. **Proceeds**—To be used for general corporate purposes, including proposed construction expenditures, and to repay any outstanding temporary bank loans obtained for the same purposes. **Underwriter**—The First Boston Corp., New York.

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.

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.

Basic Materials, Inc.
April 9 (letter of notification) 1,200,000 shares of common stock (par 10 cents). **Price**—25 cents per share. **Proceeds**—For mining expenses. **Office**—c/o Harold A. Roberts, President, Arroyo Hondo, Santa Fe, N. Mex. **Underwriter** — Hyder, Rosenthal & Co., Albuquerque, N. Mex.

● **Billups Western Petroleum Co. (5/18-22)**
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 unit. **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. (5/1)
April 1 (letter of notification) 80,000 shares of common stock (par 10 cents). **Price**—$2.50 per share. **Proceeds**—For general corporate purposes. **Office**—20 East Herman St., Philadelphia 44, Pa. **Underwriter**—R. L. Scheinman & Co., New York.

★ **Blyvooruitzicht Gold Mining Co., Ltd.**
(Union of South Africa)
April 22 filed American depositary receipts for 80,000 ordinary registered shares. **Depositary**—Guaranty Trust Co. of New York.

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.

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.
March 26 filed 113,079 shares of capital stock (par $1) and warrants for the purchase of an additional 113,079 shares, being 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**—$17 per unit. **Proceeds**—For working capital and other corporate purposes. **Underwriter**—Sutro Bros. & Co., New York.

★ **Buckeye Corp., New York**
April 28 filed 192,039 shares of 5% convertible preferred stock, series A, (par $10) and 164,299 shares of common stock (par $1). All of the preferred shares and 98,299 shares of common stock will be issued in connection with certain acquisitions of businesses and assets; the other 65,000 common shares are reserved for issuance under Employee Restricted Stock Options. **Underwriter**—None.

★ **Business Credit Co.**
April 14 (letter of notification) $80,000 of 10-year 10% subordinated interest bearing promissory notes; $80,000 of five-year 9% subordinated interest bearing promissory notes and $80,000 of three-year 8½% subordinated interest bearing promissory notes to be offered in units of $1,000 each. **Price**—All at face amount. **Proceeds**—For general business purposes and expansion. **Office**—10 N. Clark Street, Chicago 2, Ill. **Underwriter**—None.

★ **California Rock & Quarry Enterprises, Inc.**
April 16 (letter of notification) 250,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For ground lease and buildings, operations, fixtures and working capital. **Office**—3927 S. El Camino Real, P. O. Box 174, San Clements, Calif. **Underwriter**—None.

Cemex of Arizona, Inc.
Nov. 17 (letter of notification) 300,000 shares of common stock (par 25 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Address**—P. O. Box 1849, 3720 E. 32nd Street, Yuma, Ariz. **Underwriter**—L. A. Huey Co., Denver, Colo.

★ **Central Illinois Light Co. (5/13)**
April 23 filed $10,038,700 of convertible debentures due 1974, to be offered for subscription by common stockholders of record May 12, 1959, on the basis of $100 of debentures for each 22 shares then held; rights to expire

Continued on page 40

NEW ISSUE CALENDAR

April 30 (Thursday)

Alabama Power Co.________________Bonds
(Bids 11 a.m. EDT) $20,000,000

May 1 (Friday)

Bank of Montreal________________Common
(Offering to stockholders—not underwritten) 675,000 shares

Biophysical Electronics, Inc.________________Common
(R. L. Scheinman & Co.) $200,000

May 4 (Monday)

Adam Consolidated Industries, Inc.____Debentures
(Dempsey-Tegeler & Co.) $1,500,000

Airtek Dynamics, Inc.________________Common
(S. D. Fuller & Co.) 150,000 shares

American Agricultural Chemical Co.____Common
(Hayden, Stone & Co.) 216,093 shares

Arkansas Western Gas Co.____________Debentures
(Snow, Sweeney & Co., Inc. and A. C. Allyn & Co., Inc.) $1,000,000

Atlantic Research Corp.______________Common
(Johnston, Lemon & Co.) 110,000 shares

Automatic Cafeterias for Industry, Inc.___Common
(Offering not underwritten) 100,000 shares

Coil Winders, Inc.________________Common
(Bertner Bros. and Earl Edden Co.) $300,000

DeJur-Amsco Corp.________________Common
(H. M. Byllesby & Co., Inc.) $1,000,000

DeJur-Amsco Corp.________________Common
(H. M. Byllesby & Co., Inc.) 225,000 shares

Electro Networks, Inc.________________Common
(Charles Plohn & Co.) $270,000

Krupp Manufacturing Co.______________Common
(Hallowell, Sulzberger, Jenks, Kirkland & Co. and Woodcock, Hess, Moyer & Co., Inc.) $125,000

Reon Resistor Corp.________________Common
(Charles Plohn & Co.) $300,000

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

Loral Electronics Corp.________________Common
(Kidder, Peabody & Co. and Model, Roland & Stone) 250,000 shares

May 7 (Thursday)

Idaho Power Co.________________Common
(Blyth & Co., Inc., Lazard Freres & Co., Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Smith Inc.) 150,000 shares

May 8 (Friday)

Baltimore Gas & Electric Co.__________Debentures
(Offering to stockholders—underwritten by The First Boston Corp.) $19,925,500

May 11 (Monday)

American M. A. R. C., Inc.______________Common
(Auchincloss, Parker & Redpath and Wilson, Johnson & Higgins) 400,000 shares

Century Brick Corp. of America__________Common
(Summit Securities, Inc.) $300,000

Crown Self-Service Stores, Inc.__________Common
(Charles Plohn & Co.) $1,250,000

Echlin Manufacturing Co. of Connecticut, Inc.________________Common
(Blair & Co., Inc.) 98,946 shares

General American Oil Co. of Texas____Debentures
(Blyth & Co., Inc.) $15,000,000

Lytle Corp.________________Common
(Joseph Walker & Sons and Clark, Landstreet & Kirkpatrick, Inc.) $1,400,000

Magma Power Co.____________Preferred & Common
(J. Barth & Co.) $6,300,000

Miami Extruders, Inc.________________Common
(Aetna Securities Corp. and Roman & Johnson) $525,000

Pittsburgh Standard Conduit Co.__________Common
(Lee Higginson Corp.) 75,000 shares

Southern Nevada Power Co.______________Bonds
(Bids 9 a.m. PST) $5,500,000

Tracerlab, Inc.________________Common
(Lee Higginson Corp. and Estabrook & Co.) 100,000 shares

May 12 (Tuesday)

El Paso Electric Co.________________Common
(Offering to stockholders—underwritten by Stone & Webster Securities Corp.) 76,494 shares

Pioneer Plastics Corp.________________Common
(Reynolds & Co., Inc.) 150,000 shares

Southwestern Electric Power Co.__________Bonds
(Bids 10:30 a.m. CDT) $16,000,000

May 13 (Wednesday)

Central Illinois Light Co.____________Debentures
(Offering to stockholders—may be underwritten by (Eastman Dillon, Union Securities & Co.) $10,038,700

Idaho Power Co.________________Bonds
(Bids 11 a.m. EDT) $15,000,000

Marine Midland Corp.________________Common
(Offering to stockholders—underwritten by The First Boston Corp.; Eastman Dillon, Union Securities & Co.; Hutton & Pomeroy, Inc. and Granbery, Marache & Co.) 465,000 shares

Potomac Electric Power Co.______________Common
(Offering to stockholders—underwritten by Dillon, Read & Co. Inc. and Johnston, Lemon & Co.) 1,182,077 shares

May 14 (Thursday)

Chesapeake & Ohio Ry.________Equip. Trust Ctfs.
(Bids to be invited) $2,400,000

May 15 (Friday)

Florida Power Corp.________________Common
(Offering to stockholders—underwritten by Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Smith, Inc.) 703,485 shares

May 18 (Monday)

Billups Western Petroleum Co.________Debentures
(The Johnson, Lane, Space Corp.) $5,000,000

Electronics Capital Corp.______________Common
(Hayden, Stone & Co.) $12,000,000

Interstate Power Co.________________Preferred
(Kidder, Peabody & Co.) $4,000,000

Levine's, Inc.________________Common
(Kidder, Peabody & Co.) 110,000 shares

New Hampshire Ball Bearings, Inc.________Common
(Kidder, Peabody & Co., Inc.) 126,000 shares

Precon Electronics Corp.______________Common
(Charles Plohn & Co. and Netherlands Securities Co., Inc.) $875,000

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)

Alberta Municipal Financing Corp.________Debens.
(The First Boston Corp. and Wood, Gundy & Co., Inc.) $50,000,000

Associated Testing Laboratories, Inc.____Common
(George, O'Neill & Co., Inc.) $499,998

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)

Florida-Southern Land Corp.______________Common
(Alkow & Co., Inc.) $4,000,000

Investment Corp. of Florida______________Common
(Aetna Securities Corp. and Roman & Johnson) $1,237,500

West Penn Power Co.________________Bonds
(Bids noon EDT) $14,000,000

May 26 (Tuesday)

Consolidated Edison Co. of New York, Inc.___Bonds
(Bids 11 a.m. EDT) $75,000,000

May 28 (Thursday)

Southern Electric Generating Co.__________Bonds
(Bids 11 a.m. EDT) $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) $50,000,000

Virginia Electric & Power Co.____________Common
(Bids to be invited) 781,000 shares

June 3 (Wednesday)

Florida Power & Light Co.______________Bonds
(Bids 11 a.m. EDT) $25,000,000

June 9 (Tuesday)

Duke Power Co.________________Preferred
(Bids to be invited) $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

Continued from page 39

on May 27. **Price**—100% of principal amount. **Proceeds**—For construction program, including the repayment of short-term bank loans incurred for such purpose. **Underwriter**—Eastman Dillon, Union Securities & Co., New York.

● **Century Brick Corp. of America (5/11-15)**
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.**
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) being 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 29, 1959; rights to expire on May 13, 1959. **Price** — At par. **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. **Offering**—Expected today.

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.**
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. **Offering**—Expected today.

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. (5/12)**
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. (5/4-8)**
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.

Commerce Oil Refining Corp.
Dec. 16, 1957 filed $25,000,000 of first mortgage bonds due Sept. 1, 1968, $20,000,00 of subordinated debentures due Oct. 1, 1968 and 3,000,000 shares of common stock to be offered in units as follows: $1,000 of bonds and 48 shares of stock and $100 of debentures and nine shares of stock. **Price**—To be supplied by amendment. **Proceeds** — To construct refinery. **Underwriter**—Lehman Brothers, New York. **Offering**—Indefinite.

★ **Commercial Credit Co.**
April 23 filed 118,100 shares of common stock, issuable upon exercise of options to purchase common stock issued or to be issued to certain officers and key employees of the company and its subsidiaries under the company's Employees' Restricted Stock Option Plan.

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.

★ **Computer Systems, Inc.**
April 21 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price** — $3 per share. **Proceeds**—For working capital. **Office** — 611 Broadway, New York, N. Y. **Underwriter**—Adams & Peck, New York, N. Y.

★ **Consolidated Edison Co. of New York (5/26)**
April 24 filed $75,000,000 of first and refunding mortgage bonds, series P, due June 1, 1989. **Proceeds**—To retire short-term bank loans of $27,000,000, and also be used toward the cost of the company's construction program. **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., Pasadena, Calif.**
April 29 filed $7,616,500 of convertible subordinated debentures due June 1, 1984, to be offered for subscription by common stockholders in the ratio of $100 debentures for each 14 shares of common. **Price**—To be supplied by amendment. **Proceeds** — To pay bank loans. **Underwriter** — Blyth & Co., Inc., New York and San Francisco.

★ **Consolidated Natural Gas Co., New York**
April 28 filed 821,256 shares of capital stock to be offered on a 1-for-10 share basis to stockholders of record May 21, 1959. **Price** — To be supplied by amendment. **Proceeds**—Additions to Treasury funds and to finance construction. **Underwriter**—None.

★ **Continental Equipment Rentals, Inc.**
April 20 (letter of notification) 300,000 shares of common stock (par 50 cents). **Price**—$1 per share. **Proceeds**—To be used to purchase trailers. **Office**—U. S. National Bank Bldg., Denver, Colo. **Underwriter**—None.

Continental Tobacco Co., Inc.
April 2 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$1.25 per share. **Proceeds**—For general corporate purposes. **Office**—607-12th Avenue, Huntington, W. Va. **Underwriter**—Best Securities, Inc., New York.

Cree Mining Corp. Ltd.
April 17 filed 260,000 shares of common stock. **Price**—80 cents per share. **Proceeds**—For exploration program. **Office**—2100 Scarth St., Regina, Saskatchewan, Canada. **Underwriter** — Cumberland Securities Ltd., also of Regina.

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. (5/11-15)**
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.

Dalton Finance, Inc.
March 9 filed $500,000 of 7% subordinated debentures, due Jan. 2, 1974, with attached warrants for the purchase of 100,000 shares of class A common stock. **Price**—At face amount (in units of $500 each). **Proceeds**—To finance making of additional loans and to reduce short-term debt. **Office**—3800-34th St., Mt. Rainier, Md. **Underwriter**—Paul C. Kimball & Co., Chicago, Ill., on a best efforts basis.

D. C. Transit System, Inc. (Del.)
March 23 filed 350,000 outstanding shares of class A common stock (par 20 cents) being offered by Trans Caribbean Airways, Inc., which owns all of this stock, to the holders of its outstanding class A stock, and holders of its outstanding 5½% convertible subordinated debentures of record April 22, 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); rights to expire on May 22. Employees of Trans Caribbean and its subsidiaries will have the right to purchase up to 100,000 of the said 350,000 shares. **Price**—$10 per share. **Proceeds**—To selling stockholder. **Offices**—160 Central Park South, New York 19, N. Y., and 3600 M St., N. W., Washington, D. C. **Underwriter**—None.

● **DeJur-Amsco Corp. (5/4-8)**
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. (5/4-8)**
March 31 filed $1,000,000 of convertible subordinated debentures due 1974. **Price**—To be supplied by amendment. **Proceeds** — To retire mortgage loans and bank notes and to provide additional working capital and for general corporate purposes. **Underwriter**—H. M. Byllesby & Co., Inc., New York and Chicago.

Derson Mines Ltd.
June 5 filed 350,000 shares of common stock. Price—$1 per share. Proceeds—For new equipment, repayment of loan, acquisition of properties under option, and other corporate purposes. Office—Toronto, Canada, and Emporium, Pa. Underwriter—None.

★ **Di-Noc Chemical Arts, Inc.**
April 8 filed $947,200 of 5½% convertible subordinated debentures, due May 15, 1971, to be offered for subscription by common stockholders in the ratio of $100 of debentures for each 30 common shares held on April 28, 1959; rights to expire on or about May 14. **Price**—To be supplied by amendment. **Proceeds**—For plant expansion and working capital. **Underwriter**—Blair & Co. Inc., New York.

★ **DIT-MCO, Inc.**
April 15 filed 30,000 outstanding shares of common stock. **Price**—$10.50 per share. **Proceeds**—To selling stockholders. **Office**—911 Broadway, Kansas City, Mo. **Underwriter**—Midland Securities Co., Inc., Kansas City, Mo.

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.

★ **Dybbuk Co.**
April 24 (letter of notification) $125,000 aggregate limited partnership interests to be offered in units. **Price**—$2,500 per unit. **Proceeds**—For production and turning to account of all rights held by the partnership in the play entitled "The Dybbuk From Woodhaven." **Office**—200 W. 57th St., New York, N. Y. **Underwriter**—None.

● **Echlin Manufacturing Co. of Connecticut, Inc. (5/11-15)**
April 21 filed 98,946 shares of common stock, of which 22,500 shares are to be offered for the company's account, and the remainder for selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—To construct plant and for general corporate purposes. **Office**—Branford, Conn. **Underwriter**—Blair & Co., Inc., 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.

El Paso Electric Co. (5/19)
April 16 filed $3,500,000 of first mortgage bonds due 1989. **Proceeds**—To retire outstanding short-term notes, and for 1959 construction program. **Underwriters**—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**—To be received up to 11 a.m. (EDT) on May 19 at 90 Broad Street, New York, N. Y.

El Paso Electric Co. (5/19)
April 16 filed 20,000 shares of cumulative preferred stock (no par). **Proceeds**—To retire outstanding short-term notes, and for 1959 construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Eastman Dillon, Union Securities & Co.; Salomon Bros. & Hutzler; Kidder, Peabody & Co., and White, Weld & Co. (jointly); Merrill Lynch, Pierce, Fenner & Smith. **Bids**—To be received up to 11 a.m. (EDT) on May 19 at 90 Broad Street, New York, N. Y.

El Paso Electric Co. (5/12)
April 16 filed 76,494 shares of common stock (par $5) to be offered to common stockholders of record May 11, 1959, on the basis of one new share for each 25 shares of common stock then held (with an oversubscription privilege); rights to expire on May 26. **Price**—To be supplied by amendment. **Proceeds**—To retire outstanding short-term notes, and for 1959 construction program. **Dealer-Manager** — Stone & Webster Securities Corp., New York.

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. (5/4-8)**
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.

★ **Electronics Capital Corp., San Diego, Calif. (5/18-23)**
April 27 filed 1,200,000 shares of common stock. **Price**—$10 per share. **Proceeds**—For investment. **Underwriter**—Hayden, Stone & Co., 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.

Empire Millwork Corp., Corona, N. Y.
April 17 filed 95,000 outstanding shares of common stock. **Price** — $10.25 per share. **Proceeds** — To selling stockholders. **Underwriter**—None.

Equity Annuity Life Insurance Co.
April 21 filed $1,000,000 of Variable Annuity Policies. **Price**—No less than $120 a year for annual premium contracts and no less than $1,500 for single premium contracts. **Proceeds**—For investment, etc. **Office**—2480 16th Street, N. W., Washington, D. C. **Underwriter**—None.

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 $210,800 of the debentures to purchase the capital stock of Consumers Time Credit, Inc., a New York company;

$442,000 of the debentures in exchange for Consumers debentures; and $226,000 of the debentures in exchange for the outstanding 12% debentures of three subsidiaries of Federated. **Office**—1 South Main Street, Port Chester, N. Y. **Underwriter**—None.

Federated Finance Co.
Nov. 17 (letter of notification) $300,000 of 10-year 6% senior subordinated debentures. **Price**—At par (in denominations of $1,000 each). **Proceeds** — For working capital, to make loans, etc. **Office**—2104 "O" St., Lincoln, Neb. **Underwriters** — J. Cliff Rahel & Co. and Eugene C. Dinsmore, Omaha, Neb.

Finance For Industry, Inc.
Dec. 16 filed 200,000 shares of class A common stock. **Price**—At par ($1.50 per share). **Proceeds**—For working capital. **Office**—508 Ainsley Bldg., Miami, Fla. **Underwriter** — R. F. Campeau Co., Penobscot Bldg., Detroit, Mich.

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 Power Corp. (5/15)
April 16 filed 703,485 shares of common stock (par $2.50) to be offered for subscription by common stockholders of record May 14, 1959, on the basis of one new share for each 12 shares of common stock then held (with an oversubscription privilege); rights to expire on June 3, 1959. **Price**—To be supplied by amendment. **Proceeds**—To pay off $7,000,000 of temporary bank loans, which were incurred to meet construction expenditures, and the balance will be applied to the 1959 construction program. **Underwriters** — Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Smith Inc., both of New York.

Florida-Southern Land Corp. (5/25)
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.**
March 31 filed $2,135,700 of convertible subordinated debentures due May 17, 1971, being 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 May 6. **Price** — 100% of principal amount. **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.

★ **Fouress Mines, Inc.**
April 13 (letter of notification) 138,175 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For mining expenses. **Address**—Route 1, Box 2, Republic, Wash. **Underwriter**—None.

★ **General American Oil Co. of Texas (5/11-15)**
April 23 filed $15,000,000 of subordinated debentures, due May 1, 1984 (convertible). **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes, including repayment of some $2,500,000 of bank loans; and for additional working capital. **Office**—Meadows Bldg., Dallas, Tex. **Underwriter**—Blyth & Co., Inc., New York.

General Aniline & Film Corp., New York
Jan. 14, 1957 filed 426,988 shares of common A stock (no par) and 1,537,500 shares of common B stock (par $1) Proceeds—To the Attorney General of the United States Underwriter—To be determined by competitive bidding Probable bidders: Blyth & Co., Inc., and The First Boston Corp. (jointly); Kuhn, Loeb & Co.; Lehman Brothers, and Glore, Forgan & Co. (jointly). Bids—Had been scheduled to be received up to 3:45 p.m. (EDT) on May 13 at Room 654, 101 Indiana Ave., N. W., Washington 25, D. C., but bidding has been postponed.

General Builders Corp., New York
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 Underwriters Inc.**
April 6 (letter of notification) 225,000 shares of common capital stock (par 25 cents). Of the total, 195,000 shares are to be offered for the account of the company and 30,000 shares for a selling stockholder. **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.

Glickman Corp. (5/11-15)
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. **Offering**—Expected today.

● **Government Employees Corp.**
April 7 (letter of notification) an estimated 500 shares of common stock (par $5). **Price**—At the market. **Proceeds**—For the benefit of fractional shareholders resulting in stock dividend (4%) declared March 25, 1959. **Office**—1021 14th St., N. W., Washington, D. C. **Underwriter**—None. Statement subsequently withdrawn.

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** — Louis L. Rogers Co. and Joseph Mandell Co., both of New York. **Offering** — Expected sometime in May.

● **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. Statement effective April 10.

Growth Fund of America, Inc.
Feb. 4 filed 250,000 shares of common stock (par 10 cents). **Price**—At market. **Proceeds**—For investment. **Office** — 1825 Connecticut Avenue, Washington, D. C. **Investment Advisor** — Investment Advisory Service, Washington, D. C. **Underwriter**—Investment Management Associates, Inc., Washington, D. C.

● **Gulf States Utilities Co. (5/19)**
April 17 filed 250,000 shares of common stock (no par). **Proceeds**—To be used for the repayment of short-term notes, and the balance to carry forward the company's construction program and for other corporate purposes. **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 up to noon (EDT) on May 19 at The Hanover Bank, 70 Broadway, New York 15, N. Y.

Halex, Inc.
April 2 (letter of notification) $70,000 of four-year 5% debentures, 2,300 shares of 4% preferred stock (par $10) and 10,000 shares of common stock (par $1). **Price**—Of debentures, at face amount (in denominations of $100); of stock, both at par. **Proceeds**—For fixed assets and working capital. **Office**—310 E. Imperial Highway, El Segundo, Calif. **Underwriter**—None.

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.

Heligen 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.

★ **Hermes Electronics Co., Cambridge, Mass.**
April 29 filed 150,000 shares of common stock. The statement also includes 36,755 shares of common stock issuable upon the exercise of options; and 147,564 shares issuable upon the exercise by holders of $5 cumulative preferred stock to convert such stock; 20,000 shares issuable upon the exercise of the rights of holders of 5% 10-year sinking fund debentures due 1965 to convert such debentures, and 737,374 of presently outstanding shares which may be offered by holders thereof. **Name Change**—This company was formally known as Hycon Eastern, Inc. **Price**—To be supplied by amendment. **Proceeds**—To be used in part towards the prepayment of notes and balance to be used for general corporate purposes. **Underwriter**—C. E. Unterberg, Towbin & Co., New York, will underwrite the 150,000 shares of common.

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.

★ **Hines (Edward) Lumber Co.**
April 27 filed 60,000 shares of common stock, for offering to employees and officers of the company under stock options or for outright purchase.

★ **Hirsch (P. N.) & Co., St. Louis, Mo.**
April 29 filed 132,500 outstanding shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriter**—Newhard, Cook & Co., St. Louis, Mo.

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. (5/7)**
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**—Blyth & Co., Inc. (handling the books); 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.

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

Continued on page 42

Continued from page 41

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.

Information Systems, Inc., Skokie, Ill.
April 21 filed 170,000 shares of common stock to be offered for subscription by common stockholders of Panellit, Inc., at rate of one new share for each three Panellit common shares held of record May 15, 1959. **Price**—$3.50 per share. **Proceeds**—To pay notes, for research and development costs; and working capital. **Underwriter**—None.

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 Railroads Weighing Corp.
April 16 (letter of notification) 82,626 shares of common stock (par $1) to be offered for subscription by common stockholders at rate of one new share for each four shares held. **Price**—$3 per share. **Proceeds** — For research and development costs and working capital. **Office**—415 Spruce St., Hammond, Ind. **Underwriter**—None.

International Tuna Corp.
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 $6,000,000 of first mortgage bonds due 1989. **Proceeds** — To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; 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.

Investment Corp. of Florida (5/25-29)
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.

★ **Invesco, Inc.**
April 16 (letter of notification) 250,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To expand new areas. **Office**—114 S. Palomar Dr., P. O. Box 6428, Tucson, Ariz. **Underwriter**—None.

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. **Offering**—Expected in a month.

★ **Investors Stock Fund, Inc., Minneapolis, Minn.**
April 23 filed (by amendment) 10,000,000 additional shares of capital stock. **Price**—At market. **Proceeds**—For investment.

★ **Irando Oil & Exploration, Ltd.**
April 24 filed 225,000 shares of common stock. **Price**—90 cents per share. **Proceeds**—To defray the costs of exploration and development of properties and for the acquisition of other properties; also for other corporate purposes. **Office**—1950 Broad St., Regina, Sask., Can. **Underwriter** — Laird & Rumball, Regina, Sask., Can.

★ **Island Cottages, Inc.**
April 21 (letter of notification) 10,000 shares of preferred stock (par $5) to be offered in units. **Price**—$100 per unit. **Proceeds**—To go to the company. **Underwriter**—None.

● **Krupp Manufacturing Co. (5/4-8)**
April 3 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$1.25 per share. **Proceeds**—To selling stockholders. **Office** — 4th & Mill Streets, Quakertown, Pa. **Underwriters**—Hallowell, Sulzberger, Jenks, Kirkland & Co. and Woodcock, Hess, Moyer & Co., Inc., both of Philadelphia, Pa.

● **Laguna Niguel Corp.**
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. **Offering**—Expected this week.

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.

★ **Levine's, Inc., Dallas, Texas (5/18-23)**
April 24 filed 110,000 shares of common stock (par $4), of which 60,000 shares will be sold for the company's account and 50,000 shares for the account of certain selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—To be added to the general funds of the company and will be spent for inventory, equipment, fixtures and other initial costs of three new stores, and the balance of the proceeds will be used to acquire and establish new stores. **Underwriter**—Kidder, Peabody & Co., New York.

★ **Lockheed Aircraft Corp.**
April 20 filed 342,600 shares of capital stock, which may be purchased pursuant to the company's Employee Stock Purchase Plan.

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. (5/6)**
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.

Lytle Corp. (5/11-15)
April 16 filed 100,000 shares of common stock. **Price**—At a maximum price of $14 per share. **Proceeds**—To retire bank loans and for general working capital. **Underwriters**—Joseph Walker & Sons, New York; and Clark, Landstreet & Kirkpatrick, Inc., Nashville, Tenn.

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.**
March 30 filed 100,000 shares of capital stock (par $1.50) being offered for subscription by holders of outstanding stock at the rate of one new share for each two shares held on April 22, 1959; rights expire on or about May 19 (with an oversubscription privilege). **Price**—$6 per share. **Proceeds**—To increase capital and surplus. **Office**—83 Exchange Street, Portland, Maine. **Underwriter**—P. W. Brooks & Co., Inc., New York.

● **Marine Midland Corp. (5/13)**
April 17 filed a maximum of 465,000 shares of common stock (par $5) to be offered for subscription by common stockholders of record May 12, 1959, on the basis of one new share for each 20 shares then held, rights to expire on June 1. **Proceeds**—It is anticipated that $9,000,000 will be used to pay an outstanding bank loan due Sept. 30, 1962, and any balance will be used for general corporate purposes. **Underwriters**—The First Boston Corp. and Eastman Dillon, Union Securities & Co., both of New York; Schoellkopf, Hutton & Pomeroy, Inc., Buffalo, N. Y.; and Granbery, Marache & Co., 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.

★ **Mayfair Markets**
April 13 (letter of notification) 5,000 shares of preferred stock (par $50) and 5,000 shares of common stock (par 1) to be offered in units consisting of one share of preferred and one share common. **Price**—$60 per unit. **Proceeds**—To liquidate obligations. **Office**—4383 Bandini Blvd., Los Angeles, Calif. **Underwriter**—None.

Miami Extruders, Inc. (5/11-15)
April 17 filed 175,000 shares of common stock. **Price**—$3 per share. **Proceeds**—To be used for the purchase of equipment, for increased inventories, and for the retirement of bank loans. **Office**—7575 N. W. 37th Avenue Miami, Fla. **Underwriters**—Aetna Securities Corp., New York; and Roman & Johnson, Fort Lauderdale, Fla.

Midwest Technical Development Corp.
March 17 filed 500,000 shares of common stock (par $1). **Price**—$3.75 per share. **Proceeds**—For investment 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.

● **Missouri Utilities Co.**
April 14 (letter of notification) 10,154 shares of common stock (par $1) to be offered for subscription by stockholders on the basis of one share for each 31 shares held on or about April 29. **Price** — To be supplied by amendment. **Proceeds**—For general funds of the company. **Office**—400 Broadway, Cape Girardeau, Mo. **Underwriter**—Edward D. Jones & Co., St. Louis, Mo.

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.

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.

★ **National Citrus Corp.**
April 20 (letter of notification) 150,000 shares of common stock. **Price**—At par ($2 per share). **Proceeds**—For new equipment, inventory and working capital. **Address**—P. O. Box 1658, Lakeland, Fla. **Underwriter**—R. F. Campeau Co., Inc., Detroit, Mich.

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. Offer will expire on May 19.

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.

★ **Nationwide Small Business Capital Investing Corp.**
April 24 filed 500,000 shares of capital stock (par 50 cents). **Price** — $1 per share. **Proceeds** — For working capital and investments. **Office**—Hartsdale, N. Y. **Underwriter**—None.

Naylor Engineering & Research Corp.
Sept. 29 (letter of notification) 300,000 shares of cumulative voting and non-assessable common stock. **Price**—At par ($1 per share). **Proceeds**—For organizational expenses and first three months' operational expenses. **Office**—1250 Wilshire Blvd., Los Angeles 17, Calif. **Underwriter**—Waldron & Co., San Francisco 4, Calif.

Nedow Oil Tool Co.
May 5 (letter of notification) 150,000 shares of common stock (par 50 cents). **Price**—$2 per share. **Proceeds**—To acquire fishing tools for leasing; and for working capital. **Address**—P. O. Box 672, Odessa, Texas. **Underwriters**—To be designated.

★ **New Hampshire Ball Bearings, Inc. (5/18-23)**
April 27 filed 126,000 shares of common stock (par $2) of which, 100,000 shares are to be offered for account of company and 20,000 shares for certain selling stockholders; the remaining 6,000 shares are to be offered by the company to its employees. **Price**—To be supplied by amendment. **Proceeds**—To pay off in full a 5% chattel mortgage term loan; to construct an addition to its main plant; and the balance, together with other corporate funds will be used to purchase machinery and equipment for new plant additions, and for general corporate purposes. **Office**—Peterborough, N. H. **Underwriter**—Kidder, Peabody & Co. Inc., Boston, Mass.

● **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 withdrawn on April 22.

● **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. Statement effective April 16.

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.
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. Statement effective April 13.

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 cl. A and cl. B common stock held. **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. Statement effective April 14.

Peckman Plan Fund, Inc., Pasadena, Calif.
May 19 filed 20,000 shares of common stock (par $1) **Price**—At market. **Proceeds**—For investment. **Underwriter**—Investors Investments Corp., Pasadena, Calif.

● **Penn-Texas Corp., New York City**
March 31 filed 1,490,622 shares of common stock being offered for subscription by common stockholders at rate of one new share for each four shares held as of record April 24, 1959; rights to expire on May 8, 1959. **Price**—$6 per share. **Proceeds**—To purchase additional stock of Fairbanks, Morse & Co. and for repayment of loans. **Underwriter**—Bear, Stearns & Co., New York.

Pennsylvania Power Co.
Aug. 1 filed $8,000,000 of first mortgage bonds due 1989. Proceeds—To redeem a like amount of 5% first mortgage bonds due 1987. Underwriter—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; White Weld & Co. Equitable Securities Corp., and Shields & Co. (jointly) Lehman Brothers, Eastman Dillon, Union Securities & Co., Salomon Bros. & Hutzler and Ladenburg, Thalmann & Co. (jointly); Merrill Lynch, Pierce, Fenner & Smith and Dean Witter & Co. (jointly). Bids — Tentatively had been expected to be received up to 11 a.m. (EDT) on Aug. 27 but company on Aug. 22 decided to defer sale pending improvement in market conditions. SEC on Feb. 25, 1959 extended to June 16, 1959 period within which company may consummate financing.

Perfecting Service Co.
Feb. 26 (letter of notification) 28,250 shares of common stock to be offered for subscription by stockholders on a pro rata basis. Rights expire in 15 days. **Price**—At par ($10 per share). **Proceeds**—For accounts receivable and inventories. **Office**—332 Atando Ave., Charlotte, N. C. **Underwriter**—None.

Permachem Corp., New York
March 31 filed 2,041,331 shares of class A common stock (par 10 cents) and 1,917 shares of class B common stock (par 10 cents). This covers the transfer of certain shares pursuant to option agreements. **Price** — At over-the-counter market prices. **Underwriter**—None.

Permanent Filter Corp.
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.

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-Van Heusen Corp.
April 21 filed 69,210 shares of common stock, to be offered in exchange for common stock of Kennedy's, Inc., in the ratio of 1½ shares of Phillips-Van Heusen stock for one share of Kennedy's stock.

● **Pioneer Plastics Corp., Sanford, Me. (5/12-13)**
April 15 filed 150,000 shares of common stock (par $1) (of which 8,000 shares are to be offered to employees). **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. (5/11-15)**
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.

★ **Potomac Electric Power Co. (5/13)**
April 23 filed 1,182,077 shares of common stock (par $10) to be offered for subscription by common stockholders of record May 12, 1959, at the rate of one new share for each five shares then held; rights to expire on or about May 27. Unsubscribed shares will be offered first to employees. **Price**—To be supplied by amendment. **Proceeds**—To pay $6,425,000 of outstanding bank loan notes, representing borrowing for working capital and other corporate purposes; to reimburse the company's treasury for a portion of the construction expenditures heretofore made, and to provide for a portion of its construction program. **Underwriters**—Dillon, Read & Co. Inc., New York; and Johnston, Lemon & Co., Washington, D. C.

Precon Electronics Corp. (5/18-25)
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.

Pressed Metals of America, Inc.
April 17 filed 90,000 outstanding shares of common stock. **Price** — Related to the current market price on the American Stock Exchange. **Proceeds**—To selling stockholders. **Office**—Port Huron, Mich. **Underwriter**—None.

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.

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. **Offering**—Expected end of May.

● **Puritan Chemical Corp.**
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. **Offering**—Expected any day.

★ **Pyrometer Co. of America, Inc.**
April 27 filed 200,000 shares of common stock. **Price**—$3 per share. **Proceeds**—For inventory, expansion of present facilities, equipment, working capital and other general corporate purposes. **Office** — Penndel, Pa. **Underwriter**—Arnold Malkan & Co., Inc., 565 Fifth Ave., 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. (5/4-8)
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.**
March 26 filed 70,196 shares of common stock, being offered for subscription by holders of outstanding shares upon the basis of one new share for each three shares held on or about April 28, 1959; rights to expire on or about May 13. **Price**—$12.50 per share. **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) being offered for subscription by common stockholders on the basis of one share for each seven shares held as of record April 6 (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.

★ **Rohr Aircraft Corp.**
April 29 filed 240,614 shares of common stock issuable upon exercise of restricted stock options which may be granted to officers and key employees of the company.

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.

● **Rowland Products, Inc., Kensington, Conn. (5/1)**
April 17 (letter of notification) 11,538 shares of common stock (par $12.50) to be offered for subscription by common stockholders at rate of one new share for each 6¼ shares held of record April 24, 1959; rights to expire on or about May 19. **Price**—To be supplied by amendment. **Proceeds** — For working capital. **Underwriters**—Cooley & Co., Putnam & Co. both of Hartford, Conn. and Eddy & Co., New Britain, Conn.

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. **Agent**—Kidder, Peabody & Co., New York.

Continued on page 44

Continued from page 43

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 is now offering holders of its American shares and holders of its French shares in the United States, its territories and possessions, the right to subscribe for one additional American share for each American share held, or one additional French share for each French share held as of April 13, 1959 (with an additional subscription privilege); rights to expire on May 7, 1959. **Price** — 5,500 francs (equal to $11.22 per share) for the French shares, or 2,750 francs ($5.61 per share) for the American shares. **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.

Southern Electric Generating Co. (5/28)
April 17 filed $25,000,000 of first mortgage bonds due 1992. **Proceeds**—To be used in connection with financing the cost of constructing a steam-electric generating station on the Coosa River in Alabama and related facilities; and for the repayment of $4,000,000 of short-term bank loans incurred for such capital expenditures. **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). **Bids**—Expected to be received up to 11 a.m. (EDT) on May 28 at the office of Southern Services, Inc., 250 Park Avenue, New York 17, N. Y.

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 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 H, 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 10:30 a.m. (CDT) 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-fire-proof 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 corporate distribution. **Office**—6 East 39th St., New York 16, N. Y. **Underwriter**—R. A. Holman & Co., Inc., New York 5, N. Y.

★ **Sun Oil Co.**
April 22 filed 15,000 memberships in the Stock Purchase Plan for employees of the company and its subsidiaries, together with 200,000 shares of common stock which may be purchased under said plan. The statement also covers an additional 248,988 outstanding shares of common stock, representing the maximum number of shares which may be offered for possible public sale by certain selling stockholders during the 12 months beginning July 1, 1959.

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.

★ **Ten Keys, Inc., Providence, R. I.**
April 28 filed 973,000 shares of capital stock. **Price**—$5.40 per share. **Proceeds**—For investment. **Office**—512 Hospital Trust Bldg., Providence, R. I. **Distributor**—E. R. Davenport & Co., Providence, R. I.

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.

ThermoPlastics 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.

● **Tracerlab, Inc. (5/11-15)**
April 17 filed 100,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For research and development, etc. **Office** — 1601 Trapelo Road, Waltham, Mass. **Underwriters**—Lee Higginson Corp. of New York and Boston.

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.

Trinity Small Business Investment Co.
April 17 filed 235,000 shares of capital stock (par $1). **Price** — $10.75 per share. **Proceeds** — For investment. **Office**—South Main Street, Greenville, S. C. **Underwriter**—To be supplied by amendment.

United Employees Insurance Co.
April 16 filed 2,000,000 shares of common stock (par $5). **Price** — $10 per share. **Proceeds** — For acquisition of operating properties, real and/or personal, including office furniture, fixtures, equipment and office space, by lease or purchase. **Office** — Wilmington, Del. **Underwriter**—None. Myrl L. McKee of Portland, Ore., is President.

★ **United Funds, Inc., Kansas City, Mo.**
April 23 filed (by amendment) an addiitonal 3,000,000 United Income Fund shares, 2,000,000 United Science Fund shares, and 1,000,000 Continental Fund shares. **Price**—At market. **Proceeds**—For investment.

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 Tourist Enterprises, Inc.
Jan. 28 filed 4,500,000 shares of class A common stock (par 50 cents). **Price**—$2 per share. **Proceeds**—For development and construction of a "Western Village" and for construction of a Grand Estes Hotel and Convention Hall, to be constructed in the immediate vicinity of Estes Park Chalet, located in Larimer County, Colo. **Office** — 330 South 39th Street, Boulder, Colo. **Underwriter**—Mid-West Securities Corp., Littleton, Colo.

Uranium Corp. of America, Portland, Ore.
April 30, 1957 filed 1,250,000 shares of common stock (par 16 cents). **Price**—To be supplied by amendment (expected to be $1 per share). **Proceeds**—For exploration purposes. **Underwriter**—To be named by amendment. Graham Albert Griswold of Portland, Ore., is President.

★ **Utah Concrete Pipe Co.**
April 27 (letter of notification) 41,300 shares of common stock (par $1). **Price**—$7.25 per share. **Proceeds**—To be used to reduce long-term debt; improvement and expansion of Ogden plant and for addition to working capital. **Office**—379-17th St., Ogden, Utah. **Underwriter**—Schwabacher & Co., San Francisco, Calif.

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.

Utility Appliance Corp., Los Angeles, Calif. (4/24)
April 9 (letter of notification) 50,000 shares of common stock (par $1). **Price**—$5.75 per share. **Proceeds**—To selling stockholders. **Office**—4351 South Alameda Street, Los Angeles 58, Calif. **Underwriter** — Dempsey-Tegeler & Co., Los Angeles, Calif.

Variable Annuity Life Insurance Co. of America
April 21 filed $4,000,000 of Variable Annuity Policies. **Price**—No less than $120 a year for annual premium contracts and no less than $1,500 for single premium contracts. **Proceeds**—For investment, etc. **Office**—1832 M Street, N. W., Washington, D. C. **Underwriter**—None.

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.

★ **Virginia Electric & Power Co. (6/2)**
April 28 filed 781,000 shares of common stock (par $8) to be offered for subscription by common stockholders on the basis of one new share for each 20 shares held of record June 2, 1959; rights to expire on or about June 18. **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.

★ **Wade Drug Corp., Shreveport, La.**
April 28 filed 157,250 shares of class B common stock to be sold privately to retail druggists through James D. Wade, Jr., company's principal officer and stockholder, who will receive a commission of $1.50 per share. **Price**—$10 per share. **Proceeds**—To purchase additional machinery and equipment; research and experimentation; for initial contracts; and purchase of additional companies.

● **Washington Gas Light Co.**
April 7 filed 100,386 shares of $4.60 convertible preferred stock (no par) being 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**—$100 per share. **Proceeds** — For construction program. **Underwriters** — The First Boston Corp., New York; and Johnston, Lemon & Co., Washington, D. C.

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.

West Penn Power Co. (5/25)
April 17 filed $14,000,000 of first mortgage bonds, series R, due June 1, 1989. **Proceeds**—Together with other funds, will be applied to the company's construction program and repayment of bank loans incurred thereof. **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 (EDT) on May 25 at office of West Penn Electric Co., 50 Broad Street, New York, N. Y.

● **Western Kentucky Gas Co.**
April 13 (letter of notification) 8,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholder. **Office**—608 Frederica Street, Owensboro, Ky. **Underwriters**—Equitable Securities Corp., Nashville, Tenn.; and Almstedt Brothers, Louisville, Ky. **Offering**—Expected this week.

Wilmington Country Club, Wilmington, Del.
Oct. 27 filed $500,000 of debentures due 1991 (non interest bearing) and 800 shares of common stock (par $25) to be offered to members of this club and of Concord Ltd. **Price**—$375 per common share and $1,000 per debenture. **Proceeds** — To develop property and build certain facilities. **Underwriter**—None.

Wyoming Corp.
Nov. 17 filed 1,449,307 shares of common stock. Of these shares 1,199,307 are subject to partially completed subscriptions at $2, $3.33 and $4 per share; and the additional 250,000 shares are to be offered initially to shareholders of record Nov. 1, 1958, in the ratio of one new share for each 2.33 shares held on that date. **Price**—$4 per share. **Proceeds**—$300,000 will be used for payments on contract to purchase shares of International Fidelity Insurance Co.; $325,000 for capitalization of a fire insurance company; $500,000 for capitalization of a title insurance company; $500,000 for additional capital contribution to Great Plains Development Co.; and $300,000 as an additional capital contribution to Great Plains Mortgage Co. **Office**—319 E. "A" St., Casper, Wyo. **Underwriter**—None.

Prospective Offerings

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.

★**Chesapeake & Ohio Ry. (5/14)**
April 27 it was reported that the company plans to receive bids on May 14 for the purchase from it of $2,400,000 of equipment trust certificates due annually in 1-to-15 years. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Duke Power Co. (6/9)
April 16 it was announced that the company has applied to the Federal Power Commission for authority to issue and sell 250,000 shares of new preferred stock (par $100). **Proceeds** — To reimburse treasury for capital expenditures. **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. **Bids**—Expected to be received on June 9.

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. **Offering**—Expected some time in May.

● **First National Trust & Savings Bank of San Diego, Calif.**
April 22 it was announced that Bank is offering its stockholders of record April 21, 1959 the right to subscribe on or before May 11, 1959 for 105,600 additional shares of capital stock (par $5) on the basis of one new share for each nine shares held. **Price**—$26 per share. **Underwriters** — Dean Witter & Co.; Blyth & Co., Inc.; William R. Staats & Co.; Eastman Dillon, Union Securities & Co.; and Dewar & Co.

★**Florida Power & Light Co. (6/3)**
April 27 it was reported that the company plans to issue and sell $25,000,000 of first mortgage bonds. **Underwriter** —To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Smith, Inc. and Kidder, Peabody & Co. (jointly); White, Weld & Co.; The First Boston Corp. **Bids**—Expected to be received up to 11 a.m. (EDT) on June 3.

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.

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.**
April 23 the bank offered 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 22, 1959; rights to expire on May 8. **Price**—$20 per share. **Proceeds**—To increase capital and surplus. **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.

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.) (7/22)**
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. **Bids**—Expected to be received on July 22.

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 of record on or about June 1; rights to expire on June 20. **Proceeds**—For construction program. **Underwriters**—Drexel & Co. and Morgan Stanley & Co. **Offering**—Expected in June.

Public Service Co. of New Hampshire
April 22 it was stated in the company's annual report that it plans the raising of $13,250,000 from outside sources. This new money will come partially from short-term obligations but principally from permanent financing, the amount and type of which has not as yet been determined. **Proceeds**—To meet construction requirements for 1959.

● **Public Service Electric & Gas Co. (6/2)**
April 22 it was announced that the company plans issue and sale of $50,000,000 first and refunding mortgage bonds due June 1, 1989. **Proceeds** — For construction program. **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.

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.

Godfrey Co. Common Stock Marketed

Public offering was made April 30 of 100,000 shares of Godfrey Company common stock ($5 par) at a price of $13.25 per share by a group headed by Taylor, Rogers & Tracy, Inc., Chicago. Associate underwriters consisted of: Bacon, Whipple & Co.; Bear, Stearns & Co.; Cruttenden, Podesta & Co.; Loewi & Co., Inc.; Dempsey-Tegeler & Co.; Marshall Company; Kiser, Cohn & Shumaker, Inc.; McMaster Hutchinson & Co.; Rodman & Renshaw; Straus, Blosser & McDowell; Bankers Bond Co.; George K. Baum & Co.; McDonald Evans & Co.; and Taussig, Day & Co., Inc.

Company will use the 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 development prior to resale.

Dorsey Corp. Issues Offered to Investors

A group headed by Blair & Co., Inc., New York City, made public offering on April 24 of two issues of Dorsey Corporation securities as follows: 32,500 shares of 6% cumulative preferred stock, series A at a price of $50 per share. Each preferred carries two warrants, each for the purchase of one share of common stock at $12 through April 30, 1969. One warrant is detachable immediately and the other on or after April 30, 1960; 150,000 shares of common stock ($1 par) at a price of $11 per share.

Associates in the underwriting are Bache & Co.; Sellers, Doe & Bonham; and First Cleveland Corp.

W. L. Haberthier Opens

LIMON, Colo.—Wilbert L. Haberthier is engaging in a securities business from offices here.

Pearson Corp. Common Placed on Market

R. A. Holman & Co., Inc., New York City, on April 24 made public offering of 175,000 shares of Pearson Corporation comon stock (par 25 cents) at a price of $1 per share. Proceeds will be used to repay bank loans and for expansion purposes. Company presently manufactures recreational fiberglass boats.

U. S. Investors Show Confidence in Canada's Growth

Total annual U. S. portfolio investment in Canadian securities continued to grow in each of the past three years, Hardwick Stires, Chairman of The Committee of Canadian Investment Companies, reported.

Mr. Stires, President of Scudder Fund of Canada Ltd., noted that U. S. portfolio investment in Canadian securities totaled $599,000,000 in 1958, as compared with $563,000,000 in 1957 and $499,000,000 in 1956.

"This sustained expansion during a three-year period characterized by wide fluctuations in market prices continues to demonstrate that the U. S. portfolio investor maintains confidence in the long-term prospects of the Canadian economy," the CCIC Chairman emphasized.

The steady growth in U. S. portfolio investment in Canada is aided by the policy of the eight publicly owned Canadian investment companies which continuously retain their earnings from Canadian securities investments and re-invest them in Canadian securities, Mr. Stires pointed out.

"By adhering to this policy," he said, "the eight registered Canadian companies perform a mutually beneficial service for their 130,000 U. S. shareholders and for the growing Canadian economy, since the re-invested dollars remain constantly at work in Canada."

As of March 1, 1959, total net assets of the eight registered Canadian investment companies, which began operations in June, 1954, totaled $411,924,615, (in U. S. dollars), as compared with $301,043,767 (in U. S. dollars) a year ago.

With Marache, Dofflemyre

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Cal.—John G. Kircher has become affiliated with Marache, Dofflemyre & Co., 210 West Seventh Street, members of the Pacific Coast Stock Exchange.

Shearson, Hammill Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Stanley S. Shake has become connected with Shearson, Hammill & Co., 520 South Grand Avenue. In the past he was with Akin-Lambert Co.

Mutual Funds

By ROBERT R. RICH

Just How Big Are the Funds?

In presenting recently the results of a study of open-end investment company investments, Herbert R. Anderson, President of the National Association of Investment Companies, took occasion to supply a factual analysis of the size of the mutual fund industry in relation to the phenomenal growth in other important components of the nation's investment structure. Mr. Anderson remarked as follows:

Herbert R. Anderson

"To a great many of us long associated with, and firm believers in, mutual funds, much of the comment—favorable and questioning—about their present size is confusing.

"'Fantastic' or 'phenomenal,' are but a few of the adjectives used to describe the sales or growth in assets of investment companies. Questions are raised about their control of industry. Both market rises and declines are often laid at their door.

"Just what is the truth—as to the present and for the probable future?

"It is a fact that from 1940 to the end of 1958, total assets of mutual funds increased from less than $500,000 to about $13 billion—and that is a significant increase. However, the first item to be noted is that the base of the funds' 1940 assets was quite low. Halve that base—or double it—and the rate of increase would be twice—or only one-half—as great. 'Terminal points' have a lot to do with comparative figures.

"Of greater importance than the dollar increase in their total assets is the fact that by reason of the growth in the total economy, today's assets of both closed and open-end funds have little more than doubled since 1940 as a percentage of the value of all stocks listed on just the New York Stock Exchange. In the case of the open-end companies, or mutual funds, the approximate 26-fold increase in assets since 1940 becomes slightly less than a 4½ times increase as a proportion of the value of New York State Exchange listed stocks. Again, however, the low 1940 base makes even that figure sound larger than it really is, for the present ownership by mutual funds of all New York Stock Exchange listed stocks is but a modest 3.4%. That surely does not sound very formidable—nor is it.

"Before going further with our own figures, let's seek a little perspective by reference to the rest of financial America.

"Many may have seen a recent issue of the magazine 'Business Week' concerning the growth of private pension funds, with figures on other financial institutions. Retirement funds of this type alone were estimated at a present value of $33 billion, with current annual growth of $4¼ billion and an estimated worth by 1965 of $77 billion—and I don't know how much a further market rise may add to that figure estimated for 1965.

"Meanwhile, life insurance company assets are up to $107 billion and currently are being added to by about $5 billion a year. Savings and loan association assets are now at $47 billion; mutual savings bank deposits at $34 billion, time deposits of commercial banks at $63 billion; U. S. Savings Bonds held by individuals are outstanding to the tune of $48 billion.

"A recent news story put the assets of trust funds supervised by one bank at more than $25 billion. There are no published figures for bank administered personal trusts, but estimates of $90 billion, with about $45 billion in preferred and common stocks, have been made. In other words, everything is big. It's a big country!

"Let's turn back now to some rather interesting—and, I believe surprising — figures relative to mutual funds.

"Having already shown that 96.6% of New York Stock Exchange listed stocks is owned by **other** than mutual funds, let's take a look at their current market activity.

"I think it would be agreed that only net purchases are of particular significance—as a matter of fact, I would like to refer again to that further on.

"However, to give the figure, the closely estimated volume of the net purchases by mutual funds of stocks listed on the New York Stock Exchange amounted to but 2.26% of the dollar volume of trading on that Exchange in 1958. While this figure is up from the 1.4% average for the six years, 1953 through 1958, I'm sure you would agree that 2¼% is little more than the 'tip of the tail' insofar as 'dog-wagging' is concerned.

"I said before that I would like to refer back to this point of net purchases. The mutual funds do sell, as well as buy, and I submit as a reasonable premise that the professional managements of mutual funds are a constructive force **within the market** by reason of our tendency, as compared with the public generally, to sell overpriced and buy undervalued issues.

"So—what of the future?

"No one doubts the continued growth of our country. Implicit in this is the need for vast amounts of additional equity capital, necessitating a continued broadening of equity ownership. No one challenges the part that mutual funds have played in bringing this about. Who can challenge the desirability of its continuance?

"But let's bring even this broad premise down to earth—to the investor, both individual and institutional.

"Implicit in the continued broadening of the acceptance of equity investment is a satisfactory investment experience. Mutual funds have been called 'the poor man's investment counsel,' and we welcome that characterization despite the large and increasing number of substantial investors that use our services. In any event, we are the only financial institution through which investors generally can share directly in the risks and rewards of equity investment under professional management, conservatively, and with the protection of broad diversification and continued supervision—not to mention Federal and State regulation.

"How big we should be—or will be — is a matter of individual opinion. However, from the standpoint of the economy and its needs, the relationship of our size to the economy and to other financial institutions, or to the long-range financial well-being of the investing public, who can say that all would not be better off —right now—were the total investment in our shares to be three or four times its present size or to have that relationship achieved against an expanding economy in the future?"

Broad Street's Assets at New High

Net assets of Broad Street Investing Corporation totaled a record $148,075,949 at March 31, up from $139,601,985 three months earlier, it was announced by Francis F. Randolph, Chairman of the Board, and Fred E. Brown, President, in the March 31 quarterly report of this diversified mutual fund. Messrs. Randolph and Brown said that shareholders invested $5,301,143 of net new funds in Broad Street Investing shares during the period. The $3,172,821 balance of the gain in net assets was accounted for by improvement in the market value of investments.

Per share asset value reached a new quarter-end high of $12.96 at March 31, which was moderately above the $12.675 at the start of the year. (Share figures used in the March 31 quarterly report were adjusted to reflect the 2-for-1 stock split on April 1.) "Taking into account the Dec. 31 distribution from realized gain," Messrs. Randolph and Brown said, "asset value per share rose by about 21.6% in the 12 months ended March 31."

Investments in common stocks accounted for 85.8% of net assets at March 31. This was about the same proportion as at the start of the year but up from 77.2% at March 31, 1958, it was noted in the report.

During the quarter, new common stock positions were established with the purchase of General Refractories and American Machine & Foundry. Investment positions were increased by the purchase of Westinghouse Electric, Anaconda Copper and Sunbeam Corp.

Fidelity's Net Assets Up 49%

Fidelity Fund, Inc., reports record highs in total net assets, number of shareholders, and number of shares outstanding in quarter ended March 31, 1959. Total net assets of $372,639,741 showed a 49% increase over net assets of $249,905,974 on March 31, 1958. Number of shareholders as of March 31, 1959, increased 9% over a year ago while number of shares outstanding rose to 23,131,766, a gain of 11% in the same period.

As of March 31, 1959, Fidelity Fund reported net asset value per share of $16.11. This represents a 34% increase over net asset per share value of $12 on March 31, 1958, after adjusting for a distribution of $0.54 per share from long-term capital gains realized in 1958 and paid on Feb. 9, 1959.

Common stock investments amounted to 95.2% of the Fund's net assets on March 31, 1959, compared with 87.6% on March 31, 1958. Net cash and United States Government securities amounted to 1.3% of net assets compared with 4.1% a year ago.

Major securities increases during the quarter included Allied Chemical Corporation, Johns-Manville Corporation and Martin Company. New commitments were made in American Telephone and Telegraph Company, du Pont de Nemours, Great Atlantic & Pacific Tea Company. Holdings of American Can Company, International Minerals and Chemicals Corporation and Coca-Cola Company were eliminated from the portfolio.

Incorporated's Net Asset Value Up 41% in 12 Months

Prosperity for 1959 was forecast by William A. Parker and Charles Devens, Chairman and President of Incorporated Investors, in the Fund's 133rd Quarterly Report. "Industrial production for March set a new record surpassing the previous peak of December, 1956," they told stockholders. "Personal income, too, reached a new high showing the largest month-to-month gain since 1955. Business spending for plant and equipment appears to have turned the corner with a modest expansion in investment plans now reported for 1959. Nineteen fifty-nine could be a record year for total output and for business profits."

The Quarterly Report revealed that total net assets of Incorporated Investors were $306,364,365 at March 31. Shares outstanding equalled 33,242,673, the largest number at any quarter-end in the history of Incorporated Investors. Share value during the 12 months ended March 31 rose from $6.94 to $9.22, an increase of 41% after adding back the capital gains distribution of $0.57 paid in February, 1959.

During the three months, Incorporated Investors made new commitments in British Columbia Telephone; Florida Power; Gulf States Utilities; Oklahoma Gas & Electric; Spiegel; and Montgomery Ward. Holdings were eliminated during this last quarter in Gillette; Halliburton Oil Well Cementing; Honolulu Oil; Republic Natural Gas; St. Lawrence Corp.; Sunray Mid-Continent Oil; Tennessee Corp.; and White Eagle Oil.

Rubin Analyzes Economic Trends

Selected American Shares reports total net assets of $93,922,958 on March 31, 1959 vs. $63,920,127 at March 31, 1958. Outstanding shares of 9,560,256 compare with 8,369,303 a year ago. After a distribution of 45¢ a share from net capital gains in January, 1959, net asset value per share was $9.82 compared with $7.64 at March 31, 1958.

At March 31 common stocks represented 96.2% of assets, corporate bonds and notes 2.9%, cash 0.9%. The five largest industry holdings in common stocks were oil 10.3%, steel 9.7%, electrical & electronics 9.3%, metal (non-ferrous), 7.8%, electric utility 6.9%.

Edward P. Rubin, President, in reporting to shareholders, states: "The economy seems now to have recovered most of the ground lost in the 1957-58 recession. The Federal Reserve Board Index of Industrial Production . . . is within 2 points of the highest level ever recorded, and there is reason to believe the second quarter will equal or exceed previous highs. . . . It is reasonable to assume that corporate earnings are more than keeping pace with the rate of production recovery. . . . Gross National Product is estimated to be at an annual rate of $464 billion, a new all-time high which compares with a $427 billion rate in the first 1958 quarter. Personal income and personal consumption expenditures have risen to new highs, despite some lag in reduction of unemployment. Some factors in the economy are lagging: exports have not yet risen; farm net income, after rising last year, may recede this year; plant and equipment expenditures are rising only slowly. Part of the improvement in some industries is due to inventory accumulation in anticipation of strikes. However, it seems prudent to be patient so long as the balance of economic factors appears to be pointing upward. The recovery has been in process only a year; historically business recoveries have often lasted two years or longer. . . . Various regulatory agencies have taken steps to assure sound market conditions. The Federal Reserve System has increased stock margin requirements to 90%. The New York Stock Exchange has warned against purchases based on tips, rumors, greed and gullibility. The SEC has warned against manipulative practices. On another front, the SEC is studying possible effects of size of investment companies. This company favors any prudent steps taken to preserve a sound investment atmosphere. . . . The management believes its operations are quite flexible enough to continue to seek the same investment objectives in the future which have been pursued in the past with some considerable degree of success."

In the first 1959 quarter, Selected American added one new stock to its portfolio, United Aircraft. Increases in prior stock holdings include American Viscose, Anaconda, Atlantic Refining, Bendix Aviation, Cities Service, Sears, Roebuck, Detroit Edison, First National City Bank (N. Y.), International Nickel, Monsanto, RCA, and Tennessee Gas Transmission.

It eliminated from the portfolio Allis-Chalmers, Boeing Airplane Chrysler, Homestake Mining, and Pan American World Airways. Reductions in prior stock holdings include sales of B&O, General Motors, Kennecott, Otis Elevator, Standard Oil (N. J.), Kimberly-Clark, Kroger, Louisiana Land & Exploration, Parke Davis, Public Service of Indiana, and Reynolds Metals.

National Assets Pass $100 Million

Net assets of National Investors Corporation passed the $100 million mark during the first quarter of 1959 and stood at a record high of $102,917,014 at March 31 for the growth stock fund of the Broad Street Group of Mutual Funds, it was announced by Francis F. Randolph, Chairman, and Fred E. Brown, President, in their quarterly report to stockholders. This figure compared with $94,001,772 at Dec. 31, 1958, and represented a gain of 55% from $66,226,618 reported 12 months earlier. Net new funds invested by shareholders totaled $3,993,241 during the three-month period. This was a record for any comparable period in the Fund's history.

Per share asset value reached a record $12.45 at March 31 — the start of National Investors' 23rd year of operations. Messrs. Randolph and Brown reported that this was 5.1% higher than three months earlier and up 42% from March 31, 1958, taking into account the 60 cents per share distributed last December from gain realized on investments.

National Investors shares were held by 21,444 investors on March 31. This was 27% more than 12 months earlier. The number of shareholders using the Accumulation Plan to build up their investments in the Corporation has increased even more sharply, and totaled 9,660 at the quarter-end for a gain of 67% from 5,783 on March 31, 1958, according to the Chairman and President.

The report disclosed that the corporation continued to be virtually fully invested in common stocks during the quarter.

New investment positions were established through the purchase of Florida Power Corporation, Westinghouse Electric, Ryder System, Allied Chemical, American Photocopy Equipment and Piper Aircraft. Holdings increased were Western Casualty & Surety, American Electric Power, Owens-Corning Fiberglas, Pioneer Natural Gas, Oklahoma Gas & Electric, Tampa Electric, Polaroid and Black and Decker Manufacturing. Reductions in investment positions resulted from sales of San Diego Gas & Electric and Addressograph-Multigraph.

DIVIDEND NOTICES

Allied Chemical Corporation

DIVIDEND

Quarterly dividend No. 153 of $.75 per share has been declared on the Common Stock, payable June 10, 1959, to stockholders of record May 15, 1959.

RICHARD F. HANSEN
Secretary

April 27, 1959

Continuous Cash Dividends Have Been Paid Since Organization in 1920

MEETING NOTICE

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

DIVIDEND NOTICES

Cities Service COMPANY

Dividend Notice

The Board of Directors of Cities Service Company has declared a quarterly dividend of sixty cents ($.60) per share on its Common stock, payable June 8, 1959, to stockholders of record at the close of business May 15, 1959.

ERLE G. CHRISTIAN, *Secretary*

GOODALL RUBBER COMPANY

COMMON AND PREFERRED DIVIDENDS

The Board of Directors has declared a quarterly dividend of 12½c per share on all Common Stock outstanding and regular semi-annual dividend of $2.50 per share on the 5% Preferred Stock, both payable May 15, 1959 to stockholders of record at the close of business May 1, 1959.

H. G. DUSCH
Vice President & Secretary

April 28, 1959

QUALITY

The American Tobacco Company

215TH COMMON DIVIDEND

A regular dividend of One Dollar ($1.00) per share has been declared upon the Common Stock of THE AMERICAN TOBACCO COMPANY, payable in cash on June 1, 1959, to stockholders of record at the close of business May 8, 1959. Checks will be mailed.

April 28, 1959

HARRY L. HILYARD
Vice President and Treasurer

©A. T. Co.

DIVIDEND NOTICES

AMERICAN ELECTRIC POWER COMPANY, Inc.

197th Consecutive Cash Dividend on Common Stock

A regular quarterly dividend of Forty-two cents ($.42) per share on the Common Capital Stock of the Company, issued and outstanding in the hands of the public, has been declared payable June 10, 1959, to the holders of record at the close of business May 11, 1959.

W. J. ROSE, Secretary

April 29, 1959.

DIVIDEND NO. 78
Hudson Bay Mining and Smelting Co., Limited

A Dividend of seventy-five cents ($.75) (Canadian) per share has been declared on the Capital Stock of this Company, payable June 15, 1959, to shareholders of record at the close of business on May 15, 1959.

J. F. McCARTHY, *Treasurer.*

IOWA SOUTHERN UTILITIES COMPANY

PUBLIC I.S.U.Co. SERVICE

DIVIDEND NOTICE

The Board of Directors has declared the following regular quarterly dividends:

35⅝ cents per share on its
4¾% Preferred Stock ($30 par)

44 cents per share on its
$1.76 Conv. Preferred Stock ($30 par)

34 cents per share on its
Common Stock ($15 par)

all dividends payable June 1, 1959, to stockholders of record May 15, 1959.

EDWARD L. SHUTTS,
Chairman

April 25, 1959

National Distillers and Chemical Corporation

DIVIDEND NOTICE

The Board of Directors has declared a quarterly dividend of 25¢ per share on the outstanding Common Stock, payable on June 1, 1959, to stockholders of record on May 11, 1959. The transfer books will not close.

PAUL C. JAMESON
Treasurer

April 23, 1959.

Sinclair

COMMON STOCK DIVIDEND No. 114

On April 22, 1959 a regular quarterly dividend of 75 cents per share was declared on the Corporation's Common Stock, payable June 15, 1959 to stockholders of record at the close of business on May 15, 1959.

Sinclair OIL CORPORATION
600 Fifth Avenue New York 20, N. Y.

DIVIDEND NOTICES

THE TITLE GUARANTEE COMPANY

DIVIDEND NOTICE

Trustees of The Title Guarantee Company have declared a dividend of 32½ cents per share designated as the second regular quarter-annual dividend for 1959, payable May 15, 1959 to stockholders of record on April 30, 1959.

WILLIAM H. DEATLY • *President*

United States Pipe and Foundry Company

Burlington, N. J., April 23, 1959

The Board of Directors this day declared a quarterly dividend of thirty cents (30¢) per share on the outstanding Common Stock of this Company, payable June 15, 1959, to stockholders of record on June 1, 1959.

The transfer books will remain open.

UNITED STATES PIPE AND FOUNDRY COMPANY
JOHN W. BRENNAN, *Secretary & Treasurer*

The UNITED Corporation

The Board of Directors has declared a dividend from Net Investment Income of 10 cents per share on the COMMON STOCK, payable June 12, 1959 to stockholders of record at the close of business May 25, 1959.

WM. M. HICKEY,
President

April 24, 1959

UNION CARBIDE

A cash dividend of Ninety cents (90¢) per share on the outstanding capital stock of this Corporation has been declared, payable June 1, 1959 to stockholders of record at the close of business May 4, 1959.

JOHN F. SHANKLIN
Secretary and Treasurer
UNION CARBIDE CORPORATION

Southern Railway Company

DIVIDEND NOTICE

New York, April 28, 1959.

A dividend of Seventy cents (70¢) per share on the Common Stock without par value of Southern Railway Company has today been declared out of the surplus of net profits of the Company for the fiscal year ended December 31, 1958, payable on June 15, 1959, to stockholders of record at the close of business on May 15, 1959.

J. J. MAHER, *Secretary.*

SOUTHERN NATURAL GAS COMPANY

Birmingham, Alabama

Common Stock Dividend No. 81

A regular quarterly dividend of 50 cents per share has been declared on the Common Stock of Southern Natural Gas Company, payable June 12, 1959 to stockholders of record at the close of business on May 29, 1959.

H. D. McHENRY,
Vice President and Secretary.

Dated: April 25, 1959.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Bills that would give three Federal banking agencies authority to regulate virtually all bank mergers seems assured of passage in the Senate before long.

Under this proposal a bank would be required to receive advance approval before it could acquire the assets of another bank by merger, consolidation, or absorption.

Written consent would be required from the Comptroller of the Currency if the acquiring, assuming, or resulting bank is to be a national bank; the Federal Reserve Board if the resulting bank is to be a State member bank of the Federal Reserve System; or the Federal Deposit Insurance Corporation if the resulting bank is a State bank that is not a member of the Federal Reserve System, but is insured by FDIC. Also the Attorney General would be required to give a report on the competitive factors involved.

Senator A. Willis Robertson, Democrat of Virginia, chairman of the Senate Banking and Currency Committee, and his committee colleagues approved the bank merger bill and reserve requirements legislation recently.

For years now bank mergers have been taking place at a fairly lively pace. The Senate in 1956 during the 84th session of Congress approved legislation requiring banks to give advance notice. Again in 1957 similar bills got through the Senate, but each time the legislation has died in the House. The House Banking and Currency Committee has held no hearings on similar legislation thus far.

Of course any legislation approved by the Senate this year would still be live at the second session of the 86th Congress in 1960.

Mergers Beneficial

The Treasury Department favors the pending legislation. Actually, the agency has supported the proposal all along. William McChesney Martin, Jr., Chairman of the Board of the Federal Reserve System, maintains that the bills would provide means of controlling bank mergers, and prevent undue lessening of competition in the banking field.

At the same time bank mergers and consolidations in many instances, as Federal officials must admit, have strengthened banks as to their capital position, character and management. By merging they have been better able to meet the business requirements of their respective communities.

Changing times bring about changing conditions. Banking costs have risen at a marked clip in the past decade. Overhead has gone up in the banking field like it has in nearly every other industry.

Nevertheless, the Department of Justice, through Deputy Attorney General Lawrence E. Walsh, declares that legislation to curb bank mergers is "vitally necessary."

Present Controls Inadequate

The Banking and Currency Committee insists that the purpose of the measure is to provide for control of all mergers under uniform and clear standards calling explicitly for consideration of both banking and competitive factors, but without giving sole and controlling effect to any single factor. The Committee also maintains that the present controls over mergers are incomplete and confusing, particularly with respect to competitive factors.

In 1921 there were approximately 31,000 banks in the United States. Despite the great population increase, the number has decreased to a little more than 14,000. Of course, many of the 14,000 banks have branches that adequately serve their communities.

During the committee hearings on the proposed legislation, Jesse P. Wolcott, Chairman of the FDIC, and others said that it was not necessary to amend the series of bills to include the Department of Justice as the Fourth Federal agency or department to approve a bank merger.

Time-Consuming Procedure

Perhaps there will be substantial time-consuming, if the bill becomes law, by the Comptroller of the Currency, the Federal Reserve Board and the FDIC to pass on the question whether a particular merger would be good or bad. It is conceivable that a bank or banks could become insolvent while three different Federal agencies have a proposed merger or consolidation under advisement.

James L. Robertson, member of the Board of Governors of the Federal Reserve System, in his testimony before the Senate committee, maintained that every proposed merger of insured banks should be scrutinized before it is consummated; that the competitive effects should be considered, and that merger approval should not be given "unless the adverse effects of a lessening of competition are outweighed by the favorable factors."

There were 100 bank mergers in 1952, and the number rose at a marked rate reaching a peak of 231 consolidations in 1955. Since 1955 the number has gradually decreased with 189 in 1956, 162 in 1957, and 154 in 1958.

Of the 154 mergers last year, 45 were cases where the resulting bank was a State member bank. Only 21 were subject to approval by the Board of Governors of the Federal Reserve System.

Joseph M. Naughton, President of the Second National Bank, Cumberland, Md., and a member of the American Bankers Association's Committee on Federal Legislation, made some of the most pertinent observations given before the committee.

Vigorous Competition Now

The facts are, Mr. Naughton told Senators Robertson; John J. Sparkman, of Alabama; J. Allen Frear, Jr., of Delaware; Edmund S. Muskie of Maine, and J. Glenn Beall of Maryland, there is healthy and vigorous competition in the banking industry today. Perhaps there has never been such keen competition. Banking institutions which have failed to compete for business have been unable to keep pace with the growth of their competitors.

Mr. Naughton pointed up what most people already know. The banking industry is meeting the stiffest kind of competition for savings from insurance companies, savings and loan associations, credit unions, and various other types of institutions engaged in lending money.

It is doubtful that any industry today is as closely regulated and supervised as the banking industry, said the Maryland banker. He went on to rightfully emphasize, in his testimony, that it is wrong to assess any proposed bank merger transaction, small or large, solely on the basis of an isolated competitive test.

Favor Justice Dept. Approval

Four Northern Democrats on the Banking and Currency Committee, regarded as substantially more liberal than their Southern Democratic colleagues, and the Republican members of the committee, have filed a supplemental report on the proposed legislation. They are Senators Paul H. Douglas, of Illinois; Joseph S. Clark, Jr., of Pennsylvania; William E. Proxmire, of Wisconsin, and Edmund Muskie, of Maine.

The quartet of Democrats said the testimony given by officials of the Federal banking agencies before the committee "shows only too clearly that they have very little feeling for the need of competition. That is why giving the Attorney General's voice in the matter is an absolute necessity. The Department of Justice does not have a perfect record in these matters by any means. But it is less influenced by the banks than are the three examining bodies.

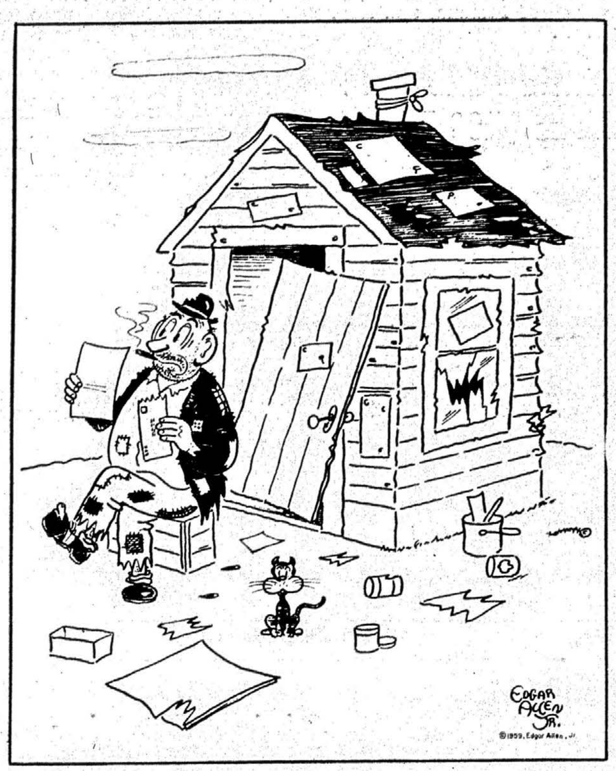
"There is a pronounced tendency in American life for the regulatory bodies which are set up to protect the public to become influenced and largely controlled by the very groups which they were created to regulate. In this respect there is nothing sacrosanct about the bank regulatory agencies."

Their report added that of the commercial banks in the country, 100 of these banks control approximately 46% of the nation's total assets, and more than 48% of the total bank deposits. In 10 of the nation's 16 leading financial centers, four banks own more than 80% of all commercial assets.

In support of their sharply anti-merger views, the four Senators presented a table showing that from 1959 through 1958 some 1,330 commercial banks disappeared by mergers and consolidations.

[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



"Dear Sir: Have you considered how the installation of a color telephone will enhance the decor of your recreation room?"

Joins United Secs.

(Special to The Financial Chronicle)

GREENSBORO, N. C.—Charles T. Bowers has joined the staff of United Securities Company, Southeastern Building. He was formerly with J. Lee Peeler & Co.

Business Man's Bookshelf

Atomic Energy Commission Patent Policy—Statement of policy and text of a proposed bill containing proposed amendments to the patent section of the Atomic Energy Act—Reports and Industrial News Branch, Division of Information Services, United States Atomic Energy Commission, Washington 25, D. C.

Beat the Rising Cost of Living With Vantage Stocks — R. H. Weber and Thomas B. Meek—Business Reports, Inc., 1 West Avenue, Larchmont, N. Y. (paper), $3.95.

Conference Board — What it is, What it does, Who supports it—explanatory pamphlet — National Industrial Conference Board, Inc., 460 Park Avenue, New York 22, N. Y.

Development Savings Bank — C. Loganathan—Report on promotion of economic development and assistance in the provision of social justice in Asian countries within the framework of Democracy—Ceylonese National Council, International Chamber of Commerce, Washington, D. C. (paper).

Economic Trends in the Iron and Steel Industry — Inflation, wages, productivity, profits and competition — American Iron and Steel Institute, 150 East 42nd Street, New York 17, N. Y. (paper).

Electric Utility Industry Statistics in the United States, 1958 — Edison Electric Institute, Statistical Department, 750 Third Avenue, New York 17, N. Y.

Encyclopedia of American Associations, 2nd Edition—Gale Research Company, 3414 Book Tower, Detroit 26, Mich., $20.00.

Health Protection: Trends in Programs and Expenditures—Michael T. Wermel—California Institute of Technology, Pasadena, Calif. (paper), $1.00.

Financial Security and Independence Through Small Business — Guide to franchising of small business operations—Pilot Publications, 42 West 33rd St., New York 1, N. Y., $2.00.

World Bank Loans at Work — Illustrated brochure — International Bank for Reconstruction and Development, 1818 H Street, N. W., Washington 25, D. C. (paper).

World Development Corporation: A Giant Peace and Prosperity Plan—Benjamin A. Javits and Leon H. Keyserling — Order from Benjamin A. Javist—Leon H. Keyserling, Room 1132, 1001 Connecticut Avenue, N. W., Washington 6, D. C. (paper), 50¢ (quantity prices on request).

TORONTO BOND TRADERS ASSOCIATION

27th ANNUAL DINNER
APRIL 10, 1959

AT THE
KING EDWARD HOTEL

O F F I C E R S

Chairman

John A. Lascelles
Dominion Securities Corpn. Ltd.

Vice-Chairman

D. L. Erwood
Harris & Partners Limited

Secretary

N. K. Owen
Equitable Securities Canada Limited

Treasurer

F. A. Blain
A. E. Ames & Co. Limited

G O V E R N O R S

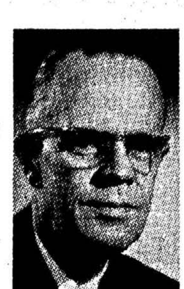
G. Campbell
Burns Bros. & Denton Limited

Lloyd F. Gower
Midland Securities Corpn. Limited

T. Malone
Wood, Gundy & Company, Limited

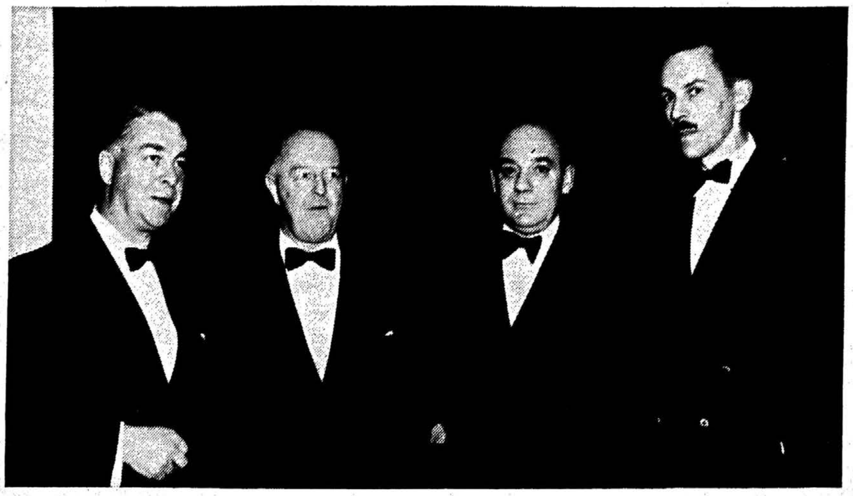
J. R. McCloskey
Royal Bank of Canada

R. A. White
James Richardson & Sons

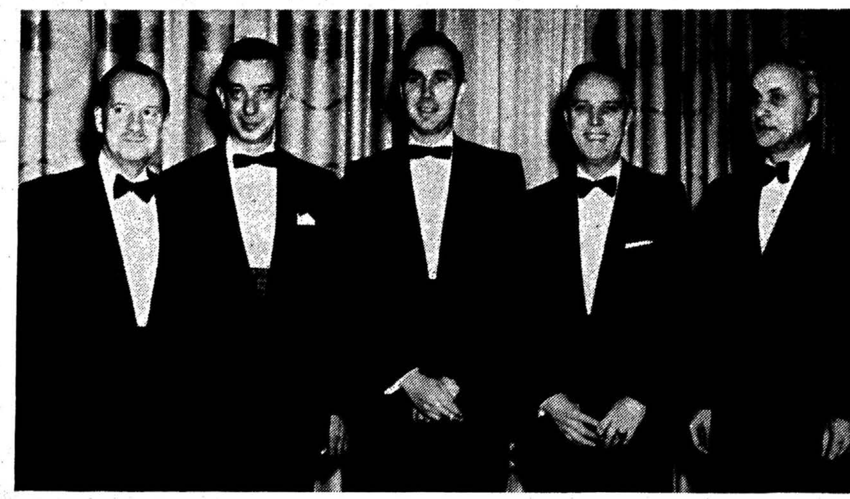


L. M. Wightman
Isard, Robertson and Co. Limited

A. Russell Smith
Bank of Montreal
Ex-officio chairman

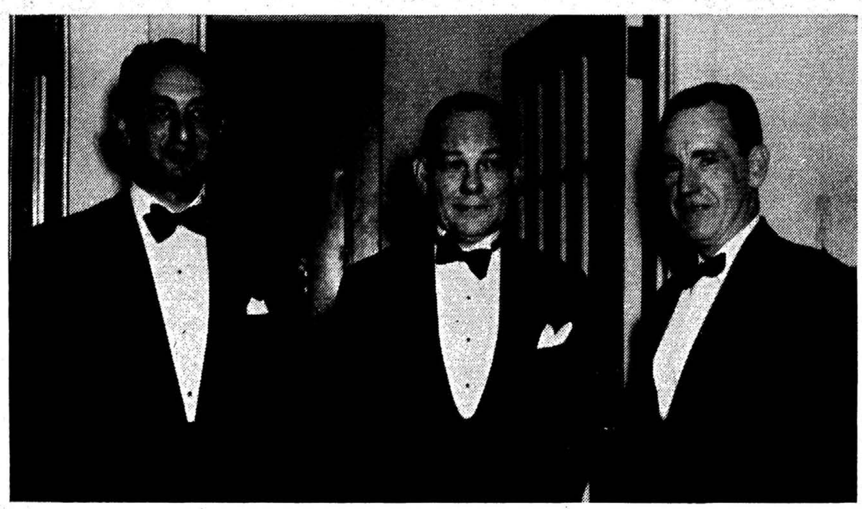


Jack Young, *Dominion Securities Corpn. Ltd.*; Doug Ward, *Dominion Securities Corpn. Ltd.*; Bill Parker, *Dominion Securities Corpn. Ltd.*; Bill Small, *Bank of Montreal* (Montreal)

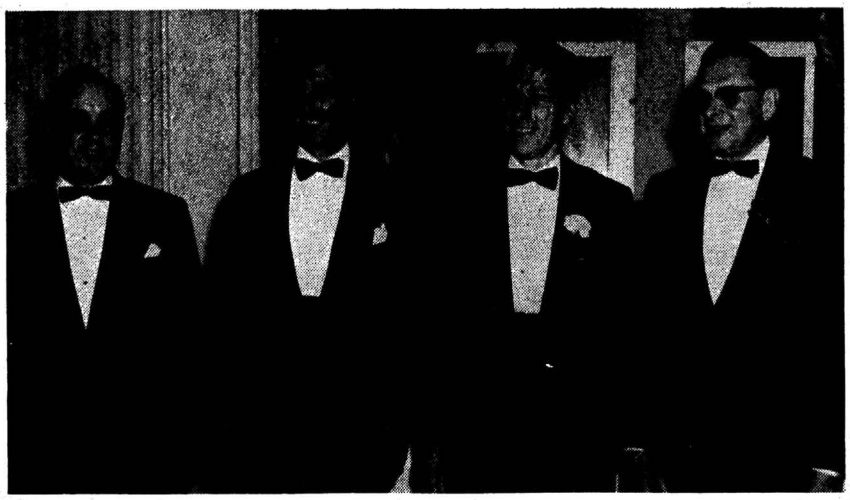


J. W. Rickaby, *Royal Bank of Canada* (Toronto); J. A. Leslie, *Bank of Montreal* (Toronto); J. T. Baxter, *Bank of Canada* (Toronto); Harold Irving, *Dominion Securities Corpn. Ltd.* (Toronto); Bruce MacFarland, *Bank of Canada* (Ottawa)

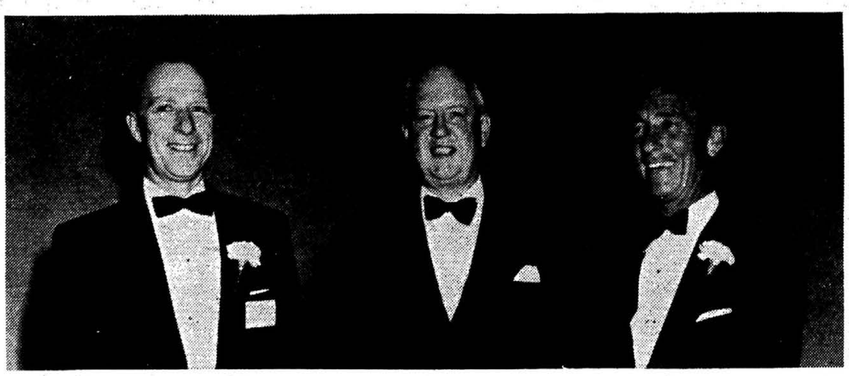
George Stanley, *Royal Securities Corporation Ltd.*; Bellman H. Mason, *Anderson & Company Ltd.* Mickey McBride, *Midland Securities Corpn. Limited*; L. L. Bell, *James Richardson & Sons*



Barney Nieman, *Carl Marks & Co., Inc.* (New York); Jim Traviss, *S. J. Brooks & Company*; Samuel F. Colwell, *W. E. Hutton & Co.* (New York)

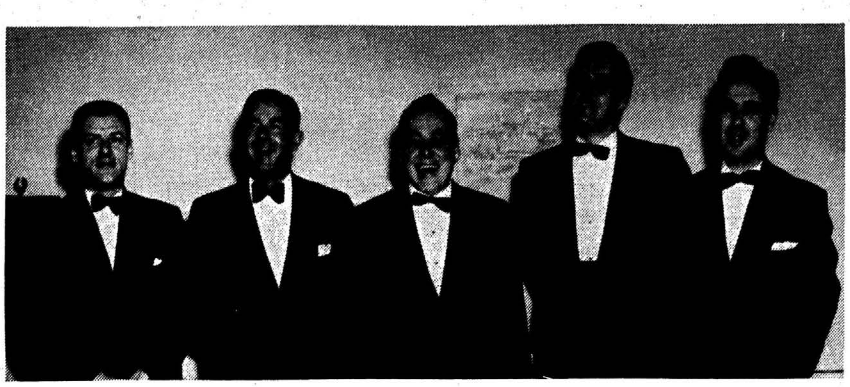


Bernard J. Conlon, *P. F. Fox & Co., Inc.* (New York); Edward J. Kelly, *Carl M. Loeb, Rhoades & Co.* (New York); Jack Lascelles, *Dominion Securities Corpn. Ltd.* (Toronto); Lester Thorsen, *Glore, Forgan & Co.* (Chicago)



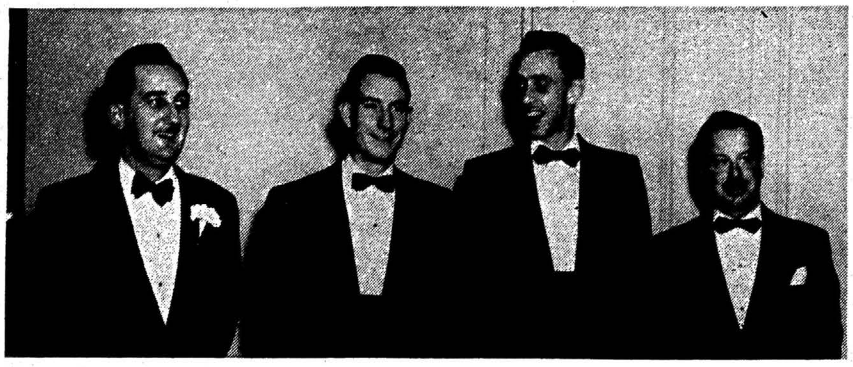
Jack Lascelles, *Dominion Securities Corpn. Ltd.*; James Strathy, *Dominion Securities Corpn. Ltd.*; Russell Smith, *Bank of Montreal* (Toronto)

E. R. Pope, *Ross, Knowles & Co. Ltd.*; Howard Wilson, *Dominion Securities Corpn. Ltd.*; Ian Crookston, *Nesbitt, Thomson and Company, Ltd.*



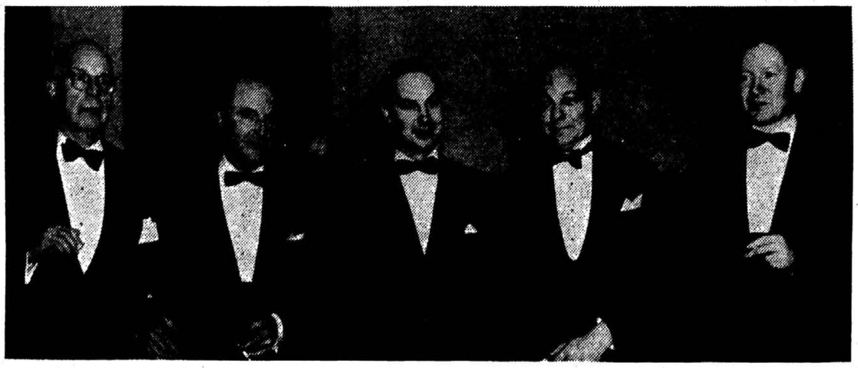
Hank Van Silfhout, *Bank of Nova Scotia*; Don Boxer, *Burns Bros. & Denton, Ltd.*; Ben Moore, *Bank of Nova Scotia*; John Moore, *Burns Bros. & Denton, Ltd.*; Don Nauss, *Burns Bros. & Denton, Ltd.*

Ray Howe, *W. C. Pitfield & Company, Ltd.*; (Toronto); H. A. Walcot, *W. C. Pitfield & Company, Ltd.* (Kitchener); Rodolphe Casgraine, *Casgraine & Co. Ltd.* (Montreal); Hal Murphy, *Commercial and Financial Chronicle and Standard & Poor's Corporation* (New York)

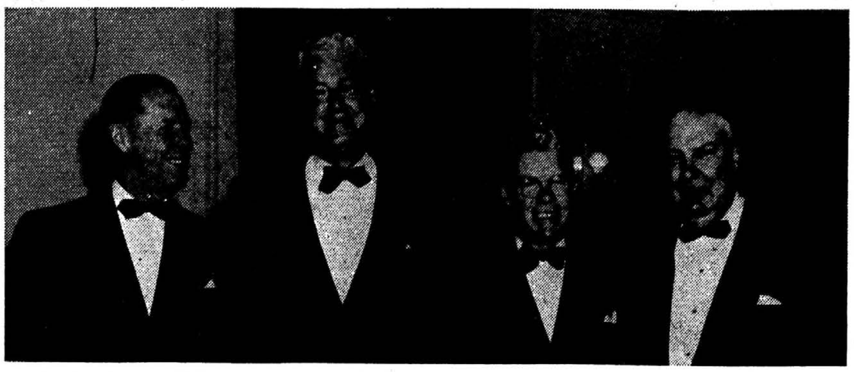


Harry Whittaker, *Nesbitt, Thomson and Company, Ltd.;* George Sythes, *Fairclough Co.;* Bob Meggeson, *J. R. Meggeson & Co., Ltd.;* Bob Trow, *McConnell & Company, Ltd.*

Irv MacFarland, *Nesbitt, Thomson and Company, Ltd.;* Lloyd Garrett, *Nesbitt, Thomson and Company, Ltd.;* Bill Scott, *Gairdner and Company Ltd.;* Bill Cooper, *G. H. Rennie & Co. Limited*

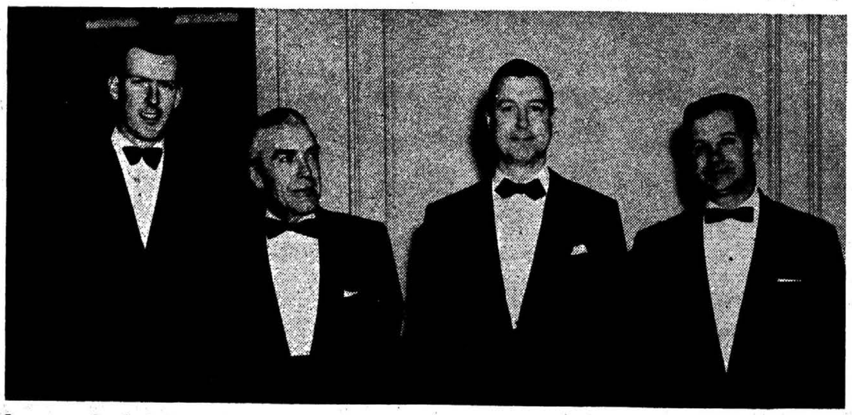


H. B. Gilbert, *H. B. Gilbert & Co. Ltd.;* H. G. Jarvis, *A. E. Ames & Co., Inc.* (New York); A. E. St. Marie, *Midland Securities Corpn. Ltd.;* James A. Traviss, *S. J. Brooks & Company;* E. H. Gunn, *Midland Securities Corpn. Ltd.*



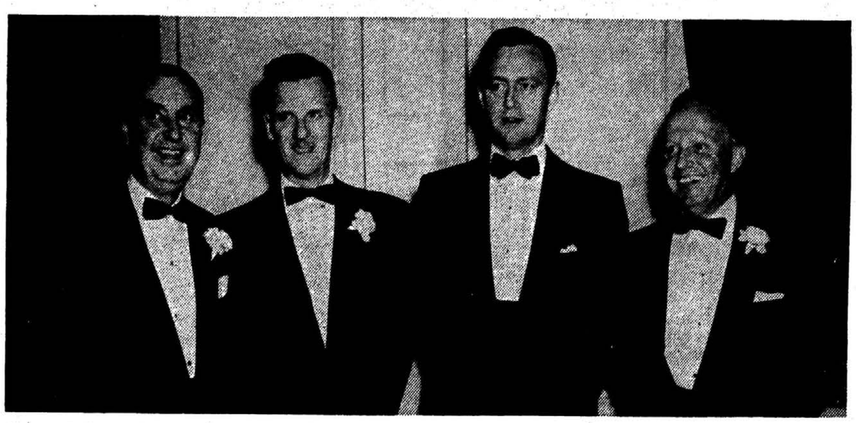
Arnold B. Massey, *Mills, Spence & Co. Limited;* Bill McAlpine, *Brawley, Cathers & Co.;* Lester Scott, *Ross, Knowles & Co. Ltd.;* G. K. Anderson, *A. E. Ames & Co. Limited*

Ernie Jarvis, *Wisener and Company, Ltd.;* D. E. Morrison, *Royal Securities Corporation Ltd.;* Harry Tindale, *Collier, Norris & Quinlan;* Bus Moorhouse, *Deacon Findley Coyne Limited*



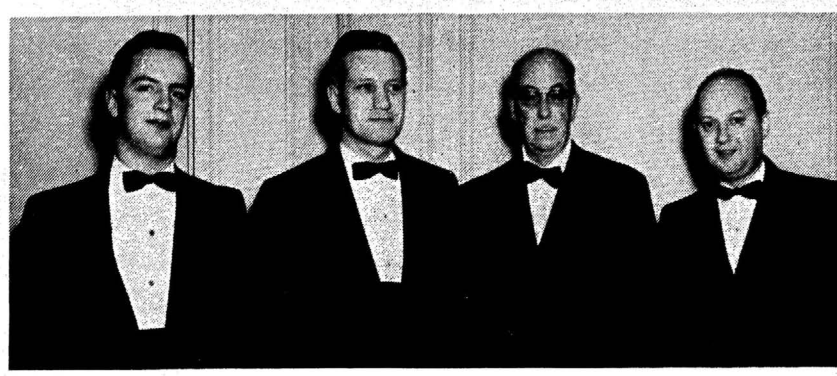
Lawrence Goad, *J. L. Goad & Co.;* Bob Reynolds, *J. L. Francis & Company, Ltd.;* Russ Hutchison, *R. A. Hutchison & Co.;* Jack McCullough, *Charles King & Co.*

George Ferguson, *Toronto-Dominion Bank;* William Beaty, *Toronto-Dominion Bank;* J. A. McMillan, *Nesbitt, Thomson and Company, Ltd.;* Doug McArthur, *Royal Bank of Canada;* Bill Marshall, *W. C. Pitfield & Company, Ltd.* (Sault Ste. Marie)



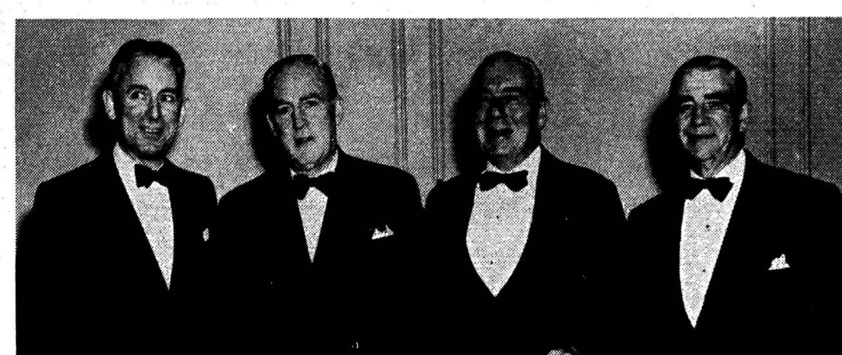
Larry Forbes, *Nesbitt, Thomson and Company, Ltd.* (Toronto); *Art McCormack, Nesbitt, Thomson and Company, Ltd.* (Montreal); Al Duncan, *Annett & Co.* (Toronto); Nelson Lane, *Nesbitt, Thomson and Company, Ltd.* (Toronto)

J. G. Carnegie, *Wisener and Company, Ltd.*; Robert Wisener, *Wisener and Company, Ltd.*; Joseph Robert, *Wisener and Company, Ltd.*; Ralph Browning, *Wisener and Company, Ltd.*



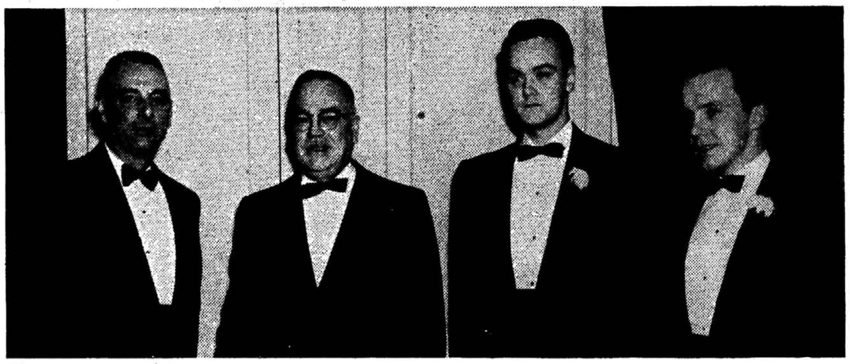
Dan Lett, *Annett & Co.*; James Annett, *Annett & Co.*; Jack Kingsmill, Manager and Director of *Investment Dealers Association of Canada*; Jim Pratt, *Equitable Securities Canada, Ltd.*

Cyrus Wilks, *S. J. Brooks & Company*; John McLaughlin, *McLaughlin, Kaufman & Co.* (New York City); Gordon Simpson, *S. J. Brooks & Company*; Barney Nieman, *Carl Marks & Co., Inc.* (N. Y. C.)

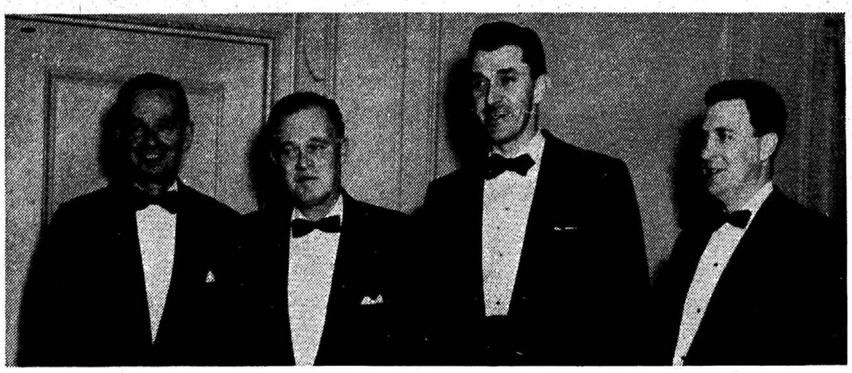


Nigel Gunn, *Bell, Gouinlock & Company, Ltd.*; Charles McCutcheon, *Bankers Bond Corporation, Ltd.* William T. Bartlett, *Bartlett, Cayley & Company, Ltd.*; E. J. Allman, *Annett & Co.*

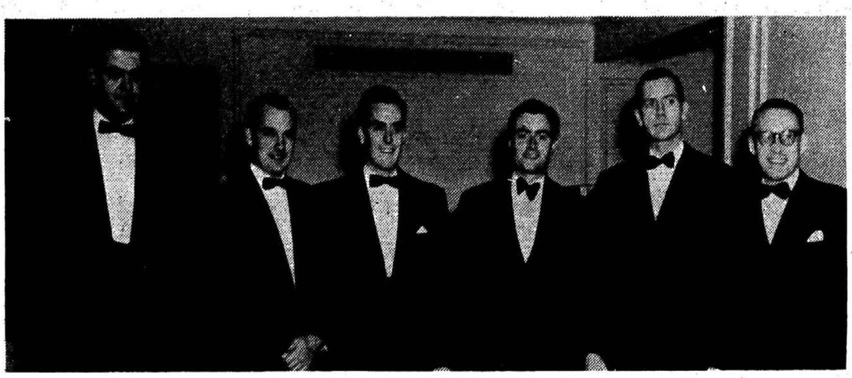
Art Schieman, *Bank of Nova Scotia*; Joe Gerroir, *Collier, Norris & Quinlan*; H. Seagram, *Bank of Nova Scotia*; Bill Dahmer, *Collier, Norris & Quinlan*; Don Peace, *Dominion Securities Corpn. Ltd.*



Stewart Phipps, *James Richardson & Sons;* Neil Edwards, *James Richardson & Sons;* Peter Cole, *Greenshields & Co. Limited;* Jack Vale, *Greenshields & Co. Limited*



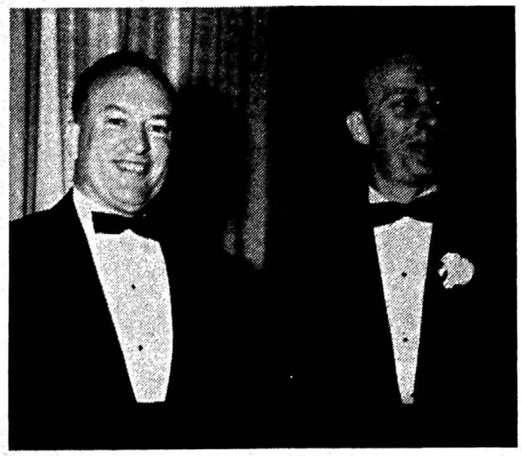
Frank Hull, *Toronto-Dominion Bank;* George Mills, *Royal Securities Corporation Ltd.;* Howard Bennett, *James Richardson & Sons;* Al Thompson, *James Richardson & Sons*



David McCart, *Mills, Spence & Co., Ltd.;* Jaime Roberton, *Greenshields & Co. Ltd.;* James Crysdale, *Mills, Spence & Co., Ltd.;* Derrick Leach, *Mills, Spence & Co., Ltd.;* Bob Nichols, *Mills, Spence & Co., Ltd.;* Jack Van Duzer, *Mills, Spence & Co., Ltd.*

Phil Bartlett, *Dominion Securities Corpn. Ltd.;* Frank Munro, *McLeod, Young, Weir & Company, Ltd.;* Frank Hull, *Toronto-Dominion Bank;* Mo. Scott, *Dominion Securities Corpn. Ltd.*

Bill Boothe, *Burns Bros. & Denton, Ltd.;* Michael Grills, *McLeod, Young, Weir & Company, Ltd.;* Ernest Howard, *McLeod, Young, Weir & Company, Ltd.;* Doug Pearson, *McLeod, Young, Weir & Company, Ltd.;* Bob White, *James Richardson & Sons*

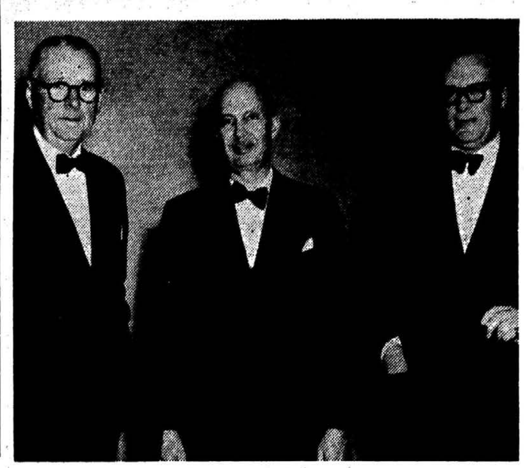


Ben Scott, *Dominion Securities Corpn. Ltd.;* Jack Lascelles, *Dominion Securities Corpn. Ltd.*

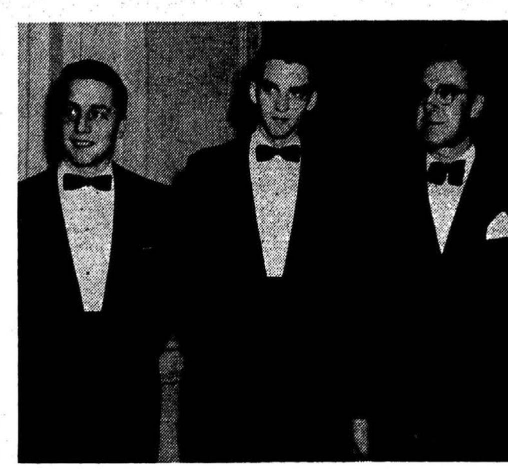
Don Erwood, *Harris & Partners Ltd.;* David R. Dattels *Dattels & Company Ltd.,* (Kitchener); W. A. Stewart, *Midland Securities Corpn. Ltd.* (Montreal)

Howard Hunter, *Equitable Securities Canada Ltd.;* Alex Ramsay, *Ramsay Securities Co. Limited*

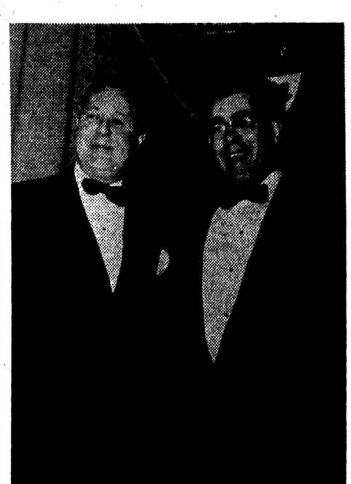
Jim Granton, *Matthews & Company, Ltd.;* Harold Fallis, *Frank Leslie & Co.;* Jim Belshaw, *Brawley, Cathers & Co.*



Roland McDade, *Canadian Bank of Commerce;* G. D. Little, *Dominion Securities Corpn. Ltd.;* J. J. Rutledge, *Canadian Bank of Commerce*



Bob Turner, *Bankers Bond Corporation Limited;* Peter Ferriss, *Bartlett, Cayley & Company, Ltd.;* George Ollerenshaw, *Wills, Bickle & Co.*



Harry Tindale, *Collier, Norris & Quinlan;* Leonard Barlow, *McLeod, Young, Weir & Company, Ltd.*