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EDITORIAL

As We See It

The fact that this country has for a good while past been bedeviled by aggressive demands by ambitious labor unions and on more than one occasion by strikes or threats of strikes, is hardly surprising to thoughtful students of the history of such things. Last year was, by and large, not a good year, and hence not a good one for demanding and getting higher wages. It was a foregone conclusion that as soon as business improved the labor bosses would institute a vigorous campaign to continue where they had left off when the recession temporarily quieted them. A sort of climax is now approaching or has approached in the steel industry. All, or virtually all, the labor settlements of the past months have resulted in higher wages. They were allegedly not "inflationary," but the fact remains that they were cost-increasing in their net results—and, after all, that is the crux of the matter.

The steel unions are crying now that they are due the same treatment the other unions have been getting. They hope in this way, and by insisting that higher wages can be paid without increase in the prices of steel, to bring the public to a frame of mind favorable to them, and to take the steam out of the warnings of the White House. What the outcome of all this will be the future only can tell, but it is clear that basically the argument for higher wages that is most likely to win favor with a great many of the rank and file is the old, old New Deal notion that higher and higher wages (all paid out of profits, of course) are perhaps the most effective assurance of good business to come and the high rate of

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Tell the People About Their Stake in Dollar's Integrity

By GEORGE CHAMPION*

President, The Chase Manhattan Bank, New York City

Striking back hard at the slow-inflation argument, New York banker explains that a 3% rate over a working lifetime cuts money in half, and that we cannot afford it because of positive harm to the economy and to our world position. Remindful of the fact that bankers are custodians and trustees of other people's money, and that the effect of deterioration, transcends beyond bankers, Mr. Champion importunes bankers and business in general to enter into the debates and management of affairs at all levels of the community. Confident we can cope with inflation, the banker is heartened by increasing reliance on free markets abroad in place of state planning.

I thought that I would discuss a subject that has been under considerable discussion recently: the outlook for the dollar. This is a matter which has special meaning for bankers since they are the custodians and trustees of other people's money, and any deterioration of the product in their care can't help but affect everyone. The dollar and its worth holds a wider significance—not only to bankers, but also to individuals and citizens as well. For tied up with the whole future of the dollar is the continued existence of many of the institutions and values that have long symbolized our country. I don't need to repeat the widespread concern that has come to exist over the outlook for the dollar. We see it on all sides: in the booming stock market, now being fed by the small investor; in the rising values of real estate and the troubles in the government bond market. I have heard taxicab drivers comment on the inevitability of inflation, and perhaps it is not sur-

George Champion

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*An address by Mr. Champion before the Mortgage Bankers Association, Atlantic City, N. J., May 11, 1959.

Current Stock Market and Enforcement Activities

By EDWARD N. GADSBY*

Chairman, Securities and Exchange Commission

Blunt talk by SEC head calls for reimposition of stringent regulations by exchanges to curb floor traders' activities. Expressing deep concern about stock price movements arising from manipulation and fraud, the securities Chairman also notes failure of brokers to insist that their registered representatives be customers' men as specified by NASD Rules of Fair Practice, and recommends even this standard be raised. Mr. Gadsby refers to studies made showing floor traders tend to exaggerate market swings—particularly when small floating supply exists. He hopes measures contemplated will distinguish better innocent buying from artificial and unlawful activities.

We have lately been experiencing a renewed surge of interest and activity in the securities markets which has brought the prices of many securities on both the over-the-counter and national exchange markets to levels unparalleled in our history, even in the days of the great bull market of the late nineteen-twenties. This spectacular rise in trading activity and in values has, unfortunately, been accompanied by side-effects which have been of serious concern not only to the Securities and Exchange Commission but also to responsible leaders of the financial community. Under the statutes we administer, we have no authority to control general market price levels, the fluctuation of share prices or the volume of securities traded on exchanges and the over-the-counter markets. Although Congress delegated to the SEC the duty of enforcing the rules relating to margin requirements, it gave to the Board of Governors of the Federal Reserve System the

Edward N. Gadsby

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*An address by Mr. Gadsby before the Stock Brokers' Associates of Chicago, Chicago, Illinois, May 5, 1959.

PICTURES IN THIS ISSUE—Candid photos taken at the 23rd Annual Dinner of the SECURITY TRADERS ASSOCIATION OF NEW YORK, INC., appear in Section Two of today's Issue.

The Security I Like Best

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

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

This Week's Forum Participants and Their Selections

North American Cement Co. — Peter B. B. Andrews, Consulting Economist, Fairlawn, N. J. (Page 2)

Commonwealth Life Insurance Co. —Watson B. Dabney, Partner, J. J. B. Hilliard & Son, Louisville, Ky. (Page 2)

PETER B. B. ANDREWS

Consulting Economist, Fairlawn, N. J.

North American Cement Co.

Few industries face so clear-cut a favorable prospect for 1959 and in future years as does the cement industry. McGraw-Hill's authoritative construction publication, the "Engineering News-Record," points out that in the first 4 months of 1959, heavy construction awards are more than 10% ahead of a year ago. These contracts are forerunners to the actual construction and they give strong indications of a record-breaking year for the cement industry. There is unanimous agreement among all the top authorities: the Office of Construction Statistics of the U. S. Dept. of Commerce, the Bureau of Labor Statistics of the U. S. Dept. of Labor, the F. W. Dodge Corporation, the Architectural Forum, the McGraw-Hill Publications, and such outstanding trade publications as "Rock Products." that 1959 will be an exceptionally big sales year for the building and cement industry. Each month this year has been a record sales month for cement.

Peter B. B. Andrews

The cement industry not only holds forth great promise of capital gain in 1959, but in future years as well. This makes investment in it strategically desirable both from a short-term and a long-term viewpoint. The enormous Federal Highway Building Program — already approved and budgeted for by Congress—assures heavy demand for cement for many years ahead. This program has 10 more years to run, and the following figures (from the official United States Government Budget) show how this program will accelerate in the years immediately ahead, covering fiscal years: 1958 Federal aid for highways was $1,600,000,000; in 1959 it will be $2,600,000,000 (up a billion dollars); in 1960 $3,100,000,000 (up another half billion dollars); in 1961 $3,200,000,000 and in 1962 $3,600,000,000. These figures are not guesswork; they are established official U. S. Government Budget figures. In other words, we can hardly be more certain of anything on the future economic scene than we are that the cement industry faces expanding sales in the years ahead.

With that firm premise, the question is: Which stock is most attractive in this booming industry? The answer to that — as always in prudent financial analysis —is earning power in relation to the selling price of the stock, and there North American Cement stock is a standout. The company's earnings per share of class A and B stock combined have run as follows on the present number of shares outstanding: 1954 $2.52; 1955 $3.75; 1956 $3.82; 1957 $3.93, and in the recession year 1958 a noteworthy $3.52. For the year 1959 net income is estimated at $4.45 a share of combined class A and B stock. The company has excellent first quarter results; net income equalled $3.88 a share for the 12 months ended March 31, 1959, compared with $3.48 for the same period ended March 31, 1958. "Engineering News-Record" points out that the Metropolitan New York — Northeastern New Jersey Area (served by North American Cement) has total building contracts running sharply ahead of the national average. The New York State road building budget is at a record high this year. An unquestionably fine growth situation, with expanding business evident for this year and — significantly — for the years ahead.

The stock, listed on the American Stock Exchange, is selling around 35 — less than 10 times earnings per share. This is the most attractive price-earnings ratio in the major cement group, where leading stocks are selling 14 to 20 times earnings per share. In other words, even without considering the improvement expected for 1959 earnings, **the stock is now at least 12 points intrinsically undervalued.** On the basis of anticipated 1959 earnings, it would have an appreciation potential this year of more than 25 points. A price-earnings ratio of 14 times estimated 1959 earnings per share would mean a price of 62, compared with the current price around 35. The company's financial condition is strong and capitalization is simple, with $6,000,000 funded debt, 473,000 shares of class A and 212,000 shares of class B stock outstanding. Both the A and B stocks have voting power, but the B has the right to elect a majority of directors. However, it is tightly held, and better marketability is available in the A stock, which is recommended for purchase. Current assets — at $7,257,967 — are a strong 4½ times current liabilities of $1,579,746, and cash and equivalent are more than 2½ times current liabilities. The stock is on a $1 annual cash basis, but that dividend is supplemented with generous stock dividends: 10% stock dividends were paid in 1953, 1954, 1955 and 1957, and 8% in 1956 and 5% in 1958. There was also a 4-for-3 split in 1955 and a 2-for-1 split in 1952. Increased cash dividends also are likely on estimated earnings of $4.45 a share of combined class A and B stock in 1959.

WATSON B. DABNEY

Partner, J. J. B. Hilliard & Son
Louisville, Ky.

Commonwealth Life Insurance Company

This 54-year-old Louisville, Ky., company has been a stellar performer in the vigorous market for life insurance stocks since the end of World War II. Commonwealth Life is recommended for the investor seeking long-term capital appreciation in a company with excellent sales and growth prospects, which enjoys a high return on invested capital and plows back earnings into the production of new business and profits.

Watson B. Dabney

Commonwealth Life operates in the Middle South plus West Virginia, Indiana and Ohio with over half its business in Kentucky. Industrial and population growth in this area, including the Ohio River Valley, has been and is expected to continue to be above average. The company writes non-participating ordinary, group and industrial insurance with emphasis on the more profitable ordinary insurance.

Some factors which recommend Commonwealth Life as an investment are as follows:

Insurance in Force: Now about $1.2 billion of which 65% is ordinary. Since 1946, insurance in force has increased by 280%; ordinary by 333%; industrial by 139%; group by 2,069%. Since the early 1940s insurance in force has doubled every six years vs. the industry average of once every eight years.

Investment Income: Increased 294% since 1946 and was $4.5 million in 1958. Commonwealth has a higher than industry average of assets invested in government bonds but this percentage has been declining steadily as new money is invested in corporate bonds and mortgages affording higher yields. Another investment plus is the new Home Office building which is mostly rented and will in time produce the expected investment return. Investment earnings are in excess of earnings required to maintain reserves.

Capital Funds: Have increased 261% since 1946 and are now $17.1 million or $8.56 per share. Capital funds growth is at a rate of 11% per year.

Premium Income and Assets: As with the above factors, they have not failed to grow each year over the preceding year. Premium income of $27.4 million is 225%, and assets of $154 million are 262%, above the 1946 levels.

Total Equity or Est. Liquidating Value*: At 12/31/58, $33.6 million or $16.82 per share vs. $15.43 in 1957, and $4.57 in 1946. Gain over 1946 is 268%.

Earnings and 1958 Results: The recession affected sales but 1958 was still a good year. Premium and investment income rose and insurance in force increased by $73 million vs. $94 million in 1957. Reported earnings were $1.06 in 1958 vs. $1.17 in 1957. Earnings adjusted* for gain in insurance in force were $1.57 compared to $1.92 in 1957. These earnings in 1958 are after an additional $0.20 (estimated) set aside for expected income tax liability. By comparison, adjusted earnings in 1958 were triple those of 1946.

Dividends: $0.20 per share have been the last two years. The dividend has quadrupled since 1946. Stock was split five-for-one plus a 50% stock dividend in 1955, and 33⅓% stock dividends were paid in 1950 and 1957.

Market Price and Price Earnings: 1958 range (bid) was 30-16 and in 1957, 19-15. Stock is currently about 25, selling at 23 times reported earnings and 16 times adjusted earnings. Considering the long-term potential of the life insurance business these are not excessive ratios especially when compared with those of leading industrial stocks.

Capitalization and Ownership: There are 2,000,000 shares outstanding, a healthy fraction of which is owned by managers and directors. Commonwealth Life Insurance stock is traded O-T-C in leading cities and marketability is usually good.

*Adjusted earnings include reported earnings plus value assigned to the increase in insurance in force of $15 a $1,000 for ordinary, $5 a $1,000 for group, and ½ the increase in annual premium for industrial insurance. Liquidating value includes capital funds plus total insurance in force valued at same rates

The Ethical Drug Industry —A 20-Year Forward Look

By GEORGE B. STONE*

General Manager, J. B. Roerig and Company, Division of Chas. Pfizer & Co., Inc., New York City

In a unique attempt to provide a long-range economic forecast for the ethical drug industry, the author depicts the industry's prospects in terms of dollars and cents. This includes projections of major drug categories and five major individual projections of future sales value of the ethical drug industry. Mr. Stone explains how he arrives at $2 billion sales for 1960, $2.8 billion by 1965, $3.8 billion by 1970 and, assuming major medical breakthrough in cancer, heart and other diseases, $5.2 billion by 1975—compared to $1.5 billion in 1956. The writer notes ethical or prescription drugs now outsell over-the-counter propriety products and that the former rate of growth is such that it may well account for 90% or more of total 1975 drug sales. His prediction, paradoxical as it may seem, is that quadrupling of prescription industry sales will reflect "boundless medical advances in an era of unprecedented health."

Medicine is the only profession that labors incessantly to destroy the very reason for its existence. The ethical drug industry is one business—the only one I can think of—that operates on this same premise. The aim of the pharmaceutical manufacturer is to make obsolete the latest drugs and devices through his own research efforts. This poses three basic economic questions:

George B. Stone

First—What is the long-range economic outlook of the ethical drug industry? Can sales go on climbing for the next 20 years at the rate they have in the past two decades?

Second—What are the factors which can implement or retard this expansion? What forces seem required to maintain the present growth?

Third—Is the industry in danger of destroying itself in the next 20 years?

These questions are fundamental. Yet there has not been a single published study of the growth potential of this burgeoning industry. Individual firms of course make long-range forecasts as a matter of intelligent management, particularly of their research and development operations, but such studies are not made public for obvious reasons.

Brief, limited estimates are made occasionally by some brokerage houses to encourage investing in the industry. One noteworthy study, which assayed the industry from 1939 to 1954, was carried out by Arthur D. Little, Inc. The recently published McGraw-Hill economic forecast for the United States up to 1975 provides only a passing glance at pharmaceuticals.

The basis of this discussion is a thesis submitted to the M.I.T. School of Industrial Management last year. It is the first attempt, so far as I know, at a long-range economic forecast for the ethical drug industry.

Five Projection Points

Obtaining sufficient data for an **indication** of the growth trend is paramount in long-range forecasting. The **absolute** value of the data is less important, assuming that one or two true points exist as a base for projecting the trend.

Five major projections have been used for predicting the future growth of the industry.

The first is economic—an extension of the growth in sales value — based on and projected from combined data from six sources.

The second is based on the trend in the number of prescriptions filled annually, the average price of the Rx, together with population growth.

The third is an extension of the personal consumption expenditure for drugs and sundries combined with population growth.

The fourth is based on future predictions of mortality rates and the value of a unit of mortality rate in terms of ethical drug sales.

The fifth and final projection is a reconstruction founded on individual projections of the major categories of ethical drugs here now and destined to come in the major problem areas of **heart, cancer, mental disease, arthritis and virus infections.** Here I have made certain assumptions as to the successful development of new drugs during the next 20 years.

The five projections have been averaged and compared, allowing a margin of variation, to obtain a final estimate of the growth of the industry in the next two decades.

This estimate places the sales value of this industry at $2.0 billion in 1960 . . . $2.8 million in 1965 . . . $3.8 billion in 1970 . . . and $5.2 billion in 1975. This growth

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*From a talk by Mr. Stone at the Central Region Meeting of the Pharmaceutical Manufacturers Assn., Chicago. The author received a year's leave of absence last year to participate in Alfred P. Sloan Foundation's Executive Development Program, at the Massachusetts Institute of Technology's School of Industrial Management.

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Observations . . .

By A. WILFRED MAY

FOR TIMELY READING

Dressing-Down An Apostle

The late Lord (nee J. Maynard) Keynes has been lauded as the peer of Adam Smith, Ricardo, and even Darwin—and Sumner Slichter. His definitive work, *The General Theory of Employment, Interest, and Money*, which was first published in 1936, has been the most influential book of the twentieth century — even serving as the bible of the *New, Fair*, and *post-Fair, Dealers*. And today when Keynesian doctrine is beng used to sanctify the planners on both sides of the Atlantic, and by the Galloping Inflationist jockeys in their castigation of the "phobia" of any citizen presuming to advocate budget balancing; an authoritative examination of the fountainhead of the new philosophy is long past due.

A. Wilfred May

This need is now filled through the appearance of a thorough but lively new book, *THE FAILURE OF THE NEW ECONOMICS: An Analysis of the Keynesian Fallacies*, by *HENRY HAZLITT (480 pages, $7.50. Van Nostrand, Princeton, N. J.)*.*

Mr. Hazlitt's 480 vital pages give Lord Keynes' tenets a complete brain-washing. Mr. Hazlitt reports himself unable to find a single important Keynesian doctrine that is both true and original. He charges "the Maestro" with chronic bad writing, in being involved and technical without precision; with being full of looseness of leading terms. "Play-by-play" Mr. Hazlitt challenges and refutes in detail every Keynesian theorem, running the gamut from the fear of thrift and saving, the alleged dependence of employment on "the propensity to consume," and disparagement of the gold standard; to the Britisher's contention that unemployment is not caused by wage-rates that are excessive to prices or production.

The author likewise demolishes such Keynesian policy recommendations as the virtues of deficit financing, of paper money along with inflation (creeping or galloping), of the "euthanasia of the rentier," of government direction of all investment, of perpetually low interest rates, and of huge public works spending.

Furthermore, Mr. Hazlitt with particular thoroughness and penetration convincingly demolishes Keynes' fundamental attempt to discredit Say's Law. This famed tenet holds that a general overproduction of all commodities is not possible, and that purchasing power grows directly from production. Mr. Hazlitt convincingly (at least to this reviewer) refutes a fundamental Keyesian fallacy, namely his contrary theory that consumer purchasing power must be maintained above production for full employment. In conclusion, he charges the British economist with setting up a straw man in opposing the valid classical principle only in a sense in which no important economist ever held it.

*Pre-publication excerpts from Mr. Hazlitt's book appeared in the "Chronicle" of Aug. 28, Sept. 4, and Sept. 11, 1958.

On Bubbles, Bulls and Gulls

Possibly the most interesting portion of Mr. Hazlitt's volume is his treatment of Keynes' chapter (XII) on the "State of Long Term Expectations." This follows Keynes' consistently brilliant insight and satire when discoursing on aspects of speculation; with realistic debunking painfully applicable to our own American stock markets—including the 1959 bull variety.

It is here, if anywhere, that Mr. Hazlitt's master refutation is vulnerable. He violently disagrees with the Britisher's citation of abuses stemming from:—(1) the separation of ownership from control (which follows the theses of Berle & Means, and Burnham's "Managerial Revolution"); (2) the stock market's *liquidity* fetish, (3) the public's forecasting proclivities, (4) the public's supplanting emphasis on yield with capital gains (via "passing on shares to gulls at higher prices"); and finally Mr. Hazlitt objects to Keynes' trenchant analogy of the stock marketeers' behavior to beauty contest technique.

As depicted by Keynes: "Professional investment may be likened to those newspaper competitions in which the competitors have to pick out the six prettiest faces from a hundred photographs, the prize being awarded to the competitor whose choice most nearly corresponds to the average preferences of the competitors as a whole, so that each competitor has to pack not those whose faces which he himself finds prettiest, but those which he thinks likeliest to catch the fancy of the other competitors. . . ."]

Again in attacking Keynes' critique of stock exchange mores, Mr. Hazlitt defends them on the conventional grounds of the speculator's constructive services to the farmer, to the building-up of the country and the standard of living via its facilitation of capital investment, etc. But is not Mr. Hazlitt over-generous, particularly in this period of our raging bull market, in giving Keynes the benefit of direct quotations as the following: "Speculators may do no harm as bubbles on a steady stream of enterprise. But the position is serious when enterprise becomes a bubble on a whirlpool of speculation"? And again: "Day-to-day fluctuations in the profits of existing investments, which are obviously of an ephemeral and insignificant character, tend to have an altogether and even an absurd influence on the market."

In any event, Mr. Hazlitt's penetrating and scholarly analysis of "The New Economics" henceforth must surely be an indispensable accompaniment of everyone's reading of Keynes, be he government official, lay voter, professional economist, or student.

* * *

On Creeping Inflation and Galloping Wages

To the citizenry sorely threatened by the crucial management-labor wage controversy in the steel industry, with Presidential press conferences discussing the intricacies of *productivity* and *inflation* (creeping and galloping), comes a most timely volume—*WAGE DETERMINATION, by JULES BACKMAN, 316 pages, $6.75, Van Nostrand, Princeton, N. J.* This is not a theoretical study. Based on exhaustive investigations made for government agencies and industries, Dr. Backman makes a thorough analysis of the factors which practically, in the market place, determine general changes in wages and in non-wage benefits.

Wage inflation leads either to price inflation or unemployment, says Dr. Backman. During both the war and postwar years between 1939 and 1957, increases in money wages and non-wage benefits have been exceeding gains in output per manhour by some 2% or 3% a year, thus creating an irresistible pressure for higher prices.

The author holds that the use of long-term contracts in key industries, as steel and automobiles, are aggravating this situation; promoting an uninterrupted upward march of wages and labor costs—at rates actually exceeding the long-term gains in productivity. Add to these wage increases the substantial cost of non-wage benefits and you have a sizable degree of wage inflation, Dr. Backman maintains.

On "Creeping Inflation"

Adopting the premise that "creeping" price inflation stems from wage inflation, Dr. Backman warns the "creep-ists" that a "mere" 2% or 3% annual rise in the price level is nothing to be complacent about. It is a matter of simple arithmetic, he points out, that such a rate of increase would double the price level and wipe out half the purchasing power of the dollar in a period of 24 to 36 years. "A cut of 50% in the purchasing power of the dollar in a generation is nothing to be complacent about," he warns the Slichter-ites.

What Limits to Wage Increases And Benefits?

One of the fundamental lessons pointed out in this volume that must be learned by union leaders and their workers is that there are pragmatic limits to the extent that living standards can be raised. He reminds us that only as we produce more, can we obtain more goods and services. High level production is the indispensable prerequisite to high level consumption (see above discussion of Say's Law by Keynes and Hazlitt).

Dividing Up the Pie

Most importantly, it is pointed out, within the limits of increasing productivity gains, choices must be made. If in a particular area the gains are distributed in the form of higher wages, they cannot also be received in the form of improvements in non-wage bene-

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The State of Trade and Industry

Steel Production
Electric Output
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Food Price Index
Auto Production
Business Failures

The favorable economic news of recent weeks appears to have strengthened business and consumer confidence in the economic outlook, according to the May "Monthly Review" of the Federal Reserve Bank of New York. With total production and spending having forged ahead of their pre-recession peaks, there are encouraging indications that the pace of the advance may continue.

Yet a number of uncertainties remain. A key question is how much of the current expansion represents hedging against possible mid-year steel and other strikes and thus merely "borrowing" from the future. Furthermore, with businesses already accumulating inventories, less net stimulus to overall activity may come over the rest of the year from a further speed-up in stock building.

It seems likely, according to the New York bank, that the primary spur to further advances in output will have to come from consumer spending and also gradually rising business investment. Consumer demand has staged a marked revival in recent months as personal income has risen to new heights. Retail sales have been at record levels with buoyancy especially notable for durables and other postponable items. Recent automobile sales have been encouraging, while consumer credit growth accelerated during the first quarter to a rate approaching the record pace of the 1955 boom. Residential housing has been particularly strong and has helped to produce substantial sales gains for furniture and most household appliances.

Business expenditures for capital equipment, while still 15% below the 1957 peak, advanced sharply in the first quarter of this year. Further advances are foreshadowed by the marked rise in machinery orders as well as by recent surveys of business capital spending plans. Rising sales, diminishing margins of extra capacity in some lines, and the rise in profits all make it quite possible that actual capital outlays during 1959 will exceed the higher volume projected in the surveys. In particular, higher profit margins serve to dramatize the advantages of modernization and may thus give additional impetus to an upward revision in capital spending plans.

The "Monthly Review" noted that the unemployment situation has recently shown the first distinct improvement in a number of months. However, the rate of unemployment remains at a much higher level than during corresponding stages of other recent recoveries. A decline in joblessness to markedly lower levels is dependent upon a continued further expansion in final demand. The New York bank concluded that the setting may now indeed be favorable for a substantial further strengthening in the demand for consumer goods as well as in business capital outlays.

Employment in April Set All-Time High

The Government Labor Department reported on May 11 that the number of jobless persons fell 735,000 in April to a post-recession low of 3,627,000 unemployed workers. Employment increased 1,184,000 to a total of 65,012,000. There were more people at work in our country last month than in any other April on record.

Nationwide Bank Clearings Up 14.6% From 1958 Week

Bank clearings this week will show an increase compared with a year ago. Preliminary figures compiled by the "Chronicle" based upon telegraphic advices from the chief cities of the country, indicate that for the week ended Saturday, May 9, clearings for all cities of the United States for which it is possible to obtain weekly clearings will be 14.6% above those of the corresponding week last year. Our preliminary totals stand at $24,739,750,483 against $21,581,524,881 for the same week in 1958. Our comparative summary for the principal centers follows:

Week Ended May 9—	1959	1958	%
New York	$12,675,484,655	$11,196,391,426	+13.2
Chicago	1,224,899,764	1,052,637,759	+16.4
Philadelphia	1,121,000,000	1,005,000,000	+11.5
Boston	778,973,050	677,950,940	+14.9

Increased Department Store Sales Forecast

Department store sales in 1959 "may well reach $12.8 billion" and total retail sales "will better last year's figure by 5% to reach the impressive total of $210 billion," an official of the National Retail Merchants Association predicted.

Speaking May 11 at the annual convention of the North Carolina Retail Merchants Association in Durham, N. C., J. Gordon Dakins, Executive Vice-President of the NRMA, which represents more than 11,500 department, specialty and chain stores throughout the country, said:

"Prices will remain relatively stable. Prices won't rise much more than 1½% between now and late 1959."

The NRMA executive noted that "business will be good this year but competition will be extremely keen."

Steel Contract by June 30 Deadline Seen Unlikely

President Eisenhower is in the steel labor crisis to the bitter end, but it's doubtful that even he can—or will—force a satisfactory settlement before the June 30 strike deadline, according to "The Iron Age," national metalworking weekly.

The President's influence is expected to remain in the picture until a final settlement is made, said "Iron Age." But it added that there is every indication there will be no new steel contract by the June 30 deadline.

The metalworking weekly had this to say about the President's probable role in the negotiations:

"While he is not expected to inject himself into the fracas in a way which would replace collective bargaining, he or other high administration officials will bang away at this theme; no

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Bondholders for Whom The Roads Toll

By DR. IRA U. COBLEIGH

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

A look at the assorted tax-exempt values provided by toll road revenue bonds.

During World War II nobody paid much attention to super highways. There were relatively few cars on the road, none being built, and gas rationing virtually eliminated pleasure driving. But in 1946 when millions of new cars and trucks began swarming over our roads, something had to be done about highway congestion and speeding up inter-city driving time by eliminating crossings, traffic lights, and urban bottlenecks. So a program of highway building was swiftly launched; and the easy and obvious way to finance same was by charging tolls sufficient to build and maintain the new high-speed-multi-lane arteries.

Ira U. Cobleigh

The Pennsylvania Turnpike, nearly completed before the war, had been successful from the start. It set the pattern. The Merritt Parkway in Connecticut and the New Jersey Turnpike were early successes, and lent encouragement to the building of a whole series of super-highways in 19 states—all based on the theory that (1) construction costs could be accurately estimated and (2) toll revenues from a given thruway could be predicted with considerable accuracy and reliability. Some roads were built within the engineers' cost estimates and lived up to the original revenue projections with reasonable fidelity. Others not only missed by a mile, but by millions. Some allowance for reserves and interest charges during construction was added to estimates, and included in the total amount of bonds offered for public subscription. Even with reserves included, however, delays and higher than expected building costs exhausted, in certain instances, the proceeds of bond sales and some highway authorities had to sell more bonds to finish their roads. The net result has been a wide divergence in the market performance of, and investor confidence in, toll road bonds.

One of the best performers has been the New Jersey Turnpike. There were two series of revenue bonds issued here, the 3¼s due 1/1/85, and the 3⅜s due 7/1/88. By the end of 1958, $32,023,000 of original bonded debt had been retired and interest charges last year were earned 1.88 times. This is an excellent showing, particularly when full reserve funds have been scrupulously maintained at all times. Today the 3¼% bonds due 1985 sell at 99 to yield 3.11% to maturity, (the longer term 3⅜s sell at 98½).

Pennsylvania Turnpike 1948 Indenture Project covers the original mileage section from Valley Forge to the Ohio State line. This turnpike was financed by 3¼% bonds issued in September, 1949 and due 6/1/88. These bonds in the past five years have ranged in price between a high of 106 and a low of 96. Present price is 102½ to yield 3.10% to maturity. Interest coverage has been satisfactory, and $12,311,000 in principal amount of bonds was retired last year. Coverage on the 1952 Indenture Project, secured by the section from Valley Forge to the Delaware River and the Northeastern Extension, has been less satisfactory. Earnings failed by a considerable margin in 1958 to cover debt service on the 3.10% bonds due 6/1/93 and this issue sells at 85½ to yield 3.80%. There's a provision, however, that after the 1948 series of bonds has been retired, earnings from the main (and first built) section of the road will carry over for debt service and retirement of the 3.10s.

Ohio Turnpike has recently turned in quite satisfactory results. In 1958 it gained 6.4% in operating revenues over 1957, and covered interest requirements 1.52 times. This highway, however, got off to a poor start and had to dip heavily into its Bond Reserve to weather early deficits. Ohio Turnpike Revenue 3¼s sell today at around 87 to yield 3.85% to maturity.

Other better grade turnpike bonds would include New York Thruway Authority 3.10% bonds due 7/1/94 now selling at 86½; Florida Turnpike 3¼s due 4/1/95 now selling at 86; Commonwealth of Kentucky 3.40% bonds due 7/1/94 now selling around 93; and New Jersey Highway Authority (Garden State Parkway) 4⅜s due 1988 priced around 103½.

The above represent a cross section of the better grade bonds. There are others, however, that have been having a much tougher time making ends meet. For example, Calumet Skyway (Chicago) 3⅜% bonds due 1/1/95 now sell around 67 to yield 5.47% to maturity—and this, mind you, on a tax exempt obligation. This issue relates to a toll bridge highway linking Chicago to the Northern Indiana Toll Road. It opened for full use May 22, 1958, and seemed a "natural," offering a congestion-free speedway out of downtown Chicago. For its first 19 weeks, however, revenues average $48,000 a week against $75,000 a week required for interest, operation and maintenance. From August through December net revenues covered but 45% of bond interest. Things are looking a bit better here now, especially with the establishment of charge accounts for regular customers and a plan offering discount rates to trucking companies.

The number one headache among toll bonds has been West Virginia Turnpike. This 87.6 mile swath of Jaguar bait runs from Charleston, West Virginia to the Virginia line and was supposed to offer a swift short cut for truck traffic, which plies in considerable volume between Virginia and the Ohio Valley. But whether toll rates were set too high, or feeder roads too steep, circuitous and inadequate, traffic was woefully below estimates. Maintenance costs exceeded estimates and West Virginia 3¾% bonds which were offered in April 1952 at 99 defaulted on the June 1, 1958 coupon. This was paid in October and there is hope that the coupon due Dec. 1, 1958 (which also defaulted) may shortly be met. Meanwhile, the West Virginia State Supreme Court ruled, in March, that the Turnpike Authority must pay interest on past-due interest instalments. It's all been very discouraging and the bonds descended to a low of 43½ in 1957. They sell at around 56 today, flat.

What keeps the West Virginia Turnpike picture from being hopeless, with 1958 traffic covering only half of the bond interest requirements? Three things: (1) a rising trend in revenues, up 20% for the first two months of this year; (2) a legislative bill (which was not acted upon in the last session) to have the State assume the cost of policing the road, and remit taxes on gasoline sold on the thruway and (3) the more remote possibility that the state might actually make up operating deficits and thus insure solvency. Here is the "iffiest" of all the toll bonds, but an interesting speculation at a whacking discount for the more intrepid variety of bond buyer.

We've gone far enough in this thumbnail sketch of pike bonds to see that a number have failed to live up to their billings, and that there were some pretty dismal calculations, in advance, of costs and potential revenues. There are also some pretty good bonds to choose from and some attractive tax exempt yields, especially for those individuals in tax brackets 55% and higher.

We're unlikely to see substantial new toll bond offering for some time to come. Most of the principal roads projected in the post-war era have now been completed. Further, the Federal highway program whereby the government puts up 90% and the state but 10% of construction costs pulls the rug out from under toll road financing, since the government sponsored roads would be toll free. Finally, both investment bankers and investors have become somewhat disenchanted as regards toll bonds especially when they've seen several issues drop 20 points and more below the original offering price. There are, however, some worthy issues to choose from; the outstanding supply is being reduced by annual redemptions, and there is always a possibility that a given state would lend its financial support rather than see a vital element in its transportation system be sullied by bankruptcy. And the best value? Your correspondent's selection based on a composite of yield, and probability of sustained interest payment would be Maine Turnpike Authority 4s due 1/1/89 now selling around 87, yielding 4.85% to maturity. This is in no sense a recommendation; just a labored attempt at comparative valuation, and, besides, it's a pretty highway to travel on!

The Challenge of Soviet Economic Expansion

By HON. C. DOUGLAS DILLON*

Under Secretary of State for Economic Affairs

Top U. S. economic official asserts unveiling of Soviet's Seven-Year Plan, while short-changing the consumer, assure continuation of threat to U. S. Maintains no possibility of Soviet outstripping us in industrial production by 1970. Says Russian leaders calculate the underdeveloped nations offer best opportunity for eventual take-over. Secretary Dillon urges us to continue vigorously our Development Loan Fund; continue military assistance and defense support; continue World Bank, Fund, and Export-Import Bank; intensify programs of technical cooperation; liberalize our tariff policies; and strengthen government's collaboration with business to foster private international investment.

The last time I reported to the American people in some detail on the realities of Soviet economic policy, I apparently stepped on some sensitive Communist toes. That was just after the visit to this country of Soviet Deputy Premier Mikoyan. Those of you who talked with him will recall that he painted a glowing picture of supposedly vast trade opportunities between this country and the USSR. I used the occasion of a speech in New Orleans to explain why an expansion of trade on Soviet terms—meaning long-term credits from us—would be unacceptable to this country. Upon his return to Moscow, Mr. Mikoyan informed the 21st Soviet Party Congress that I was "fanning up the cold war." Communist newspapers have since echoed this line.

C. Douglas Dillon

The Western Targets

Accusing selected personalities and target groups in the West of "waging cold war" on the "peace-loving" Soviet Union is typical of Communist tactics. Whatever conflicts with Communist designs is smeared with the brush of the Soviet-created "cold war." Communist actions, on the other hand, are almost invariably ballyhooed as furthering the Soviet objective of "peaceful coexistence."

As professional communicators you are only too familiar with the problem of semantics when it comes to interpreting Communist intentions and actions. Just how peaceful is "peaceful coexistence?" If Berlin, the Middle East, the Formosa Straits, were not enough to tell us, we have the word of a former Soviet Foreign Minister, who said, and I quote.

"Peaceful coexistence does not mean a quiet life. As long as different social and political systems exist, contradictions between them are inevitable. Peaceful coexistence is a struggle—a political struggle, an economic struggle, an ideological struggle."

All these elements of the "struggle" are, of course, bent unceasingly to the overriding Communist objective of world domination. This afternoon, I want to explore briefly with you its economic aspects:

The Seven-Year Plan

That economics is coming to play an ever more prominent role in the struggle was made crystal clear in the recently announced goals of Soviet Russia's Seven Year Plan. We should not make the mistake of giving the Plan less than our most serious attention. This is not just an economic document. It is a political and psychological document as well. The fanfare with which the Seven-Year Plan was acclaimed at the 21st Party Congress and during last week's May Day observance, makes it clear that the Communist leaders regard it as a major weapon of foreign policy.

According to the Soviet leaders, the basic objective of the Seven-Year Plan is, and I quote, "the maximum gain in time in the peaceful competition between socialism and capitalism."

The Soviet Union has already made substantial strides in this competition. This is borne out by cold, hard facts. Our best estimate of Soviet domestic economic expansion place the average annual rate of growth of the Soviet economy as a whole at between 6 and 7% over the past eight years. Their industrial growth

*An address by Secretary Dillon before the Overseas Press Club, New York City, May 7, 1959.

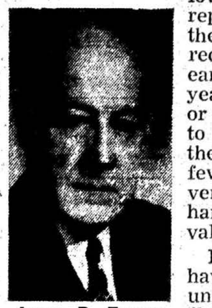
Continued on page 24

Comments on Inflation

By JAMES B. FORGAN*
Vice Chairman, The First National Bank of Chicago

Chicago banker reviews: (1) examples of what inflation can do in a country and how it affects people; (2) evidences of uncertainty about the future of our dollar; (3) causes of inflation, and (4) what individuals can do to avert this phenomenon. Unbalanced government budgets and nature of governmental expenditures is, with labor's push on price, placed high on the list of many factors creating inflationary conditions. Mr. Forgan advises that if the public and Congress favor inflationary fiscal practices then we should take the "painful step" necessary to pay for them.

There has been a growing awareness of the seriousness of the Inflationary trends in the United States. It is encouraging to see that the people are becoming increasingly concerned about this important subject. It is particularly appropriate that savers and investors consider it.



James B. Forgan

The possibility of inflation in the years ahead is one of the important problems facing us at this time. History teaches us that in those instances where inflation has gotten out of hand, economic disaster has resulted. For example, in earlier American history, the Revolutionary War inflation, and the Confederate inflation caused hardship and suffering. In Germany in 1920-23, prices increased a trillion times. More recently, Argentina has had an increase in the cost of living of 800% since 1948. In Brazil, living costs have risen over 300% in the same ten years. In France, prices have increased an average of almost 8% a year since 1948; in Greece, also, nearly 8% a year; and in Turkey prices are 103% higher than in 1948.

Inflation in France

The factors causing these price increases must be avoided in our own country. During the past ten years in France, for instance, the government ran a continuous budget deficit which tended to grow larger each year rather than smaller. As a result, the French franc became less valuable and prices rose. This led to many devaluations of the franc, because the underlying causes were not corrected. France, of course, has had large expenses connected with international problems, such as the present difficulties in North Africa. This is not a judgment of the financial course France followed in recent years but only a report about problems that led to the French inflation. Because corrective actions were not taken earlier, the French franc over the years fell from a value of 20 cents, or five to one dollar, to nearly 500 to one dollar. As a consequence, the average French citizen held as few francs as possible, and converted his francs to gold or other hard currencies which held their value.

Historically, the French people have always been thrifty, but their unfortunate experiences with inflation made them reluctant to save francs. They kept these savings at a minimum because they believed the franc would continue to decline in its purchasing power in the stores and markets. They spent their income as soon as possible, because the longer they kept money in their pockets, the less it would buy. They have had first-hand knowledge of the consequences of inflation. The cost of living in France has more than doubled in the last ten years, and is 25 times greater than in 1938. Going back further, but still in our own lifetime, the inflation has been even worse. The pensions of French World War I veterans were once quite substantial; now they have declined to a present value of less than one dollar per month—some even to about ten cents. The equivalent of four dollars saved in 1914 now is enough to buy only a newspaper. Recently France has begun to take some courageous steps to meet its financial problems.

Germany's experience after World War I was perhaps the most terrible of all. The German mark became valuable only as paper. People had to carry currency in large sacks, boxes and even wheelbarrows; they lit cigarettes with it, and eventually had to sweep it from the streets as trash. One German during this period received an inheritance equal to $65,000 that his grandfather had placed in a conservatively invested trust fund; when he received it, he was able to buy just one meal with the entire amount.

In Brazil last year, prices rose by over 20%. There have been price rises almost as large in each of a number of years. A recent report from a United States Consular official in Sao Paulo reveals that if steak would cost the average United States worker the same percentage of his salary as it does in Brazil, the price would be about $4 or $5 per pound. He also stated that prices for staple commodities, such as rice and beans, have doubled since last August—or in less than a year's time.

These are just a few examples of what inflation can do in a country and how it affects the people. It is vitally important that such developments should not be allowed to happen in our own nation.

Uncertainty About the Dollar

While it is true that prices in the United States have remained steady during the past few months and are expected by most authorities to remain reasonably stable in the months immediately ahead, the fear of increasing inflation over the years seems to persist. This is causing some concern about the long-run future of insurance, investments, and various forms of savings. There are apparently a number of persons who believe that a steady but slow decline in the value of the dollar is inevitable. An inflation of just 2% a year would mean an increase of 50% in the cost of living in only 21 years. The idea of creeping inflation is tempting and has gained acceptance by many. I do not accept this belief. A slowly rising level of prices erodes the value of our savings, our investments, our insurance, our pensions, our wages and our salaries.

Many persons believe that the recent behavior of the stock and bond markets is an indication of the spread of the inflation psychology. The stock market currently is around an all-time high. The rate of return on many stocks is now below the return on well-rated bonds. This development may reflect the present popularity of common stocks to some investors as an inflationary hedge. Likewise, the outflow of gold from this country last year was considered by some persons as evidence that there is concern in foreign countries about the future strength of the American dollar.

At any rate, the combination of these factors has created uncertainty in the minds of some people about the stability of the purchasing power of their money. It has added to their fear of inflation. As these developments suggest, some people may have sought to protect themselves against depreciation of the dollar in the years ahead through the purchase of common stocks, farm lands, or other assets. There has even been a minor interest by a few individuals in the United States in the purchase of gold in Canada.

Causes of Inflation

There are many possible causes of inflation and this paper does not permit a thorough examination of each one. We may consider two causes. First, an unbalanced government budget can be placed high on the list of the many factors which combine to create inflationary conditions. Federal Government expenditures, which are now substantially in excess of government income, have resulted in the need for the government to borrow money to pay its bills. Unfortunately, there is no assurance that total government spending in the years ahead will decline. Military needs are great, and there is constant pressure from many different groups for government benefits and projects of many kinds, with no corresponding willingness to be taxed for such benefits. There seems little likelihood that the present demands made on Federal and State governments will decline; instead, the long-range prospect is for even greater expenditures on the part of government to provide benefits and services considered desirable by many persons.

Along with the predictable demands must be put the enormous subsidies that have become so familiar a part of our modern economy. For example, last year the farm subsidies ran over $5 billion. The Congress may take some action regarding these subsidies, but there is little evidence that they will be substantially reduced. The present subsidies and payments to various other groups in the country may also continue. What all this means is that demands on government spending may well increase—not decrease— because the idea that government should provide these benefits seems to be established in the minds of many people. Unfortunately, in spite of the persistent demand for more government expenditures from many different areas of the country, there appears to be an unwillingness to pay the taxes to support the high level of spending. However, if the people and the Congress consider them essential, then must we not take the painful steps necessary to pay for them if we are to avoid unbalanced government budgets and the inflationary consequences? (A humorist has said that even in this country inflation has gone so far you can pick up $20 worth of groceries by a string.)

Everyone agrees that we should not have inflation in our country, but too often we favor its causes. Few people favor inflation, but many persons favor legislative actions that result in higher prices, such as price supports, subsidies, Federal aid for highways, airports, depressed areas and many other projects. I am not judging the merits of these various programs, but the important point to remember is that many of them result in inflationary pressures. Each project increases the size of the Federal budget. As various cities and communities obtain Federal aid for their projects, government expenditures increase. The net result is that we have inflation, or if taxes are increased and inflation is avoided, each community ends up paying the bills of other communities. Nobody wants higher taxes, so it is more difficult and politically unpopular to raise the tax revenues necessary to match the increased expenditures.

A second factor contributing to inflation is the substantial rise in many laboring costs. Since the end of World War II, some groups in labor have been successful in obtaining wage increases not only in good times but even when business was declining, and this has been reflected in prices. During the postwar period hourly earnings have risen twice as fast as output per manhour. Last year, a year of recession, hourly wages rose even faster—three times the increase in output per manhour.

To provide a return for their stockholders, as well as to get the sums needed to build new factories and provide employment for an increasing number of American workers, businesses have had to raise prices. As the cost of labor has increased faster than productivity, businessmen have had to adjust prices upward. Even so, the amount American corporations earn on each dollar of sales has dropped more than 20% since 1947. In a period such as the present, it is important both for business and labor not to increase wages and costs more rapidly than overall production.

What Individuals Can Do

The Federal Government and State and local governments should take the necessary steps to balance their budgets and eliminate the threat of inflation. But, as individuals, what can we do to help in this endeavor?

First, we can write to those who represent us in the Federal Government—our representatives and Senators—and insist through them that the Federal Budget should be balanced. If expenditures cannot be reduced, then taxes must be increased to provide the necessary funds for these expenditures.

Second, we should insist that if more spending or larger benefits are planned for additional government services, provisions for the same amount of income, or tax revenues, should be included along with the planned increase in spending. Higher government expenditures must not result in a further deficit in the Federal budget leading to greater inflationary pressures.

Third, we should encourage saving. Saving results in each person making certain that he and his family will have financial security in the future. This is where a balanced budget begins, with each family making certain that they are living within their own budget. A balanced budget should also carry through into our local governments, our state governments, and our Federal government.

Fourth and last, we can encourage our friends, neighbors and associates to become better informed about the evils and causes of inflation, just as you have demonstrated your interest and desire for more information regarding financial problems by your presence here today. A better informed people, by the very nature of their greater understanding and awareness, will have greater influence on these important matters. I might add that the newspapers and periodicals of the nation are making a splendid contribution in informing the public of the dangers of inflation and of the need to balance the budget during periods of high business activity such as we presently are enjoying.

All of us in the United States today enjoy a life much better than that of our parents. It is possible for our children to have a life even more enjoyable through increased travel, greater aids to health, more leisure time, and new products. However, we must leave them a nation that provides the framework and fosters the development of such a life. Inflation reduces or destroys the possibility for a better future.

*An address by Mr. Forgan before the 7th Women's Forum sponsored by The First National Bank of Chicago, Chicago, May 5, 1959.

With Garrett-Bromfield

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Howard B. Stack has been added to the staff of Garrett-Bromfield & Co., 650 Seventeenth Street, members of the Midwest Stock Exchange.

Joins Inv. Service

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Arthur E. Atkisson has joined the staff of Investment Service Co., 916 Broadway. He was formerly with Financial Securities Co.

With Peters, Writer

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Michael W. McGuire is now affiliated with Peters, Writer & Christensen, Inc., 724 Seventeenth Street.

Geo. M. Baker Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Michael J. Riordan is now connected with George M. Baker & Co., 208 South La Salle Street, members of the Midwest Stock Exchange. He was formerly with Merrill Lynch, Pierce, Fenner & Smith, Inc.

Joins Kidder, Peabody

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Frank A. Connolly, Jr. has become connected with Kidder, Peabody & Co., 33 South Clark Street. He was previously with Reynolds & Co.

Continued from page 4

Observations

fits. If the latter are desired, they must be in part at the expense of wage increases. Moreover, if the gains are to be taken in the form of higher wages or non-wage benefits, they cannot also be obtained in the form of increases in leisure.

We are reminded that if organized workers succeed in getting more than the modest amounts made available annually through productivity gains, it must be largely at the expense of other members of society, including other workers.

Dr. Backman shows, for example, that between May, 1957, and May, 1958, average hourly earnings in manufacturing industries rose by 6 cents an hour, in building construction by 11 cents, and in other industries by varying amounts. However, during the same period the average number of hours worked per week decreased by 1.1 hours in manufacturing and rose by 0.4 hour in construction. Total civilian unemployment fell by 1.1 million; and total labor income declined by $5.3 billion despite the rise in average hourly earnings. In short, Dr. Backman concludes, that "while rises in wage rates and in average hourly earnings may increase *total* labor income *when conditions are right*, there is no certainty that any specific rise in wage rates will be accompanied by a comparable, or any, rise in total income."

With labor and management becoming increasingly experienced in the arguments, six wage criteria are cited as having assumed major importance as follows: wage comparisons, cost of living, budgets, productivity, ability to pay, and economic environment. Analyzing each of these criteria, Dr. Backman exhaustively covers the areas of escalator clauses, non-wage benefits, and wage patterns, along with wage inflation, proper wage-productivity comparisons, and the purchasing power theory. He cites a host of practical experiences from many industries, including steel, automotive, electrical, printing, and retailing; along with an authoritative analysis of the epochal GM-UAW wage formula.

Broader Corporate Implications

The precise data and conclusions set forth by Dr. Backman are invaluable — particularly at this time. But perhaps he could have gone a bit further afield. For example, what are the implications of the strong battle fought, and the "s.o.b.-ishness" exhibited, by the management leaders in a labor dispute? In putting up the fight largely in defense of the stockholder's material interest, is the non-stockholding officer invalidating the separation of corporate-ownership-from-control evil theses of Berle & Means, Burnham and Keynes (cf. above)? Or is this constructive behavior by management perhaps justifying the stock option practice, through which the interests of management and stockholder are joined via the back door?

With Stewart, Eubanks

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—John P. Bourne is now with Stewart, Eubanks, Meyerson & Co., 216 Montgomery Street, members of the New York and Pacific Coast Stock Exchanges.

Joins Harbison, Henderson

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Eugene R. Koch has joined the staff of Harbison & Henderson, 210 West Seventh Street, members of the Pacific Coast Stock Exchange.

Dealer-Broker Investment Recommendations & Literature

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

Atomic Letter No. 47 — Describing "Plasma Thermocouple" (producing electricity directly by a uranium-cesium cell)—Atomic Development Securities Co., Inc., 1033 30th Street, N. W., Washington 7, D. C.

Banks and Trust Companies of the United States—Comparative figures for first quarter—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y. Also available is a review of the **Bond Market.**

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

Canadian Dollar: Foreign Exchange Enigma—Review—Bank of Nova Scotia, Toronto, Canada.

Electric Utilities—Analysis of opportunities in smaller companies—E. F. Hutton & Company, 61 Broadway, New York 6, New York.

Fifty Top Equities for Monthly Investment Plan—Report—Thomson & McKinnon, 2 Broadway, New York 4, N. Y. Also available is a report on **Dow Chemical Company.**

Foreign Exchanges — Review — Samuel Montagu & Co. Ltd., 114 Old Broad Street, London, E. C. 2, England.

Forty-Six Billionaries—Discussion of listed companies with revenues of $1 billion or more—May issue of "The Exchange"—Exchange Magazine, 11 Wall Street, New York 5, N. Y.—20 cents per copy; $1.50 per year. Also in the same issue are articles on evaluation of the role of the public governor; dividends; stock splits; and investment decisions in a bull market.

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.

Local Service Airlines — Bulletin — Bache & Co., 36 Wall Street, New York 5, N. Y.

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

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.

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

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

Transfer Tax Rates — Free booklet on current Federal and State Stock Original Issue and Transfer Tax Rates—Registrar and Transfer Company, 50 Church Street, New York 7, N. Y.

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

American Cyanamid Company—Analysis—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y. Also available is a review of the market outlook.

Anderson Prichard Oil Corp.—Memorandum—R. W. Pressprich & Co., 48 Wall Street, New York 5, N. Y.

Automatic Canteen Company of America — Analysis — Gude, Winmill & Co., 1 Wall Street, New York 5, N. Y.

Blaw Knox Co.—Analysis—A. M. Kidder & Co., Inc., 1 Wall Street, New York 5, N. Y.

Blossman Hydratane Gas, Inc.—Progress report—S. D. Fuller & Co., 26 Broadway, New York 4, N. Y.

Boston Edison Co.—Data—Alfred L. Vanden Broeck & Co., 55 Liberty Street, New York 5, N. Y. Also in the same circular are data on **Eitel-McCullough Inc., Great Lakes Paper Co., Ltd., Kaiser Industries and Libbey Owens Ford Glass Co.**

Charles Bruning Co. — Memorandum — William Blair & Co., 135 South La Salle Street, Chicago 3, Ill.

Canada Dry Corporation — Analysis — Reynolds & Co., 120 Broadway, New York 5, N. Y. Also available is an analysis of **Island Creek Coal Company.**

Chase Manhattan Bank — Card Memorandum — First Boston Corporation, 15 Broad Street, New York 5, N. Y.

Curtiss Wright Corporation—Analysis—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Delaware, Lackawanna & Western-Erie Merger—Discussion—Vilas & Hickey, 27 Broadway, New York 4, N. Y.

Dominick Fund — Investment report — Dominick & Dominick, 14 Wall Street, New York 5, N. Y.

E. I. Du Pont de Nemours & Co.—Memorandum—Woodcock, Hess, Moyer & Co., 123 South Broad Street, Philadelphia 9, Pa.

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

Federal Republic of Germany — Survey of the economy — Chemical Corn Exchange Bank, International Division, 165 Broadway, New York 15, N. Y.

General Devices Inc.—Progress report—Meade & Company, 27 William Street, New York 5, N. Y.

Great Atlantic & Pacific Tea Co.—Survey—Abraham & Co., 120 Broadway, New York 5, N. Y. Also in the same circular are data on **Northern Pacific Railway Company and Whirlpool Corporation.**

Helene Curtis Industries, Inc.—Analysis—H. M. Byllesby and Company, Incorporated, 135 South La Salle Street, Chicago 3, Ill.

Interprovincial Steel Corporation Ltd. — Analysis — Doherty Roadhouse & Co., 335 Bay Street, Toronto, Ont., Canada.

P. R. Mallory & Co., Inc.—Analysis—T. L. Watson & Co., 25 Broad Street, New York 4, N. Y.

Mesta Machine Company—Analysis—Peter P. McDermott & Co., 42 Broadway, New York 4, N. Y.

Monsanto Chemical Co.—Memorandum—Green, Ellis & Anderson, 61 Brodaway, New York 6, N. Y.

Morrison Knudsen Company — Analysis — Pacific Northwest Company, Exchange Building, Seattle 4, Wash.

Niagara St. Lawrence Power Projects—Progress report—Power Authority of the State of New York, Albany, N. Y.

Perkin-Elmer Corp.—Memorandum—Shields & Company, 44 Wall Street, New York 5, N. Y.

Petrolane Gas Service—Analysis—Bateman, Eichler & Co., 453 South Spring Street, Los Angeles 13, Calif.

Richfield Oil Corporation — Analysis — Dean Witter & Co., 45 Montgomery Street, San Francisco 6, Calif. Also available is an analysis of **Broadway-Hale Stores, Inc.**

Security Life and Trust Company—Analysis—Alex. Brown & Sons, 135 East Baltimore Street, Baltimore 2, Md.

Sperry Rand Corporation—Bulletin—Herbert E. Stern & Co., 52 Wall Street, New York 5, N. Y.

Standard Packaging—Analysis—du Pont, Homsey & Company, 31 Milk Street, Boston 9, Mass. Also in the same circular are analyses of **Olin Mathieson and Textron.**

Union Oil Company of California—Review—H. Hentz & Co., 72 Wall Street, New York 5, N. Y. Also available are memoranda on **Eagle Picher Company** and **Thatcher Glass Manufacturing Company.**

Union Pacific Railroad Co.—Memorandum—J. A. Hogle & Co., 123 South Main Street, Salt Lake City 1, Utah.

United States Pipe & Foundry—Analysis—Halle & Stieglitz, 52 Wall Street, New York 5, N. Y. Also available is an analysis of **Pacific Automation Products, Inc.**

United States Servateria Corp.—Analysis—Hill Richards & Co., 621 South Spring Street, Los Angeles 14, Calif. Also available is an analysis of **Giant Portland Cement Company.**

COMING EVENTS

In Investment Field

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, 1959 (New York City)
Bond Club of New York annual field day at the Sleepy Hollow Country Club, Scarborough, N. Y.

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, Rye, N. Y.

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.

Aug. 19-20, 1959 (Des Moines, Iowa)
Iowa Investment Bankers Field Day at the Waiconda Country Club.

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.

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

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

Nov. 29-Dec. 4, 1959 (Bal Harbour, Fla.)
Investment Bankers Association Annual Convention at the Americana Hotel.

April 6-7-8, 1960 (Dallas, Tex.)
Texas Group of Investment Bankers Association of America 25th annual meeting at the Sheraton Dallas.

Joins Eastman Dillon

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — John P. Willoughby is now affiliated with Eastman Dillon, Union Securities & Co., 3115 Wilshire Blvd. He was formerly with Morgan & Co.

Rejoins Fairman

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Hubert R. O'Neil, Jr. has rejoined Fairman & Co., 210 West Seventh St., members of the Pacific Coast Stock Exchange. Mr. O'Neil who has been in the investment business on the Coast for many years has recently been with John J. Keenan & Co. Incorporated.

Two With Hill Richards

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Cal.—Andrew Brichant and Lawrence L. White are now associated with Hill Richards & Co., 621 South Spring St., members of the Pacific Coast Stock Exchange. Mr. Brichant was formerly with Paine, Webber, Jackson & Curtis.

What Can Be Done About Inflation in Canada

By J. DOUGLAS GIBSON*

General Manager, The Bank of Nova Scotia, Toronto, Canada

Canadians are advised that U. S. A.'s cash deficit—despite a larger defense load—is relatively smaller than theirs in Mr. Gibson's blunt prescription offered as a cure to Canada's dilemmatic problem of coping with tomorrow's inflation today. The recommended cure includes firm determination to move at least part way toward governmental budget balance by 1960-61, monetary restraint and an appeal to the citizens. The author is skeptical of appeals, however, to producers; notes legislator's fear of losing votes and vigorousness of government's anti-recessionary spending; and finds that current general fatalism concerning question of inflation is more dangerous than when recessionary fears prevailed during previous inflationary periods.

Perhaps too much is said about inflation already and certainly there are very few bankers, leading businessmen, economists and politicians who have not felt it their duty to give the public the benefit of their views. Unfortunately, however, these views are by no means all alike and indeed there is a good deal of disagreement about what the problem is and what causes it, quite apart from what should be done about it. Even the professionals disagree as to the extent of the problem and it is said that five economists will give you six different views. Seriously, however, it is scarcely surprising that they disagree, because the problem is complicated, there are a variety of conflicting forces at work, and there are many unknown factors in the picture. Those who have simple clear-cut solutions are usually poorly informed or obsessed with a single idea or promoting a special interest, and those who offer painless methods to solve the problem are badly misled and even dishonest. But however involved, the problem is of major importance to all of us, and I cannot resist the opportunity of telling those — who advise businessmen in so many ways and influence business thinking to such an important extent—what I think about inflation and what I think can be done about it. This is an opportunity that no self-respecting banker or economist would fail to grasp.

J. Douglas Gibson

Doubts Inflation Now

The first point that I should like to make is that the present concern about inflation arises more from a fear of what may happen than from the existing economic environment. Indeed, the physical facts of the present economic scene are not in themselves suggestive of inflation. Despite some recovery in business, there is still considerable unemployment and substantial unused capacity. Unemployment this winter has remained close to last winter's high rate. A number of major industries are still working well below capacity, for example, the pulp and paper and aluminum industries, and in most lines there are ample facilities available to increase production. While the recession has not been a deep one and while there has been some recovery, the working population has continued to grow and productive capacity has increased notably. We are not close to full utilization of human and material resources. We are quite definitely not in the position where there are too many dollars chasing too few goods. We have plenty of goods and plenty of capacity to produce more.

Nor do we appear to be approaching a situation in which there will be too few goods. It is true that business has shown some improvement and the recovery is likely to continue during the present year, both here and in the United States. The recently released estimates of Canadian capital investment outlays for 1959, indicating a level within 1% of the 1958 total, are distinctly encouraging, especially the fact that expenditures by business after the boom levels of the last few years have declined only moderately. The maintenance of a relatively high level of capital expenditure, combined with the rising trend of consumer and government spending, appear to assure an appreciable rise in the national production and income. But, recognizing this, there is still little prospect that the recovery will go so far as to fully take up the slack in 1959 or perhaps even in 1960. That would require an increase in the national production this year of the order of 10% or 12% and there is little likelihood of such a sharp upsurge, at least until there has been a notable revival in the world demand for basic commodities.

This leads to the further point that the economic picture in the world at large is not strongly suggestive of inflation, or, let me put it more accurately, is less suggestive of inflation than during most of the period since the war. In the last couple of years, for the first time since the end of the war, there have been ample supplies and more than adequate productive capacity of almost all the major industrial raw materials and foodstuffs. While recently there has been some firming in the world prices of a few basic commodities, of which copper is perhaps the leading example, world demands for most commodities can be met with ease. Indeed, the New York and London indexes of the prices of sensitive commodities are lower now than they were last November. It is true that business has picked up in the United States and that the recovery is likely to continue this year. But the U. S. recovery has a considerable way to go before widespread shortages are likely to appear and, for the time being at least, there remains a good deal of excess capacity. And in Europe, the strong upward trend of recent years has been checked and some slackening in business activity has occurred.

Slowed Rate of Expansion

There is a good deal to suggest, indeed, that the rate of economic expansion may be somewhat less rapid in the next several years than in the past decade. The job of reconstruction has been done; world markets both for industrial materials and manufactures have become much more competitive; and demands are no longer centered on North America as they were when industrial materials and capital equipment were scarce and urgently needed. This may mean that the impetus toward expansion on this continent may be less strong than has been the case for some years.

All this might suggest that inflation is not much of a threat at the present time, or, in any case, less of a threat than during most of the years since the war. And yet it is perfectly clear that inflation is a matter of major concern —of more widespread concern than at any time in the postwar period. Hardly a day passes without some serious pronouncement on the subject. Inflation has replaced recession as the major topics of business concern on this continent, or has joined with recession to produce a sort of twin horror that takes all the fun out of inflation and all the cost-reducing corrective influence out of recession. Fear of inflation is evident, not only in the constant talk about it, but more concretely in the weakness of the bond market and in the strength of the stock market. Its influence on the bond market and on interest rates is obviously of major proportions, and comparisons of yields between bonds and stocks suggest a preference for stocks and a lack of interest in bonds seldom approached in the past. How far the fear of inflation is reflected in other business decisions is not clearly apparent. But its influence is probably very considerable. Businessmen are more likely to rebuild or build up their stocks if they think the general atmosphere is inflationary. Fear of inflation, though often not the leading reason for a decision to invest or to purchase, may be enough to swing the balance when the pros and cons are closely matched. There can be no doubt that widespread expectations of inflation keep costs and prices higher than they otherwise would be. Such expectations encourage efforts to maintain and increase prices and wages and discourage resistance on the part of business and consumers to higher costs.

Explains Fear of Future Inflation

Why in the light of the broad economic picture which I sketched in earlier should the business community and indeed many other citizens be so concerned about inflation? Perhaps one of the reasons is that prices and costs did not decline—or were very slow to decline—during the recession just passing. Basic commodity prices have declined to some extent but prices of manufactures have fallen very little and consumer prices went on increasing until recently when they have at last shown just a little weakness. Wage rates, though not advancing at the pace of 1955 to 1957, have shown a further increase, and other business costs, including equipment and services, have more often increased than declined. Labor unions have argued that one of the most effective ways to cope with the recession is to increase wages so people will be able to buy more. Many businessmen have replied that such a process will price their goods out of the market, particularly if it is an export market or a highly competitive one. But there have been other businesses which have been less inclined to resist and have indeed sustained the upward tendency in costs and prices by simply passing on wage and other cost increases to the consumer. And it is hard to escape the conclusion that the price policies of some of the biggest and strongest industries in the United States during the recent recession have worked to support the belief in the inevitability of inflation.

All this is taken by many to demonstrate the tremendous power of the inflationary forces in our society and to conjure up a picture of rising prices checked a little from time to time by moderate recessions but never really stopped. And there is no doubt

Continued on page 28

*An address by Mr. Gibson before the Institute of Chartered Accountants of Ontario.

Applying the Instalment Idea In Financing the Durables

By ROBERT S. STEVENSON*
President, Allis-Chalmers Manufacturing Company
West Allis, Wisconsin

Bankers are asked to extend instalment financing to small business durable goods in place of the uncertainty of 90-day or 6-month note financing. Moreover, suggested changes in lending criteria are furnished to indicate how this can be done with the same assurance now obtained in consumer goods financing. Drawing upon his firm's pioneering attempt to interest local banks in financing construction machinery and his knowledge of handicapping-financing gaps still prevalent, Mr. Stevenson also urges bankers to make use of correspondent banks, and to learn something about productive durable goods. Why, he asks, should there be a different credit attitude toward an automobile or refrigerator than for a substation or machine tool?

I would like to discuss, objectively and positively, about the opportunities in financing the durables — producer durables rather than consumer durables — and the part which I think instalment credit can plan in this field.

Robert S. Stevenson

Instalment credit is so much a part of the fabric of many users' needs and wants that it has gained general acceptance as a very necessary part of our dynamic economy. It is one of the most important elements needed to convert mass production into mass consumption. Instalment credit has actually revolutionized our way of living. It has made possible many of the technical developments through the creation of broadened markets. It has facilitated the distribution of consumer goods and has certainly improved the standard of living of our people in the United States.

Instalment credit goes back a long way. Those of us in the farm machinery field can remember the early days of farm equipment financing. After all, it is probably the oldest type of instalment credit that we can point to. Later, in the early days of the automobile, bankers soon realized that there was money to be made in that type of financing rather than letting other lending agencies take over this field completely. Now commercial banks advertise the financing of almost every consumer item imaginable, and the instalment loan departments of commercial banks are devising more ways to finance these consumer products.

How do you people in the instalment banking field loan money on automobiles, or other consumer items? I suspect that we could say that they do it on: (1) ability to pay; and (2) the equity of the item being financed.

Let's look at it this way. You get up in the morning, dress, and eat breakfast with your family. You then leave for work. You and your family have a car, a refrigerator, deepfreeze, a television set, a washing machine, and all the other items which we as Americans consider essential to our way of living. You are familiar with these items because you and your family rub shoulders with them daily. Therefore, it is easy for you to set up criteria by which you finance these consumer goods.

Setting Up Nonconsumer Criteria

But is it just as easy for you to set up criteria for nonconsumer durable goods with which you are not so familiar?

Let's explore for just a moment an example, from our company, of a plan which we instituted to get bankers to understand better, and become more familiar with, one area in which our company operates. I suspect that not too many bankers are extremely familiar with construction machinery; certainly, not as familiar as they are with automobiles, television sets, and the like. Because of this, we embarked on a plan to have our construction machinery dealers invite the local bankers to spend a day at their places of business. The idea was to get the bankers to come into the business and see how it was run. In other words, to go into the parts department, the service department, the new and used machinery departments, as well as the accounting department —to observe the operations.

After lunch, if the bankers had time—and we urged them to take time—they were taken out to a job where this machinery was actually in operation. We wanted them also to have a chance to discuss with the contractors the importance of the equipment being used and what it meant to the particular jobs being observed. The idea was to get the bankers to become as familiar as possible with all the facets of this particular business. In fact, to try to make them as familiar with it as they are with the consumer durable goods business and products. We know that this particular program proved successful because of the increased assistance our dealers and customers have received from the bankers themselves in the financing of construction machinery.

Four-Way Partnership

We are extremely conscious of the importance of the banking profession to the success of our dealers' business and our business. This, after all, is a four-way partnership. The dealer has to do a selling and servicing job. We, as the manufacturer, depend on the dealer to sell the products we produce. The contractor or user of the equipment must be convinced that this equipment is necessary for him to make a profit. All three—the dealer, the manufacturer, and the user—need the services of sound loaning institutions to carry on their businesses.

This is just one example of the type of "partnership" which is created by every business transaction. We could take other examples such as the financing of machine tools to increase production, motors to improve conveyor systems, and material handling equipment which makes the handling of component parts and finished products more economical.

Substantially, all of the machinery our company produces goes into the category of business expenditures for producer durables. Many of our customers are what is commonly referred to as small businesses. Consequently, we have more than a casual interest in this type of business investment.

You have more than a passing interest in business investment in plant and equipment because, as commercial bankers, you have of late been supplying a substantial part of the capital. The capital you supply sometimes represents short-term financing or term loans, but also frequently represents financing in the form of instalment credit.

Industry's expenditures for plants and equipment have been changing lately, and this change is important to the banking business as well as to those of us in the equipment business. For the last several years, a majority of industrial capital expenditures has gone into new facilities; but that trend is diminishing and a new direction is beginning to appear.

Financial Roadblock

Industry is, of course, fighting rising costs. Since 1947, wages in manufacturing industries have risen 68%, while productivity has gone up only 32%. Manufacturing technology has advanced so rapidly that many plants 10 years old are obsolete from an efficiency standpoint. Realization of this prompted industrial firms to spend 48% of their total outlays for plant and equipment on replacement and modernization in 1957. By 1961, industry intends to devote two-thirds of its capital appropriations to replacement and modernization.

I dare say that there is not a business today, whether it be large or small, that is not delaying the purchase of needed equipment and facilities for reasons which are largely financial. Assuming that this equipment provides a strong base for financing—and I believe much of it does—I am guessing that the postponement of the equipment purchase and the placing of the loan is often due to the single fact that the business man just doesn't know that you're interested in this type of financing.

Commercial banks have in some times past viewed financing of fixed assets with short-term credits to be unsound. Providing credit for as long as five years through term loan and instalment financing by commercial banks is largely a postwar development. It has resulted in the commercial bank having substantially increased its influence on industry expenditures for plant and equipment. Likewise, industry's cash flow out of depreciation and its postwar profits have made it possible to shorten the payout period of investment in fixed assets and thereby bring it within the range of financing by commercial banks.

Much of the equipment I am referring to has a short depreciation cycle. Generally, depreciation has been the most important single source for American business to finance expenditures for plant and equipment. In 1956, for example, business firms accrued depreciation to the amount of $18½ billion. This was well over half of the total capital expenditures for the year 1956. It must be pointed out that it is not at all unusual in either large or small industry.

Shows the Difference

Instalment financing of consumer durables has been largely built on the value of the security and the paying reputation of the buyer. On the other hand, in financing industry, the pledge of current assets has been largely relied upon rather than the value of the fixed asset acquired and the company's paying reputation.

The credit attitude sometimes seems to be that a substation, motor, machine tool, tractor, or another piece of equipment does not have the relative security value that an automobile or refrigerator has and that the net worth of a business is more important than its paying reputation.

It is true that production machinery and facilities sometimes lack mobility, which makes repossession costly and resale difficult, and that the changing fortunes of business make net worth an important consideration. I would hazard the guess, however, that the repossession risk varies inversely with the equipment's ability to pay for itself. But have you considered the compensating factors in financing equipment and facilities used in industrial operations?

Lists Compensating Factors

I think these compensating factors can be summed up briefly in this manner:

First, from an interest-rate standpoint, instalment financing of production equipment can be highly profitable. A company can afford, and usually is willing to pay, a higher interest rate for financing the purchase of a specific piece of equipment than if it were borrowing on an open line of credit based on its net worth.

The economic evaluation of the acquisition might be lower costs, increased sales, protecting the market position, or a combination of these factors. Usually the advantages make interest costs a somewhat secondary consideration. The saving through the use of sum-of-the-digits or declining-balance methods of depreciation, instead of straight-line method of the machinery being replaced, does in itself make possible a higher financing cost.

A second reason loan business of this nature should be attractive to you is the large dollar amount to be financed. It is still a truism that volume is an important requisite to profitable operation of instalment financing.

A third reason this should be attractive instalment financing to commercial bankers is the inherent quality of the loan. The likelihood of default resulting in repossession is not present to the same degree as in the instalment financing of consumer durables. The equipment is being used to produce income and is usually vital to the company's operation. Experience indicates that the company gives preference to paying for it because the company cannot afford to lose it. The strong desire of retaining ownership more than offsets its disadvantage because of lack of mobility and its limited market for resale.

Bankers' Unique Position

Industry also needs the commercial banks' assistance in selling its equipment. Bankers are in a unique position to contribute to the stability of business. This is true of the small bank in a small community as well as the large banks in major trade areas.

In the eyes of the business community they are an authority on finance. Therefore, one of their major responsibilities is to give sound financial counsel and advice. They are aggressive but do not sacrifice conservatism. Frequently, it is their privilege to be honored by serving on the board of directors of a business.

It is not only a responsibility to business customers to counsel and advise them, but it is equally a duty to understand their business, their plans, and their needs. A banker should be able to suggest areas in which the bank can contribute to their success. This is particularly true in the case of small businesses located in a small community.

It is interesting to note here that in 1957 there were about 4,300,000 small businesses in the United States. This represents one small business for about every 40 people. Businesses engaged in manufacturing accounted for 8% of this total. Commercial bank loans were outstanding to about half of the small business population. I see nothing wrong with that—in fact, maybe it should be more. Here is why I say that!

From these figures and the reasoning I have advanced throughout this paper, I think we can come to the logical conclusion that bankers can do instalment financing of small business capital equipment with the same assurance that they can finance consumer goods.

Invaluable Gains to All

There is another important fact to remember. That is that small business is the base for our entire economy. Therefore, the failure of small business to get financial support from the large and small banks to purchase new equipment could place the community, as well as the small businesses, at a disadvantage. We must not forget also that instalment financing of production equipment many times means greater stability in the business's financial structure than a 90-day or 6-month note that may be renewed or not at the discretion of the banker.

In a small community, the bank's financing limitations may not permit it to meet adequately all of its business customers' financial needs. It is here that the correspondent relationship between large and small banks should come into play. This is a two-way responsibility. The large city banks should encourage loans to business by making available to their smaller correspondent banks, the knowledge and experience of their various industry specialists. A small bank should look to its correspondent for assistance, guidance, and advice in meeting the needs of its local business customers.

I suggest bankers ask themselves two questions: "How well do I know the production equipment needs of my business customers?" "What positive action have I taken to assist them in meeting these needs?" The answer to those two questions could have tremendous implications to the business customer and to the community relying on his payroll.

There are two examples of this point which come to mind—one a pleasant remembrance; the other not pleasant at all.

Recalls Two Experiences

The first is a case where a manufacturer had the opportunity of obtaining a sizable contract, but needed the support of his bank to meet the requirements of a bid and payment bond. He was poorly advised and given no financial support, with the result that the contract was given to another manufacturer and the community lost a 9-month payroll for a sizable number of people. We know as a fact that had the bank in this small community consulted with its correspondent bank in Milwaukee, the contract could have been saved.

The other case I would like to mention is just the opposite of the one I have just cited. In this particular case, a local business man—a gravel-pit operator—was afforded the opportunity to bid on furnishing gravel on a portion of a superhighway which was going through the community. In order to furnish the amount of gravel necessary while this project was in progress, he realized it would be necessary for him to enlarge as well as modernize, his operations with new equipment. Before submitting his bid, he contacted the local banker, explaining his financial loan requirements. The local banker could not furnish all of the money required. However, he immediately got in touch with his large correspondent bank, explained the situation, and in short order the correspondent bank financed a large percentage of the capital needed. The gravel-pit operator got the loan, submitted his bid, purchased the machinery, and was awarded the contract. Because the local banker used his corr

*An address by Mr. Stevenson before the National Instalment Credit Conference sponsored by the Instalment Credit Commission of the American Bankers Association, Chicago, Ill.

spondent bank, this small community benefited. I might add that this particular individual was an exceptionally good credit risk because of his "good pay" reputation and the fact that he was an exceptionally astute business man.

Certainly these two examples point out how valuable a correspondent bank relationship can be from the standpoint of the local bank, the correspondent bank, the customer, and the community.

There are many other examples which could be cited here—because the need for productive tools is general and worldwide. It is no different in this country than anywhere else in the world. Our business men must be able to get the money they need—when they need it—to help them improve their productive capacity. There is no one who will not say that the banker's first responsibility is to protect the assets of his bank! But there is also no one who will say that if you have the facts and it looks like a sound investment, you should not make the loan.

All of these loans for capital goods and productive equipment can be analyzed from four different levels: the national, the industrial, the community, and the individual.

A sound loan will help build the economy and productivity of our nation. It will add to the industrial might of our country and the particular industry being financed. It will build business in the community, provide jobs for people, and keep the business sound and vital. The particular individual being helped will work that much harder to make good because of the confidence placed in him.

It must be clearly understood that I am not describing the no-down-payment or less-down-payment types of loans which are being advertised by some credit institutions today. I think it is all-important that we be concerned about the type of credit being extended. It seems to me that all of us in the business world, whether we be bankers or individuals, have to worry less about financing durable goods which build productivity. I believe that in this productivity lies the strength which has made the country the industrial giant it is today and has made our people's standard of living possible.

Therefore, as a thought, I suggest that you consider changing your criteria on loans to industry and business from the "net worth, balance sheet" method to the "ability to pay, know-how, good management" yardstick. If you will take the time and invest the effort to study the businesses and the business men in your community—give them the sound financial advice and support which people have a right to expect from you—then business will prosper—and I assure you—you will be richly rewarded.

The financing of equipment for the growth and improved efficiency of our productive plants is the obligation of the financial institutions. But I am positive that application of the instalment idea to much of the field is the new horizon of opportunity in banking.

Barret, Fitch Adds

(Special to The Financial Chronicle)

KANSAS City, Mo.—Lloyd M. Mayer has been added to the staff of Barret, Fitch, North & Co., Incorporated, 1006 Baltimore Ave., members of the New York and Mid-west Stock Exchanges.

With Rodman & Renshaw

(Special to The Financial Chronicle)

CHICAGO, Ill.—James M. Peticolas has become associated with Rodman & Renshaw, 209 South La Salle Street, members of the New York and Midwest Stock Exchanges. Mr. Peticolas was formerly with Francis I. du Pont & Co. and Wheelock & Cummins, Inc.

Men, Not Crises, Are Responsible For Type of Government We Have

By HON. BARRY GOLDWATER*

United States Senator (R.-Arizona)

Senator Goldwater's forthright polemic, pinpointing the disturbing trends altering our form of government, charts what should be done to restore and to insure the survival and progress of free government. Asserting that present day crises, stripped of modern trappings, are not any different than the ones from which our heritage of eternal truths evolved and stood the test of subsequent turmoil and crises, the Senator denies that current problems serve as a pretext to change our way of life. Summing up the heart of his theme, he says "the real crisis of our times is in the thoughts and actions of men" and not the crisis itself. Shows how our political-economic system is being ruined and the "dismal consequences" thereof; and encouragingly points out that an informed, alerted public can swiftly restore our heritage if it supports men of courage and principle.

For a generation now—ever since the stock market collapse in 1929—we have been living on the razor edge of a crisis in human affairs. The dangers have come from economic depression and economic boom. They have come from international wars, police actions, and cold wars. They have come from the drastic alteration of our world by science and technology. It is beyond my ambition and capacity to interpret these conditions. I sincerely doubt if the sum total of them is within the grasp of human understanding, notwithstanding the valiant efforts of H. G. Wells, Toynbee, Durant, Lord Russell, and others who have ventured to interpret history and the course of civilization.

Hon. B. Goldwater

Good government alone is a subject of formidable dimensions. All I can promise here are some personal reflections on what disturbs me about trends in the national government.

Are the Old Rules Obsolete?

Profound changes are taking place in the form and practice of American government. Those who are bringing about these changes argue that the revolutionary developments of our times make the old rules obsolete. In their book, anyone who builds the temple of his thought on the foundations of our country is a reactionary.

I think these people are taking liberties with history when they conclude that the crises and revolutionary temper of our times justifies the demolition of our country's foundations.

Have they forgotten that these foundations were laid in revolutionary times? "These are the times that try men's souls," wrote Thomas Paine, when the American system of government was in the labors of its birth. War rocked the Old and the New World. An industrial revolution was at its height. Social relations everywhere were in upheaval.

Thus, turmoil, crisis, and revolution were the conditions pressing upon the men in Philadelphia as they laid the foundations for American government.

In 1856, Lincoln said at Bloomington, Ill.:

"We live in the midst of alarms; anxiety beclouds the future; we expect some new disaster with each newspaper we read. . . ."

The nation was soon to go through the greatest of all crises—civil war—while it was on the eve of revolutionary changes in agriculture, industry, and social relations.

How, then, does it happen that our nation was *formed* in times of crisis, *preserved* in times of crisis, now must be *radically altered* because of what is called the crisis of our times?

While the outward conditions of life have radically changed throughout the years, the basic problems of our times are no different than they were in Washington's times or Lincoln's times. Nor are the eternal truths of human relations and the principles of natural law and good government altered merely because we exchange the horse for the tractor, handcrafts for the machine, gunpowder for the atom bomb, or find the means to probe the depths of the sea and soar into space.

At bottom and with all the trappings of modern times stripped away, the real crisis of our times is in the thoughts and actions of men. Men, not conditions, are responsible for our progress or decay

The Founding Fathers in their wisdom wove the true values of good government into the fabric of the American system.

Lincoln preserved them in the nation's darkest hour.

If this heritage is fated for destruction, it can come about only through the blind and sometimes callous disregard of men for the true values in what constitutes good government.

No definition of good government can describe *The Good Government* which is the heritage of the American people.

Summarizes Eternal Truths

Let me summarize the eternal truths which miraculously were given institutional form by the Founding Fathers.

Spiritual Values. This Nation was founded on belief in Almighty God, whose divine precepts order the affairs of men and nature. In the inspired foundation of the American system, the "unalienable rights of man" were lifted above the caprice of temporal powers and vested in the doctrine of higher law. The dignity and freedom of man is thus inseparable with his creation, as it has been through all time. His duties to God and his fellowmen are grounded in immutable law and individual conscience.

Consent of the Governed. Second in the elements of good government and closely associated with liberty is the idea that government must be with the consent of the governed.

If men do not consent, they are not free; and tyranny prevails. Simple and obvious as this is, it took centuries of struggle and slaughter for the deliverance of man from the power of man.

That the people should dominate the government instead of the government dominating the people stems from antiquity. Solon was renowned for the idea; the Stoics championed it, but in our epoch it was still a radical idea when it became a foundation stone of the American system.

It was embodied in the Constitution in the phrase of the Preamble "We the people . . .", in the limitations on the powers of government which run through that document, and in the Ninth and Tenth Amendments recognizing the reserved powers of the people.

Is this, too, not an eternal principle of good government, valid for all time?

Diffusion of Power. Turn now to the third of the great elements of good government in the American heritage: the diffusion of power in government.

The Founding Fathers knew that at the heart of man's inhumanity to man was the problem of *power.*

From a wide knowledge of history and politics, they knew that the concentration of power—whether in the hands of one (a Monarchy), a few (an Oligarchy), or the many (the Populace)—had poisoned government in all ages.

Oppression by a majority was at least as bad if not worse than oppression by a minority. In Lord Acton's maxim, none is excepted from the rule that "Power corrupts and absolute power corrupts absolutely."

This follows from the overwhelming evidence of history that the possession of unlimited power corrodes the conscience, hardens the heart, and confounds the understanding.

The Constitution Distributes Power. Essentially practical, as every reader of the *Federalist* knows, the Fathers took these eternal truths into consideration in framing the Constitution.

They adopted the Federal form of government to divide powers between the Nation and the States.

They described the powers as "delegated" rather than "inherent" to indicate limitations on powers as well as to retain the ultimate control by the people.

They divided the Federal authority into three branches and the Legislative Branch into two Chambers, each with different tenure and different constituencies. And to make sure of constant change in the body with longest tenure, the Senate has a turnover of one-third every two years. The whole arrangement of powers was made subject to an intricate set of checks and balances.

Always, the ultimate sovereignty came to rest in the people, but even here power was checked. The people were not one organized, coordinated body capable of acting as a unit; but people scattered over many States with diverse interests. They could act only through freely chosen representatives and not en masse in the public square.

But they were protected in their unalienable rights by specific declarations, by what we know as a

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*An address by Senator Goldwater before the George Washington Day Dinner of the American Good Government Society, Washington, D. C., April 30, 1959.

Federal Reserve's Independence And Problems to Be Faced

By J. L. ROBERTSON*

Member of the Board of Governors of the Federal Reserve System, Washington, D. C.

Answering recent AFL-CIO request that labor, as well as consumers and small business, be given a voice in the Federal Reserve, Governor Robertson defends the System's independence and declares such a move might destroy the Fed's effectiveness. Noting the law requires fair representation be given to financial, agricultural, industrial and commercial interest, as well as geographic regional representation, Mr. Robertson asserts representation of special interests (viz.—labor, consumers, big or small business) would interject political or private pressures into dispassionate regulation of money and credit. Besides discussing need to preserve confidence in Board's technical competence and economic statesmanship, the Governor discusses serious problems of unemployment and economic growth without inflation, and speculation in stock market

Washington is an exciting place these days to anyone concerned, as most of us are, with economic conditions and economic philosophies. Congressional Committee hearings held almost daily, are focusing the light of reason and fact on some of the most fundamental issues of our economic life. Along with the testimony of eminent economists and representatives of various private groups, have been statements by government officials setting forth their views on crucial issues. In addition, special investigations by high level committees and commissions are being launched.

James L. Robertson

You are familiar with many of the questions being raised: How can we insure ourselves against the losses and deprivations of unemployment? How can we grow faster? Could we grow faster if we broke up big business and big unions? Are they the cause of rising prices? Will acceptance of creeping inflation solve or complicate our problems? Is there excessive concern about the threat of inflation? Must the budget be balanced? Would the operation of the economy be improved if monetary policy were more subject to direction by the Executive and if the Federal Reserve were made less independent? Would the national interest be served better if the law required labor, consumer, and small business interests to be specially represented on the Board of Governors?

I do not propose to answer all these questions, but each of us must wonder at times what this ferment of economic ideas is all about. Is it the usual situation in Washington at this season or is this something different? It is hard to give a categorical answer. As I view it, the discussion this year is different and goes beyond preoccupation with the immediate economic situation. Even though there is obviously some special interest pleading and some "headline-thinking," there seems to be more provocative questioning of generally accepted doctrine, and more intense and imaginative effort to extend the horizons of economic understanding. In part this ferment may reflect a wider recognition of the Russian challenge to our economic way of life as well as to our leadership in other fields. In this sense the current probing and debate may reflect some hopes, not fully expressed, that we may, by persistent searching, make the kind of breakthrough and progress in the economic field which has become commonplace in the fields of rockets and atoms.

More importantly and more directly, however, these testimonies reflect the age-old conflict of unlimited human wants and aspirations confronted by limited means of satisfying them. These wants and aspirations take many forms, some material, some intangible, and some are inconsistent with others. We want more leisure and we also want the products of more work. We want rapid economic and technological growth but we do not want to postpone the satisfaction of our desires for current consumption. We want more freedom for ourselves but we do not always recognize that this may mean less freedom for the other fellow. We want more defense, more schools, better roads, cleaner rivers, more hospitals and more protection against the risks of unemployment in industry and of weather and markets in farming. Unfortunately, along with these things, which are usually provided by government, we want lower taxes and balanced budgets. We also want prices and living costs to hold still while wages and profits rise. And, of course, we want easy access to credit at low interest rates, and, at the same time, high returns on our savings, as well as safeguards against depreciation in their buying power.

All of these desires—and many more—are not only proper but laudable; in fact, they are the mainsprings of our type of economy. In a country as rich and dynamic as ours, a surprisingly large number of them can be realized if we take them a step at a time and with due recognition (1) that progress has never followed a smooth upward path in our society or in any form of society, and (2) that at each step we are confronted with the opportunity and necessity of making choices. These choices must be made not only among competing goals but also among the means by which common goals can be reached.

Conflicting Advice

Unfortunately, or maybe fortunately, the testimony of the experts on the right choices to be made often points in opposite directions. For example, one well-known economist asserts that creeping inflation, while not desirable, is necessary, and a small price to pay for rapid progress in an economy in which labor unions are able to press their demands beyond the limits of productivity growth. Other equally eminent economists beseech us not to accept this prescription because creeping inflation must result in slower economic progress over the long run, and because the intangible cost of such inflation—its inequitable consequences—is unbearably high.

One witness contends that creeping inflation cannot be the answer to our problems because it tends to undermine the very cornerstone of our capitalistic democracy—the savings of the public. He thinks the real danger is that our people are beginning to expect creeping inflation and, in view of this, further inflation is inevitable unless the monopolistic powers of organized labor are controlled.

Another alleges that "administered prices" are the prime cause of inflation. But his opponents emphasize the importance of the numerous other forces contributing to inflationary pressures, including the strength of demand in the areas in which prices have tended to rise most.

Some of these experts in their certainty that their solution is the only correct one remind me of what my late father-in-law, a Baptist preacher, once said to my own Presbyterian minister: "There is no reason for bad blood between us. We are both doing the Lord's work—you in your way and I in His."

As one who is far less certain about the true economic gospel, I regard as highly desirable the ferment of ideas and the debates and inquiries going on about economic developments and policies, growth and stability, levels of unemployment, and the role of monetary policy. The conflicting testimony of the experts, while at times confusing, is also heartening. Differences need to be brought into the open and freely discussed. It is really only in this way that the public will become increasingly able to differentiate for itself, the technical issues from the personal judgments and biases of individuals—whether they hail from Cleveland, New York City, Washington, or—like me—from our country's focal point, Broken Bow, Neb.

One might wish at times that the presentations of basic issues were more qualified or less blatant, that more precise information could be obtained, and that those wearing the mantle of objectivity were always truly objective. Also it might help if the issues were not so often overdrawn. But then issues do have to be stated clearly, and stands do have to be taken; when a firm stand is taken there is always the fear, I suppose, that qualifications may lead to other qualifications with the result that the issue will become confused or obscured.

It is well to bear in mind, too, that it is not only possible, but perhaps desirable, for "outside" experts and others not charged with policy responsibilities, to stimulate thinking by taking stronger positions than they might take if they were in the decision seat. The consequences would likely be quite different if such positions were taken—and acted upon—by persons charged with responsibility. In that case, the results might not be stimulative but disruptive.

This does not mean that those carrying policy responsibilities should remain silent. On the contrary, it is important that policy officials speak up clearly and let people know where they stand. I would like to do just that with respect to two points, but before doing so let me say, needlessly I am sure, that we in the System have no secret source of wisdom; we, too, must weave our way, taking account as best we can and as objectively as we can, of all the facts and informed judgments we can marshal.

Defends System's Independence

First, let me deal with the complaint that the independent status of the Federal Reserve enables it to follow policies that are contrary to over-all government policy and with the result that economic growth is being impeded. A part of this complaint is that the System's independence is not truly democratic. This reflects some misunderstanding of the System's status.

As everyone knows, the Federal Reserve System is the creature of the Congress and can be changed by it at any time; indeed, changes are made from time to time. Consequently, the System is not independent of government, but merely independent **within** government. It does not function in isolation from the legislative or executive branches of government. Representatives of the Board testify frequently before Congressional committees, and at all levels and with great frequency we are consulting, working, advising, and cooperating with other agencies of government.

Congress created the System because it had been learned by hard experience in this country that money will not manage itself and must be regulated in the public interest. As an agent of the Congress, and with the members of the Board of Governors appointed for long and overlapping terms by the President with the advice and consent of the Senate, the Federal Reserve is the management mechanism that was designed to safeguard and promote the longer-run economic interests of the nation. As such it has functioned effectively, although by no means perfectly, over a very long period. Far from being undemocratic, the Federal Reserve represents a high degree of democratic maturity. It reflects recognition of the fact that in a 20th century industrial democracy, all issues cannot be settled best at town meeting. Appropriately safeguarded delegation is essential to effective government.

Effective regulation of money and credit, as you know, is a complex and technical matter. It requires both continuity and flexibility. Often timing of actions is of the essence; frequently action must be taken before fiscal measures and other tools of economic policy can be brought to bear. In taking action, the System must be above suspicion of political influence or private pressure, and at the same time knowledgeable about both current and long-run economic and financial developments, here and abroad. It needs to be able to be heard above the clamor of day-to-day pressures. It will not be heard unless the country and the world have confidence in its technical competence and its economic statesmanship. Courage to face difficult and unpleasant issues and willingness to act promptly and decisively are important if such confidence is to be earned.

I seriously doubt a System headed up by a Board composed of members deliberately appointed to represent special interests—whether labor, consumers, small business or big business—would square with the requirements of an acceptable money-managing central bank. Each Federal Reserve official must represent the whole public interest—there must not be pulling and hauling between special interests. Benjamin Strong must have had this in mind when, as President of the Federal Reserve Bank of New York, he wrote to himself this reminder:

"Never forget that . . . (the Federal Reserve System) was created to serve the employer and the working man, the producer and the consumer, the importer and the exporter, the creditor and the debtor; all in the interest of the country as a whole."

Now let me turn to a bird's-eye appraisal of the growth performance in this country, for a significant part of the ferment of the day bubbles around this point. It seems to me we hear a great deal about growth but not enough about progress. After all, it is not just rising indexes of economic activity that we are seeking. Progress is more than growth in total output; it relates to issues of quality of living, health, and equity. It must encompass freedom of inquiry, safeguarding of individual rights, freedom of choice of occupation and of decision to spend or save. It should include increasing scope for individual initiative and for innovation. These things, too, are measures of progress even though they are not readily encompassed in percentage rates of economic growth.

Prefers Free Market Decision

In my judgment a society organized, as ours is, on these principles will be able to **sustain** a more rapid rate of growth and progress than a society in which all economic decisions are subject to centralized direction and control, and in which the compulsive power of the state rather than the operation of free markets is the prime source of economic discipline.

Some experts have testified that our problem is chiefly a matter of a faster rate of productivity growth. They say that we must grow at an annual rate of 5%, or some other per cent higher than we have been experiencing. They often go on to demonstrate, vividly, that if we grew at the higher rate, Utopia would be just around the corner.

Except as indicating a widespread desire for rapid improvement in industrial capacity and levels of living standards, controversy about "target" rates of growth is not very helpful to those charged with policy determination. From where I sit it would appear that our goal should be to grow at the fastest rate that can be sustained, with full recognition of our other goals, including maximum freedom of choice for individuals, reasonably free markets for goods and services, stability of prices, and national security.

However, in a dynamic economy, growth will not always be at a uniform pace. Sometimes it will be slow, at other times very rapid. Variations in rates may reflect changing rates of growth in the population, or population of working age, needs for the economy to digest temporarily over-expanded plant or inventory, adjustments to crop failures, the tendency for innovations to come in bunches, adjustment to the changing intensity of foreign competition, and so on. It will never be possible in a free society to force and maintain a predetermined annual rate of economic growth.

Some critics have pointed to the annual growth rate from 1952 to 1958 to indicate a slackening pace of growth. The selection of this period gives a misleading idea of the postwar rate of growth because it takes us from near the peak of a cycle to a recession low. To get a proper perspective of "growth," one must not look only at changes from year to year or even from one cyclical peak to another, but rather at changes over longer periods.

In the six decades from the beginning of this century, a broad sweep of 60 years encompassing intervals of rapid growth and intervals of decline, real product in this country has increased at an average annual rate of about 3%. During the entire postwar period, growth has been well above the long-term average, amounting to approximately 3½%.

This performance of the economy in the postwar period not only compares well with other expansion periods in this country, such as 1900-1913 or 1922-1929, but in fact has been amazingly good. We have had three recessions, but each has been moderate and fairly short lived. Recovery from the 1957-1958 decline has been rapid and has already brought total real product above pre-recession levels and into new high ground. There are many reasons to expect expansion in activity and employment to continue. Ours is still a growth economy and, typically, the high of

*An address by Gov. Robertson before Ohio Bankers Association, Cleveland, Ohio, April 28, 1959.

each succeeding cyclical peak is well above the peak of the preceding cycle. Furthermore, the recovery has been firmly based on rapid growth in productivity. Rising productivity is, of course, the prime source of higher standards of living and a basis for hope that pressures on prices from the cost side can be avoided.

Problems That Remain

At the same time, we must not close our eyes to the fact that economic recovery and expansion to date have not solved some important problems. Unemployment, for example, although down more than seasonally, is still with us, and too much of it is concentrated among those who have been out of work a considerable period. Much of the recession increase in unemployment was centered, as you in Ohio know so well, in areas producing hard goods. An increase in spending for plant and equipment is now under way, consumer expenditures are expanding, and businesses are adding to inventory. This must result not only in increased orders and output, but also in increased employment, in these areas as well as others. Still the problem may not be fully solved and may call for further—perhaps different—public action.

However, serious as unemployment is to the nation and to those directly concerned, and it is a gravely serious problem for them, the longer-term problem of sustainable economic growth without inflation is also serious. The spreading inflationary psychology and the consequent speculative climate—as manifested, for example, in the stock market—are potentially very real threats to sustained growth in general economic activity as well as employment. Rapid short-run increases are of little help if they are followed by substantial declines resulting from over-enthusiastic appraisals of market demands, or too heavy reliance on population growth not yet here, or on assumptions that prices can only go up and never down. Moreover, sustainable growth, with expanding employment, cannot be based on reliance that government action or easy credit will validate imprudent commitments or unwise price or wage decisions.

Economic growth in real terms means increases in output and efficiency. These depend mainly on skillful management, imaginative leadership, responsibility, hard work, open-minded welcoming of innovation and change, ambition combined with ample natural resources, and constantly greater utilization of machinery and equipment. More money can be helpful and at times necessary to facilitate the functioning of these factors, but money alone cannot accomplish the job. Indeed, too much money, artificially induced, will disrupt, rather than facilitate, the efficient functioning of the economy, just as disastrously as will too little money.

Economic history, here and abroad, amply demonstrates that the pace of growth is closely dependent on the amount of investment the economy is willing and able to support. Savings are the primary source of investment funds. It is essential therefore, that the economic climate be conducive to saving and wise investment. The erosion of accumulated savings through inflation and the widening temptation to seek inflation protection through speculative commitments in common stocks, real estate, and the like, endanger the very foundations of growth. There can be no conflict between stability and growth in this sense. We must have one to have the other.

It is on this premise that the present policy of the Federal Reserve is based. That policy is to so formulate and administer our decisions as to help create an environment that is conducive to stability of prices (and hence the soundness of the dollar), in order to maximize **sustainable** growth and genuine economic progress. We are not disposed to chart our course with the shortsighted view of disarming current criticism and possibly gaining a bit of popularity. Popularity should never be a goal of central bankers. Their only goal must be the enhancement of the long-run economic welfare of the nation and all its people—including the generations to come.

Chappell Named for Pres. of N.Y. Bond Club

William B. Chappell, a Vice-President of The First Boston Corporation, has been nominated for president of The Bond Club of New York to succeed Harold H. Cook of Spencer Trask & Co. The election will be held June 5 at the club's annual Field Day at the Sleepy Hollow Country Club, Scarborough, N. Y.


W. B. Chappell

Nominated to succeed Mr. Chappell as Vice-President is Raymond D. Stitzer of White, Weld & Co. The new slate of officers also includes Orland K. Zeugner of Stone & Webster Securities Corporation, nominated for Secretary, and Philip K. Bartow, Jr., of Drexel & Co., for Treasurer.

As new members of the board of governors, the club has nominated Robert H. B. Baldwin, of Morgan Stanley & Co., Robert C. Johnson, of Kidder, Peabody & Co., and David J. Lewis, of Paine, Webber, Jackson & Curtis.

Hill, Darlington Co. To Admit Max Cone

Hill, Darlington & Co., 40 Wall Street, New York City, members of the New York Stock Exchange, on June 1 will admit Max Cone to partnership.

D. I. Webb to Be Merrill Lynch V.-P.

TORONTO, Canada—On May 25 Donald I. Webb will become a partner in Merrill Lynch, Pierce, Fenner & Smith, Incorporated, with headquarters in the Toronto office, 11 Adelaide Street, West.

John Joyce Adds

(Special to The Financial Chronicle)

COLUMBUS, Ohio—George M. Montag has been added to the staff of John B. Joyce & Co., Huntington Bank Building, members of the Midwest Stock Exchange.

With Stranahan, Harris

(Special to The Financial Chronicle)

TOLEDO, Ohio—Richard M. Covington has become connected with Stranahan, Harris & Company, Owens-Illinois Building. He was formerly with Merrill, Turben & Co., Inc.

Now With Hay Inv.

(Special to The Financial Chronicle)

ZANESVILLE, Ohio—Keith F. Knight is now with Hay Investment Company, First National Bank Building. He was formerly with W. E. Hutton & Co.

Sloan, Rodetsky Partner

JERSEY CITY, N. J.—On May 7th, Irving B. Waldman will become a partner in Sloan, Rodetsky & Co., 26 Journal Square, members of the New York Stock Exchange.

From Washington Ahead of the News

By CARLISLE BARGERON

It's getting more and more difficult to tell what makes men great. We have been reading the encomiums heaped upon Harry Truman upon the occasion of his 75th birthday.


Carlisle Bargeron

He will take his place in history, speaker after speaker said, because he could make bold decisions. Cited were his Truman plan by which he poured money into Greece. This saved, it is said, Greece from the Communists.

I can say this, his action didn't look bold at the time. The truth is that Mr. Truman was planning a Caribbean vacation. On the eve of his departure Paul Porter, former New Dealer and now practicing law in Washington, came back from Greece as the head of a mission. He reported that Greece was going to the dogs. He suggested a grant of $500,000,000 which was mighty big money for Paul to be talking about.

It was annoying to Mr. Truman just as he was headed on a vacation trip. So making a bold decision, he said all right. Overnight the propagandists made his action the Truman doctrine. Up until that time Mr. Truman had been considered just an ordinary President. But now he awakened to the fact that he was a world statesman.

A few months later General Marshall, then Secretary of State, was called upon to make a speech at one of the eastern colleges. It was a very ordinary sort of speech. In the course of it he said that we all wanted European recovery and would be inclined to help those nations which helped themselves.

An ordinary person would have to have been very keen to read any significance into the speech. But much to the surprise of Marshall himself the propagandists began to play it up as the Marshall Plan for Europe.

We began pouring money into the rest of Europe and since that time we have given away billions, I think the total is somewhere near $50 billion. The end is not yet.

Truman as President, of course, soon began to get the credit for this plan. And instead of the plain ordinary man that he had been pictured before, he was now hailed as a man of vision. Not so much so, however, that it was not generally expected that he would be defeated in 1948 and would have, had Dewey not been so cocksure.

His campaign that year was not that of a man of great vision or of a world statesman. It was the campaign of a ward healer, using all the demagoguery in his book. Yet he won.

Franklin Delano Roosevelt was a great man because he carried us to war, one that we will be paying for the rest of our lives. Somehow men of peace never attain greatness.

To my mind Grover Cleveland was a great President, but does he rank with Roosevelt and Truman. No, because his administrations, two of them, were peaceful.

Woodrow Wilson is looked upon as a great President. He led us into war, the first excursion we ever took into European politics. And we will never hear the last of it. Lincoln, of course, is the immortal because he was the President during the Civil War.

The lesson is plain. If a man elected to the presidency wants to go down in history the thing to do is to get us into war. You never hear of old Calvin Coolidge, yet the country never lived so peacefully and so prosperously. The greatest tragedy to my mind is Herbert Hoover, one of the truly great men of this country but a completely discredited President.

Everybody likes Harry Truman and the good time he is having going about the country nipping at the Republican Party, giving them hell as he expresses it. But of the two living ex-presidents, he doesn't hold a candlelight to Hoover.

Bond Club Stock Exch. Makes Offering

The Bond Club Stock Exchange, which operates once a year in conjunction with The Bond Club of New York's annual Field Day, is making its 1959 offering of 2,500 shares, priced at $10 a share. According to the offering circular, distributed to Bond Club members, the shares are cleared for "blue skies" on June 5, the day of the outing.


Robert M. Gardiner

Robert M. Gardiner, Reynolds & Co., is chairman of The Bond Club Stock Exchange committee.

Jens K. Schanke Now With J. F. Reilly Co.

J. F. Reilly & Co., Inc., 39 Broadway, New York City, announce that Jens K. Schanke is now associated with them. Mr. Schanke was formerly with W. C. Pitfield & Co., Inc.

H. G. Barnard Jr. Is W. C. Langley Partner

W. C. Langley & Co., 115 Broadway, New York City, members of the New York Stock Exchange, have announced that Henry G. Barnard, Jr. has been admitted to general partnership in the firm.

Joins Keller & Co.

(Special to The Financial Chronicle)

BOSTON, Mass.—Jerald L. Kafker has joined the staff of Keller & Co., 31 State Street.

Need for Trade Liberalization Cited by a U.S. Businessman

By H. J. HEINZ, II*

Chairman of H. J. Heinz Co.

Industrialist, economist and governmental international representative analyzes U. S. and European policies needed for trade liberalization. Asserts American policy must become more persuasive and expansionist. Urges we (1) develop brand new legislation to follow expiration of Reciprocal Trade Agreements Act; (2) become more active in OEEC, and (3) initiate joint programs within Atlantic Community to accelerate development of the less developed countries.

I would like to give you the reactions of an American businessman towards the GATT, the OEEC, the Common Market, the proposed Free Trade Area. Then, I shall briefly outline what, as far as I can see, should be the U. S. and the European policies if we wish to achieve trade liberalization in an Atlantic context, and what would be the implications for the "under-developed countries." As for GATT, I am glad to state in the presence of Eric Wyndham White, that the U. S. Council and the ICC have become progressively more and more appreciative of the work accomplished by the GATT. We highly value the performance of the last ten years under his direction by the small staff of that agency. It is good that there should be a nearly universal body where trade problems are frankly discussed, complaints examined, an improved *modus vivendi* sought. The annual reports on "International Trade" prepared by GATT's secretariat are unique and they are indispensable for all of us engaged in international trade; and the so-called "Haberler Report" issued by GATT last fall has been widely and justly read and discussed. When the question of making GATT *permanent*, under the new set of initials: OTC, the U. S. Council and certain other business organizations in the U. S. have made the cause of the Organization for Trade Cooperation their own. Unfortunately, our Congress has not yet seen fit to give its blessing to that act of appreciation of the past and of faith in the future performance. Still the GATT valiantly continues its good work and may it long be doing just that!

H. J. Heinz, II

The OEEC is a child of the will of Europeans to work out together their economic salvation—and of the Marshall Plan. We in American business are fond of that organization and believe that it is indispensable to the welfare of both Europe and the West—perhaps for the under-developed countries as well.

The European Economic Community has received an early and emphatic blessing from both the U. S. Government and our public opinion. Unlike the OEEC, however, this approval rests on essentially *political*, not economic foundations. Inducing Franco-German reconciliation is in the interest of Western unity and of world peace. Economically, any regional organization *can*, in practice, become a "bloc"—and like most people we are apprehensive of blocs of which we are not a member. Also we have, as you know, an aversion to discrimination, especially when it is directed against us! But, having endorsed "Little Europe" for political reasons, we, the businessmen of this country, find consolation in two lines of economic consideration: in the first place, we think of the vast market, free from trade restrictions of all sorts, and we feel that in the long haul this market may absorb more, not less, U. S. exports than did its component countries, owing to the rise of living standards and capital investment which regional free trade is likely to bring about. In the second place, as foreign investors rather than as exporters, we think of expanding outlets for American capital investment in the Common Market.

U. S. and the Common Market

Yet, when all is said, there is an element of truth in what some wit once remarked: "The United States will be in favor of the Common Market . . . until it starts functioning." It is important for us—and for the other trading nations of the world too, even for the "Six" themselves, that the Common Market should *not* become a protectionist bloc. I realize that it is not supposed to turn into one under the terms of the Rome Treaty; yet probably no businessman in this country has read and studied in every detail that voluminous Treaty, and we all know that things which are not supposed to happen, often do happen nonetheless. The establishment of a broad Free Trade Area would be helpful in averting this danger.

The concept of a Free Trade Area did indeed fire our imagination over here. I need not tell you that the words "Free Trade" are almost "fightin' words" in the United States. Yet the idea appealed to us that the OEEC nations might turn into a vast area free of tariff barriers and of import quotas, especially because the basic concept would *not* be directed against the rest of the world.

The Common Market we accepted, as I said a moment ago, for political reasons which to us seem overriding; also we felt that we could adust ourselves to it without too much difficulty. Similarly we thought we could adjust ourselves to the conditions brought about by the creation of the Free Trade Area. We also recognize the possibility of discrimination against us by all the 17 countries of the OEEC. To this we would have to adjust by making some basic policy changes of our own; it would be unfortunate if these policies had to be purely defensive. Furthermore, to those who attach great importance to the concept, however vague, of an Atlantic Community, the proposal of an F. T. A. appears to bring the whole thing a good deal nearer.

As the unhappy, acrimonious debate between France and the United Kingdom unfolded in Paris last fall, the U. S. Government appeared to have adopted an attitude of a friendly "big brother," much as some of you might have wished for us to be less aloof. As of now the project appears to be, if not dead, at least in a position of decent obscurity. Meanwhile, France is putting its economic household in order through bold financial and monetary reforms which, to our sincere satisfaction, seem to be off to an auspicious start, and I, for one, hope that some kind of Free Trade Area negotiations (under whatever name) may be resumed later this year. We would hope for a continuation of the spirit of cooperation innerent in OEEC this past decade.

I am convinced, as is a goodly number of my fellow citizens and in particular, of my fellow-businessmen, that the foreign economic policy of this country must become more progressive and expansionist than it has been in recent years. This is, admittedly, but should not have to be, a highly controversial subject. But we are only too often accused of lecturing our foreign friends and not ourselves and I propose, for once, not to fall into that error. We must be constantly aware that the future of Atlantic economic cooperation does largely depend upon U. S. actions and policies.

We Must Continue Our Efforts

Up till now, we have done our best in the field of foreign aid. This is of vital importance and I hope we shall continue it. But foreign aid alone is not sufficient. The keystone of our foreign trade policy, since 1934, has been the Reciprocal Trade Agreements Act which has been renewed and amended many times. The basic idea is excellent. Many of the renewals, especially the more recent ones, are less commendable. The *most* recent of these, of June, 1958, allows the U. S. Government to negotiate, within the GATT framework, tariff reductions up to 20% over a four-year period, subject to the limitations of the "peril point" provisions (prior to the negotiations) and subject to the "escape clause" being invoked thereafter. "Escape clause" action, by the way, has been unduly broadened by the 1958 legislation. In my opinion, the U. S. Government now has entirely insufficient bargaining power in international trade matters. This is certainly *not* in the interest of American business. Some experts for whom I have high regard question the wisdom of having a new (and cumbersome) round of tariff negotiations under GATT when the U. S. has so little to offer—and on so uncertain, reversible, terms. These negotiations have, however, been decided upon, or so I gather, and we shall see what comes out of them.

As you are doubtless aware, protectionist "lobbies" have not been idle in the U. S. all these years—nor have they been entirely unsuccessful. Yet it should be noted that "freer trade" sentiments have been growing, too. They were particularly high in 1952 and 1953; afterwards, liberal trade forces concentrated, too exclusively perhaps, on the promotion of the OTC—the permanent GATT. But the American press had been consistently active and aggressive in this field of trade liberalization, some have gone as far as to advocate a policy of outright free *(not freer!)* trade and even suggesting the abolishment of the Tariff Commission. Personally, I wonder if I should go quite as far as that—but I should welcome, and fight for, a policy far more efficacious than the latest version of the RTA. My reasons are the following:

U. S. Support Vital for "Free Trade Parade"

Today the West must be economically strong for its own sake. At the same time it must effectively assist the further economic development of vast areas of the Free World, therefore, the freest possible trade within the widest possible part of the planet is essential. In my opinion the best approach is through the Atlantic Community to which I have already referred. But this calls for certain prerequisites; the common outside tariff of the Common Market must be as low as possible, lower in the longer run, than the schedules of the Rome Treaties. This can only happen if the Rome Treaty schedules are negotiated downward, and they can only be so negotiated if the U. S. undertakes the negotiating and has an attractive *quid pro quo* to offer. A Free Trade Area must come in—to being thereby bringing new and desirable solidarity among the whole membership of the OEEC (whatever the final name may be). Here again the United States and Canada (if I may add) have an important role to play. They are "Associate Countries" of the OEEC—which is *not* the role of mere observers (as the Canadians better realize than we do in the United States). Whether these two "Associate Countries" should—or could—become full members of the organization is a debatable question but needs immediate thoughtful exploration. What I would emphasize emphatically is that there are ways, there must be ways, of making our associate memberships more effective and more useful than they have been in recent years. I speak in this connection, particularly of the U. S. Also—and this point too needs making—while the members of the Free Trade Area were not supposed to have a common outside tariff, their national tariffs could be negotiated downward just as the common tariff of the "Six." Again much—maybe all—depends upon the willingness and the ability of the United States to lead the "Freer Trade Parade." I greatly fear that failing this we shall witness the withering away of the European impetus towards liberalizing international trade, rather than its extension and consolidation.

What then should the U. S. do about it? I should suggest the following elements of a realistic and constructive program:

(1) To create new concepts for legislation to be approved in June 1962 upon the expiration of the present version of the Reciprocal Trade Agreements Act. This would give the Congress elected in 1960 about 16 months in which to prepare and air these new ideas and subsequently adopt the necessary new legislation.

(2) To revise the policies pursued by the United States within the OEEC so as to make our participation more effective in that Organization and at the same time to explore the implications of full membership.

(3) To initiate joint programs within the Atlantic Community to accelerate economic development of the less developed countries.

You will see readily enough that the above is not a program of specific action; it is an outline of fundamental objectives. Action must be not America's alone, but equally that of our Atlantic friends and, indeed, of our *non*-Atlantic friends. For, and this is an important point to make in closing, the movement for freeing Atlantic trade—which I am strongly endorsing here—is not any kind of "ganging up" of the industrial countries of the West. Far from it! The strengthening of economic ties among Atlantic nations will make it possible to promote all the more effectively true partnership for economic growth between the more advanced and the less advanced countries of the Free World, thereby promoting human welfare, individual dignity and international peace.

*An address by Mr. Heinz before the International Chamber of Commerce, Washington, April 25, 1959.

To Debate European Economic Integration

NEW YORK CITY—European economic integration prospects and consequences will be expertly scrutinized by an English, French and American economist Friday Evening, 7:45 p.m., May 15, 1959, at the Remington Rand Auditorium, 315 Fourth Avenue, New York City.

The three oppositionary economists will be brought together by the Metropolitan Economic Association of New York for its fourth and last meeting of the year. Elections for the coming 1959-1960 academic year will also be held.

In view of concern expressed about the U. S. A. gold-outflow, the future acceptability of the American dollar, the pace of American investments behind the trade-protected walls of a common market, and the economic division in the NATO Atlantic Community caused by ECM, this meeting should prove to be of interest to most economists in industry, business and universities.

Economists' Background

Presenting the British position will be Mr. Richard Miles, Economic Affairs Director of British Information Service and until recently was in close touch with European Common Market discussions and frequently attended OEEC meetings in Paris; Dr. Paul Alpert, French Civil Servant, writer, and Professor of Economics at New York University since 1947, will review the French position; and Dr. William Diebold, Jr., Director of Economic Studies, Council on Foreign Relations, author of definitive study "Trade and Payments in Western Europe" will give the American view of the facts and issues.

Proposed candidates for office in the Metropolitan Economic Assn.'s forthcoming year are: *President*—Norris O. Johnson, Vice-President, First National City Bank of N. Y.; *Vice-President*—Emanuel Stein, Professor and Head of New York University's Economics Department; *Secretary*—Bruno Stein, on the faculty of New York University; and Benjamin Klebaner, on the faculty of City College of New York.

The outgoing officers are: President, Robert D. Leiter, Professor of City College of New York and Secretary and Treasurer Harold B. Ehrlich, staff member of the research department of McDonnell and Company.

Taff Underwriting Mgr. For Sprayregen Co.

Conrad Taff has become associated with Sprayregen & Co., 26 Broadway, New York City, members of the New York Stock Exchange as manager of the underwriting department.

Fusz-Schmelzle Names Three Officers

ST. LOUIS, Mo.—Fusz-Schmelzle & Co., Inc., Boatmen's Bank Building, members of the New York Stock Exchange, have elected Richard A. Schmelzle, William C. Bastunas and Charles M. Peltason Vice-Presidents.

Join Preferred Secs.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Irving J. Niemuth and A. Keith Reed have joined the staff of Preferred Securities, Inc., Boston Building, which is continuing the securities business of Shaiman & Co.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg.—Harry E. Moore has joined the staff of Waddell & Reed, Inc., 1220 Southwest Morrison Street. He was formerly with Donald C. Sloan & Co.

Growing Role of Monetary Fund

By PER JACOBSSON*

Managing Director, International Monetary Fund
Washington, D. C.

This portion of Mr. Jabobsson's address (cf. April 23 issue of *Chronicle* for first portion) deals with the evolving role of the Fund and success in foreign exchange crises, new quota's advantages, and changed public attitude toward inflation. The former Bank for International Settlement's economist stresses that the Fund's concern about international trade expansion extends to measures taken by individual countries to correct balance of payment difficulties; finds various governments prefer Fund's stabilization planning to that done by other countries' representatives or by private credit institutions; comments on Fund's ability to prevent serious foreign exchange disruption during Suez crisis; notes shift of Fund's activities from Western Europe to other parts of the world; and is gratified monetary stability is becoming acceptable and inflation unacceptable as a basis for sustained growth.

In the second section of Article I of the Fund's Articles of Agreement it is said to be the purpose of the Fund "to facilitate the expansion and balanced growth of international trade, and to contribute thereby to the promotion and maintenance of high levels of employment and real income and to the development of the productive resources of all members as primary objectives of economic policy." The expansion of international trade is, however, to such a large degree a product of what happens in individual countries that the Fund cannot be uninterested in the policies pursued and the steps taken to promote economic growth within each individual country. The Fund must also be concerned with methods of financing of investment, for inflationary methods soon lead to deficits in the balance of payments, and thus to the need of taking measures to correct maladjustments in the balance of payments.

Per Jacobsson

It is an opportune moment now to review these problems, for many of them are foremost in men's minds, and there is a great and growing eagerness to find the proper basis for growth combined with monetary stability. In the year that has passed, the Fund has continued to be actively engaged in the discussion both of some of these general problems and of the problems of individual countries.

As far as the year's transactions are concerned, an interesting feature has been that many countries have been able to repay in a relatively short time amounts drawn earlier.

During the 12 months from April 1, 1958, to the end of March, 1959, total repayments to the Fund reached $537.3 million, while drawings in the same period came to $262.9 million. The fact that repayments exceeded drawings is further evidence of the revolving character of the Fund. It should, however, be added that at the end of March, 1959, the Fund's commitments under stand-by arrangements amounted to $1,157.3 million, and these contingent liabilities of course affected the Fund's liquidity position.

Emphasis Shifted From Europe

The improvements in Western Europe have shifted the emphasis for the Fund's financial activities more and more to other parts of the world. In the 12 months' period mentioned above the Fund extended financial assistance, including the renewal of stand-by arrangements, to 13 countries in Latin America, and to seven others elsewhere. Two transactions of particular interest were those with Turkey and Argentina, since they were associated with comprehensive stabilization programs, and supplemented by substantial credits obtained from other sources.

The program which the Turkish Government presented at the same time to the Fund, to the OEEC, and to the U. S. Government, included far-reaching fiscal, credit and exchange measures. From the Fund, Turkey obtained a drawing of $25 million, the OEEC countries agreed to grant credits for the equivalent of $100 million, and U. S. agencies furnished $234 million. Moreover, the Turkish Government, through the assistance of the OEEC, was given the opportunity to renegotiate with its OEEC and U. S. creditors the schedule of repayments of its short- and medium-term debts which were falling due in the years 1958 to 1962. These negotiations are now nearing successful conclusion. The facilities which Turkey has obtained from various sources will help it to proceed with a balanced development program in conditions of internal price stability. They should also enable Turkey to dispense with the complicated bilateral trade and payments arrangements which for years have led to harmful distortions in its trade and production.

In December, 1958, the Government of Argentina presented to the Fund a comprehensive stabilization program which included fiscal and credit measures to bring inflation to a quick end. The stabilization program also included a far-reaching reform of the exchange system. All controls on trade and payments were removed and a single unified exchange market was established which, for the time being, would permit the peso to fluctuate in response to market forces. In support of this program, Argentina obtained a stand-by arrangement from the Fund for an amount of $75 million; a stabilization credit from the U. S. Treasury of $50 million; balance of payments loans of $103.5 million from the U. S. Export-Import Bank, the Development Loan Fund, and United States banks; and development loans of $100 million from the U. S. Export-Import Bank. Moreover, the European countries cooperated to release Argentina from certain commitments under the Paris Club arrangements which were not consistent with the establishment of a free exchange market.

I also want to make special reference to a recent transaction with the Government of Mexico. Early in March, Mexico obtained a six-months stand-by arrangement from the Fund for an amount of $90 million. At the same time the authorities adopted measures in the budgetary and credit field, and reiterated their irrevocable decision to maintain the stability and convertibility of the Mexican peso. The resources made available by the Fund together with a credit of $100 million from the Export-Import Bank, also announced in March, $75 million already available as a Stabilization Credit from the U. S. Treasury, and Mexico's own foreign exchange reserves increased the international financial resources at the disposal of the Mexican authorities to $625 million and thus contributed to increased confidence in the Mexican peso.

During the past year the Fund continued its consultative and technical assistance relations with its members. Consultations under Article XIV of the Fund Agreement have taken place within 34 countries during the past year—with members to be found in all parts of the world, and including countries in all stages of economic development. These consultations, generally carried out by missions from the Fund in the member countries themselves, have proved to be one of the most important links between the Fund and its members. The member governments themselves have increasingly come to appreciate the value of the opportunity given by these consultations to exchange views on their policies with the Fund.

Fund's Technical Assistance

The Fund does not have a specific program for technical assistance, but technical assistance of one sort or another is involved in a large part of the Fund's work. However, at the specific request of the member governments, staff members of the Fund visited over 16 countries in the past year to provide technical assistance in such fields as central bank and exchange policy and administration, budgetary control, monetary and financial statistics, and the like. The Fund's annual training program has also been welcomed by the Fund's members; in 1958 government and central bank officials from 41 countries participated in the program.

In the first two years of the Fund's existence, there were quite a number of transactions mostly with countries in Europe, but then for a number of years, while sterling area and Latin American countries had quite substantial cash balances accumulated during the year, and while a large part of Europe received Marshall Aid, there was relatively little need for countries to turn to the Fund. But such a need suddenly arose in connection with the Suez crisis, which primarily affected sterling. Nobody can tell what the consequences might have been in this emergency, not only for sterling but for other currencies, had not the International Monetary Fund in December, 1956, been able to grant financial assistance to the United Kingdom for a total amount of $1.3 billion by way of a drawing and a stand-by arrangement. In the following years, especially at the height of the boom, when loanable funds became scarce — but also in the subsequent recession—the Fund continued to receive many requests for assistance. Since the beginning of its operations, the Fund has made available about $4.2 billion, of which approximately two-thirds has been provided since the autumn of 1956. Let me add that out of 41 stand-by arrangements 29 have been with countries in Latin America.

Thanks to the efforts made in the individual countries (helped in several cases by general market developments), and to timely assistance by the Fund, it has proved possible to avoid any serious disruption in the foreign exchange structure, and also to take some important constructive steps. The experience in recent years has shown, more and more clearly, the role that the Fund can play as a center for monetary cooperation.

Enlarged Quotas

The U. S. Government took the initiative at the Annual Meeting in New Delhi in 1958 to propose an enlargement of the resources of the Fund and of the World Bank. At this meeting a resolution was adopted instructing the Executive Directors to work out a detailed proposal for an increase in quotas, if an enlargement of the resources were found by them to be desirable. The Executive Directors recommended that quotas should be increased, and transmitted a detailed report to the Board of Governors on Dec. 23, 1958. By Feb. 2, 1959, the Governors had practically unanimously approved resolutions giving effect to the proposals of the Executive Directors. It is now for each of the member countries—normally after authorization by its parliament—to decide whether it will take up the proposed increase in its Fund quota. For the enlargement to become effective, countries representing at least 75% of total voting power (before the increase) must give their consent. It is expected that this percentage will be reached by September 15, this year, i.e., before the next Annual Meeting of the Fund and Bank, which will be held in Washington beginning Sept. 28. Two countries have already notified the Fund that they have agreed to the increase in their quotas, and legislation has been adopted in the United Kingdom and is near adoption in the United States, and I understand that many other countries are taking active steps to enable them to consent.

While the general increase in Fund quotas was fixed at 50%, 17 countries requested special additional increases, to which the Board of Governors has agreed; and the opportunity has been given to countries with very small quotas, many of whom are here in Latin America, to accept appreciable increases. If all the countries consent to the increases proposed, the Fund's resources will be enlarged by $5.8 billion, including gold payments of about $1.4 billion; in fact, the Fund's holdings of gold, and of the six currencies which have been drawn upon in recent years, will be increased by 75%. In considering the need for increasing the Fund's resources, account was taken of the fact that in the last decade the volume of world trade has nearly doubled. And since 1944, when the Fund's quotas were first determined, the general level of prices in terms of dollars has risen by at least 50%, so that the increase now on the way will not do much more than restore in real terms

Continued on page 16

*This is the concluding portion of Mr. Jacobsson's address before the Economic and Social Council of the Unite Naitons, Mexico City, April 9, 1959. The first portion was published in the April 23rd edition of the *Chronicle*.

THE MARKET . . . AND YOU

By WALLACE STREETE

Stocks were irregular more times than not this week with the long-powerful electronics finally bumping into some persistent trouble. What demand was around was pin-pointed most on quality issues.

* * *

Du Pont, for one, was persistently bought and the issue that last week erupted to its all-time peak after finally bettering the 1955 high was able to expand its breakout by a handful of points. It was of important help to the industrial average which was hovering around its historic peak despite the ragged spots that showed up through the list.

Motors Attain Limelight

Chrysler was able to make a showing on the list of 1959 highs, which was also better than anything seen last year, but still had a long way to go before tackling the 1955 high when the issue sold above par.

* * *

Ford was also in occasional demand and sold above 70 at best. The issue also reached that level briefly when the shares were being distributed publicly early in 1956, but it was an unofficial counter-market price and this week's high was the best since it has been listed. That two of the Big Three of autodom could share the limelight was definitely a new note.

Space Age Complications

Some of the chagrin in the space age group stemmed from an Air Force announcement that indicated liquid hydrogen rocket fuels were the "ultimate" ones for maximum power. And it chilled the companies prominent in the boron fuel picture which had been given a good play up to here. The electronics themselves were easy without too much specific in the news, the case here seeming largely one of finally running out of steam.

* * *

Some of the uncertainty in the general market was generated by fears of new restrictive actions by the Federal Reserve, but the board, after weighing various technical tightening-of-credit rules since March, adopted them pretty much as they had been proposed. Most market observers expected them to have little influence on the market's trend. This view stemmed principally from the fact that the FRB did not tighten the substitution rule which permits a shareholder to switch from one company to another without applying any of the proceeds of the sale to reducing his debt. Originally the Fed had proposed that half the proceeds of any sale be applied to reducing the debt but the rule as adopted merely sets forth that the sale and purchase be made the same day.

Oils and Aircrafts Indecisive

Oils that had showed signs of some demand for the first time in a long while settled down to indecisive behavior again this week, which was pretty much the same pattern followed by the steels as negotiations to head off a mid-year strike got underway seriously. Reports that steel users weren't having much success in building up their inventories to tide them over in the event there is a strike were shrugged off by the market. Aircrafts which, like the oils, had shown some selective favor for the first time in a long while, also settled back into obscurity for the most, with Martin Co. afflicted by a bit of profit-taking after it had raced to a new peak for the year.

* * *

The low-priced issues weren't providing many features even though some of the better-grade items in this section are still widely favored for better action eventually, particularly where, as in American Radiator, the basic picture is encouraging. American was hard hit by last year's recession, but is a leader in the field and should show a good comeback as housing continues to pick up. Moreover, where yields are largely meaningless in some of the blue chips that have soared so far for so long, some of the low-priced items with merit show returns from a comfortable 3¼%, as in American, to 5% in Foremost Dairies, third largest operator in the dairy field.

A Glamor-Less Value

Some other yardsticks were also being unfolded to find issues where value was still apparent, one being the times-earnings measuring rod. Mesta Machine at less than 10-times earnings was one such where the glamor stocks are at 40 and 50 or more times earnings. This supplier to the steel industry was able to hold profits up well last year although its backlog dwindled as the steel industry cut capital spending during the recession. New orders started to pick up late last year, prompting the company to predict flatly that 1959 will be a "satisfactory year." Mesta also meets the yield test, too, since its return at recent prices has been nearly 6%.

* * *

Utilities were rather stagnant for the most so it came as a surprise to find one financial service choosing ultra-conservative Boston Edison as its "stock of the month." In part the attention was attracted by a new rate increase bid which came only a year after an earlier increase had been authorized. The regulatory authorities had ruled the company was entitled to a 5½% return while the return at the end of last year was only 4.8%, so there are high hopes the higher rates will be authorized.

* * *

Like some other quality utilities, the return on Boston Edison, which definitely is an investment grade situation, is an above-average 4½%. And with an increase in earnings of possibly 20% if the new rate schedule is approved, the company is something of a candidate for a higher dividend than the $2.80 payout which has been in effect without change for a decade.

* * *

American Viscose is also a candidate for a better dividend, the hopes even higher here since management has indicated a good possibility of returning its payment to the old, $2 rate in view of expectations of half year earnings at $1.40 or $1.50 and some estimates that the full year results might reach $5. This would compare with $2.83 last year which prompted reduction of the quarterly dividend to 25 cents from 50 cents.

* * *

The continued pickup in carloadings by the railroads, particularly in steel, was offset mostly by doubts of how they would fare if there is a steel strike, and the shares have been far from being pacesetters in the market although they continue to offer far higher yields than prime industrials. Such a well known issue as Santa Fe offers a return of 5% despite making impressive showings so far this year, the first quarter net nearly doubled over last year. This, too, is a candidate for a better yearend dividend if earnings move above $3 a share, against $2.51 last year. Of this $1.45 was paid out including a 25-cent year-end extra.

* * *

Steels, too, were held down by the strike threat and fears that new orders will drop and give the companies a hard time in the second half of the year if a strike is averted. Even such a leader as Bethlehem Steel at recent levels offered a return of around 4¾% despite reporting both earnings and new orders doubled for the first quarter of the year.

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

Continued from page 15

Growing Role of Monetary Fund

the original endowment of the Fund. The real significance of the increase is not so much in the increased capacity of the Fund to meet now foreseeable needs, but rather in the evident reinforcement that it will give to the second-line reserves available to countries which may find themselves in temporary balance of payments difficulties, especially in times of emergency which by their very nature cannot be foreseen. The very possibility of access to the Fund's resources on a more substantial scale than before should give members more confidence, and may indeed encourage them to move faster toward achieving the purposes of the Fund than if they had to rely on their own resources alone. For this reason the benefits which the Fund can provide are by no means limited to those countries which have sought or may seek assistance from the Fund. Other countries are also bound to profit, since there is a general interest in the financial rehabilitation of countries in difficulties, and in the establishment of a properly functioning international monetary system.

Success in Stabilization Programs

The Fund is not designed to take over such tasks as are properly carried out by the private banking system or the monetary authorities in the various countries, but to provide supplementary reserves in order to strengthen the general financial structure. Experience has shown that there are certain situations in which the private credit institutions in various countries cannot be expected to do the work that is needed. These institutions would find it difficult, not to say impossible, to cope with the strains of an acute emergency such as that of the Suez crisis, when substantial sums have to be provided promptly and at a considerable risk. In emergencies of this sort, the Fund's assistance may well be indispensable in preventing a crack in the exchange structure. Moreover, when a country is clearly in such an unbalanced position that radical measures are required to restore equilibrium, private banks may properly be deterred by the risks involved in granting it further credit facilities. In such situations it is only if a comprehensive program is adopted and put into effect that the risk will be reduced; and private institutions are not in a position to negotiate such programs. Experience has shown that the Governments in the various countries are more willing to discuss and work out stabilization programs with officials of the Fund than with representatives of other countries or of private credit institutions. While the Fund, therefore, often takes a leading part in working out effective stabilization programs, and also makes available resources to strengthen the reserve positions, the amounts thus obtained are often supplemented by resources from other agencies under what has been called "parallel arrangements."

Alongside the granting of financial assistance and other specific tasks, the Fund has the duty to consider general monetary developments with a view to promoting international cooperation which will combine exchange stability with a balanced growth of world trade. In carrying out this task the Fund will have to maintain close contact with the authorities in the various countries, and with other international organizations; I am happy to be able to report that the member countries continue to show great willingness to work with the Fund and to strengthen its effectiveness; this attitude has been reflected in the decision to increase the Fund's resources.

Gratifying Change in Public Attitude

Although great progress has been made in recent years, many difficult monetary problems remain to be solved. The most gratifying aspect of present-day developments is the public's dislike of inflation, and the more general realization of the importance of monetary stability as a basis for sustained growth. Who wills the end must also will the means; and after years of inflation, stability can generally not be attained without a period of strain, or even a period of austerity. These difficulties may be mitigated by foreign assistance, but they cannot be wholly eliminated; however, once confidence has been restored, the basis is laid for more solid progress to the advantage of all sectors in the population. In varying degrees all countries have to accept some inconveniences and sacrifices to gain the very real advantage of a good currency, and in the midst of conflicting interests it is often difficult to decide what are the proper lines of policy. Very serious thought is being given to these questions, and it is impossible not to be impressed by the knowledge and wisdom, the courage and determination, with which the central banks and other monetary authorities all 'round the world devote themselves to their difficult tasks, and by the change in public opinion which has made it possible for the authorities in a growing number of countries to pursue effective credit and fiscal policies.

Joins S. Romanoff

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, Mass. — Nathan M. Rosenthal has joined the staff of S. Romanoff & Co., 340 Main Street.

Gilligan, Will Partners

John H. Coen and James M. Gathercole have become partners in Gilligan, Will & Company, 123 Greenwich Street, members of the American Stock Exchange.

With Empire Inv.

(Special to THE FINANCIAL CHRONICLE)

LAKEWOOD, Colo.—Sidney C. Baker Jr. has been added to the staff of Empire Investment Company, 1480 Hoyt Street.

Jack Dusapin Adds

(Special to THE FINANCIAL CHRONICLE)

BOULDER, Colo. — Walter J. Kohlberger has been added to the staff of Jack Dusapin, 506 Juniper Avenue.

Joins Huey Staff

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Lumis E. Beran has become affiliated with L. A. Huey Co., Equitable Building.

Joins Hornblower Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Richard H. Tourville, Jr. is now with Hornblower & Weeks, 134 South La Salle Street.

With Goodbody & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—John T. Williams has become affiliated with Goodbody & Co., 1 North La Salle Street.

With A. E. Weltner Co.

KANSAS CITY, Mo.—Elmer L. Priest has become connected with A. E. Weltner & Co., Inc., 21 West 10th Street.

UNION PACIFIC RAILROAD COMPANY

UNION PACIFIC RAILROAD

SIXTY-SECOND ANNUAL REPORT — YEAR ENDED DECEMBER 31, 1958

REPORT OF THE BOARD OF DIRECTORS

New York, N. Y., April 30, 1959.

TO STOCKHOLDERS OF UNION PACIFIC RAILROAD COMPANY:

The Board of Directors submits the following report for the Union Pacific Railroad Company, including its Leased Lines,* for the year ended Dec. 31, 1958.

CONDENSED STATEMENT OF INCOME

	1958	1957	Increase (+) Decrease (—)
Operating revenues	$505,215,191	$517,060,102	—$11,844,911
Operating expenses	$371,257,945	$382,354,717	—$11,096,772
Taxes (including taxes on income from oil and gas operations)	69,803,903	73,689,677	— 3,885,774
Equipment and joint facility rents—net charge	20,692,259	22,197,684	— 1,505,425
Net income from transportation operations	$43,461,084	$ 38,818,024	+$ 4,643,060
Net income from oil and gas operations (excluding income taxes)	24,566,034	29,097,113	— 4,531,079
All other income	14,765,358	15,383,756	— 618,398
Total income	$ 82,792,476	$ 83,298,893	—$ 506,417
Interest on funded debt	$ 4,470,345	$ 4,520,711	—$ 50,366
Miscellaneous rents and charges	539,687	530,406	+ 9,281
Total fixed and other charges	$ 5,010,032	$ 5,051,117	—$ 41,085
Net income from all sources	$ 77,782,444	$ 78,247,776	—$ 465,332

Net income, after dividends on preferred stock, amounted to $3.29 per share of common stock outstanding December 31, 1958, compared with $3.34 per share outstanding at the close of 1957. The decrease of five cents per share, or 1.5 per cent, represents the combined effect of a decrease of six-tenths of one per cent in income after preferred dividends and an increase of nine-tenths of one per cent in number of outstanding common shares.

The annual rate of dividends declared on common stock was $1.60 per share, or the same as in 1957, but the amount of such dividends (48.4 per cent of net income after preferred dividends) was somewhat greater than in 1957, because of the additional shares issued on October 6, 1958.

Attention is directed to the fact that the Company's net income benefited, as it has for a number of years, from the deferment of Federal income taxes through allowances for amortization deductions in excess of depreciation on certain property. The resulting benefit per share of common stock in 1958 was 43 cents or 13 per cent of net income (after preferred dividends) per share. Such annual benefits are declining, and Federal income taxes accruing after 1960 will tend to be greater than if the amortization allowances had not been taken.

OPERATING REVENUES

The decrease in **Freight revenue** was the result of a 6.6 per cent decrease in ton-miles carried, offset in part by an increase of 4.2 per cent in average revenue per ton-mile. The low point of the economic recession was apparently reached in April, 1958, but the recovery was somewhat spotty and gathered momentum at a slower rate than had been hoped for. It was not until September that the volume of Union Pacific freight traffic began to show an increase over 1957. Ton-miles of revenue freight carried in the first eight months were 11.5 per cent less than in the same perio of 1957, but in the last four months the volume of traffic exceeded that for the same period of 1957 by 3.3 per cent. The increase in average revenue per ton-mile resulted principally from the general freight rate increase effective August 26, 1957, and the selective rate increases effective February 15, 1958, both mentioned in last year's report. The commodities with the largest *decreases* in revenue were *bituminous coal, iron and steel products, iron ore,* and *other ores and concentrates.* Reduced movement of those commodities resulted chiefly from the general decline in industrial activity, with curtailed operations of steel plants, but there were also less shipments of coal and iron ore for export, and coal production was further reduced by increased use of natural gas for fuel. Other commodities showing the largest decreases were *automobiles and parts* and *machinery and parts,* reflecting sharp reductions in consumer demand and curtailment of automobile production due to labor difficulties.

The most substantial revenue *increases* were in *sorghum grains,* because of greater production of milo maize than the large crop in 1957; *potatoes,* reflecting increased shipments from Idaho because of reduced supplies available in other producing States; *plywood,* as a result of its increased use for sheathing by the building trades; *canned and packaged food products,* due chiefly to increased shipments from the Pacific Coast to Eastern States, stimulated by lighter production of Florida fresh fruits and vegetables; *corn,* because of heavier movement from Government storage to Missouri River terminals and to Gulf ports for export; *barley and rye,* due to better crops; and *less than carload freight,* largely as the result of a strike by Western truck drivers with consequent diversion of a substantial volume of business from the highways to rail carriers. The decrease in **Passenger revenue** resulted from fewer passengers carried and a slight decrease in average revenue per passenger mile, partly counterbalanced by an increase in average length of journey. Although there was a decline in number of passengers carried for the full year, in every one of the last seven months we carried more passengers than in the same month of 1957. This encouraging development may be ascribed partly to improvement in economic conditions generally, and partly to growing appreciation of innovations in our passenger services, and to effective advertising. The decrease of 4/10 of 1 per cent in passenger revenue contrasts with an aggregate decline of about 6 per cent for all other Class I Western railroads.

The increase in **Mail revenue** was the result of a 7½ per cent increase in rate of pay for transporting mail (mentioned in last year's report) effective July 1, 1957, and some increase in volume of mail handled.

The decrease in **Other revenue** was principally in receipts from boarding outfits for maintenance employes, because of a smaller number of outfits operated.

OPERATING EXPENSES

The principal reason for the decrease in **Operating expenses** was the decline in volume of freight traffic handled. A decrease of 5.8 per cent in freight gross ton-miles tended not only to lower transportation expenses, but to reduce maintenance expenditures as well, because of the more limited use of rolling stock and road property. There were also reductions in prices of fuel used in diesel and gas-turbine locomotives. However, higher wage and salary rates raised operating expenses by $14.8 million, and in addition there were increases in expenses caused by greater charges for depreciation and retirements of transportation property and smaller receipts from sales of scrap material credited to expenses. To compensate for these factors and achieve the over-all decrease of $11 million in operating expenses, with a slightly lower operating ratio than in 1957, substantial economies were effected through intensive planning and adoption of new operating methods. The principal increases in wage rates reflected in 1958 expenses are tabulated below:

	Per hour 1957	Per hour 1958
Basic increases, effective November 1st	7¢	7¢
Cost-of-living increases, effective:		
May 1st	3¢	4¢
November 1st	5¢	1¢

Taking into consideration the number of months that each of these increases was effective in 1958 and not effective in corresponding months of 1957, the weighted average increase over 1957 was 15¢ per hour.

Way and structures were well maintained. Quantities of rails, ties, and ballast used in main track renewals were as follows:

	1958	Decrease vs. 1957
New rails (track miles)	105.87	18.06
Second-hand rails (track miles)	41.66	28.14
Total rails (track miles)	147.53	46.20
Ties (number)	639,383	72,373
Ballast (cubic yards)	190,911	238,876

Notwithstanding increased wage rates, total equipment maintenance expenses were substantially less than in 1957. However, the percentage of unserviceable freight cars on the Company's lines at the close of the year was lower than at the close of 1957, and the Union Pacific showing in this respect was among the best for all Class I railroads in 1958.

TAXES

The decrease in **Federal income taxes** was due to less taxable income than in 1957, notwithstanding diminished deductions from taxable income for amortization allowances on "emergency facilities" (as so certified by the Office of Defense Mobilization) in excess of depreciation at rates authorized by the Interstate Commerce Commission. The approximate amount of such deductions in 1958 compared with 1957 is shown in the tabulation below:

	1958	Decrease vs. 1957
Amortization deductions	$26,013,369	$2,339,156
Excess of amortization over depreciation	18,474,601	2,728,154
Reduction in income taxes	9,606,793	1,418,640
Betterment in net income per share of common stock outstanding December 31st	$.43	$.07

Beginning in 1961, income taxes will tend to be greater than they would have been if the amortization deductions had not been taken.

Taxable income in 1958 was also reduced by an estimated amount of $4,575,000 (compared with about $3,142,000 in 1957) through the use of accelerated depreciation methods allowed for tax purposes on property acquired after 1953. Under these methods, the depreciation allowable is much greater in the early years of the use of property (and correspondingly less in later years) than under rates authorized by the Interstate Commerce Commission.

The decrease in **Federal retirement taxes** resulted chiefly from reduced payrolls because of the lesser volume of traffic handled.

Federal unemployment insurance taxes rose because of a further increase of 25 per cent in the tax rate. As the result of successive increases in the last three years, the tax rate for 1958 of 2½ per cent on the first $350 of each employe's monthly wages was *five times the rate of ½ per cent applicable in 1955.* Employes pay no part of this tax.

The increase in **State and county taxes** was due principally to higher rates for ad valorem and other property taxes (partially offset by a slight decrease in average assessed valuation) and to increased rates and changed taxation formulas for certain State income and franchise taxes.

Total taxes for 1958 were equivalent to 13.8 per cent of total operating revenues and $1,670.75 per employe. They were also equivalent to $3.11 per share of common stock outstanding at the close of the year, as shown in the five-year tabulation below, which compares total taxes per share with Common Stockholders' equity per share in net earnings.

PER SHARE OF COMMON STOCK

Year	Total taxes	Equity in Net earnings	Percentage ratio of taxes to equity in net earnings
1958*	$3.11	$3.29	94.5
1957	3.32	3.34	99.4
1956	3.31	3.36	98.5
1955†	3.26	3.39	96.2
1954†	2.87	2.95	97.3

*Based on 22,429,235 shares, including 200,135 shares issued October 6,1958.
†Based on number of shares outstanding after stock split effective July 2, 1956.

OIL AND GAS OPERATIONS

	1958	1957	Decrease	Per Cent
Receipts from sale of oil, gas, and other products	$35,841,242	$42,274,553	$6,433,311	15.2
Production expenses (including depreciation)	$6,750,701	$6,915,134	$164,433	2.4
Taxes (other than income taxes)*	2,920,612	3,481,925	561,313	16.1
Intangible drilling and development costs†	1,603,895	2,780,381	1,176,486	42.3
Total charges against receipts	$11,275,208	$13,177,440	$1,902,232	14.4
Net income from oil and gas operations	$24,566,034	$29,097,113	$4,531,079	15.6
Drilling and development costs not charged against receipts	$356,724	$1,120,390	$763,666	68.2

* Federal taxes on income from oil and gas operations, of approximately $7,327,100 in 1958 and $8,993,000 in 1957, are included in "Taxes" under "Transportation Operations."
† Represents costs such as labor, fuel, repairs and hauling in connection with drilling, geological work, clearing ground, building roads, and certain materials with no salvage value.

The decrease in *receipts* reflects both an over-all decline in production and lower prices received for oil sold. Production decreased in Wilmington and Rangely fields, offset in part by relatively small increases in other fields. Reductions in oil prices applied particularly to Wilmington field. The small net decrease in *production expenses* is attributable mainly to reductions in such expenses in Rangely and East Los Angeles fields. The principal decreases in *taxes* were in Wilmington, Rangley, and East Los Angeles fields. The sharp decline in *intangible expenditures* resulted chiefly from reduced drilling activity in Pierce, Wilmington, Table Rock, and East Los Angeles fields.

* **Leased Lines are: Oregon Short Line Railroad Company, Oregon-Washington Railroad & Navigation Company, Los Angeles & Salt Lake Railroad Company, and The St. Joseph and Grand Island Railway Company. Figures in the Income Account and other tables are stated on a consolidated basis, excluding offsetting accounts between companies.**

LETTER TO THE EDITOR:

West Coast Reader Asks "What Price Arms Race?"

Showing a more than casual familiarity with British-German armament rivalry, tests of crises and summit meetings, and noting repetitious rut of past 59 years of "continuing thread of relationships as one situation leads inexorably to another," Mr. Spencer submits two possible courses of action that might be helpful in short-circuiting the next step of war. The Californian correspondent sees no security emanating from an arms-race and hopes pending conference will find the Russians genuinely desirous of ending the cold war as some interpreters suggest is the case.

Editor, Commercial and Financial Chronicle:

Few people will deny that the world today is faced with a set of pretty grim facts. For the governments of the United States and Russia are deeply involved in an all-out arms race for possession of enough nuclear weapons to blow each other off the map.

H. L. Spencer

A little research into comparatively recent history will show there is available a record of the preparations for and the result of a somewhat similar arms race between the British and German governments early in this century, a race in naval armaments.

The spark which alerted the understanding of those governments to the importance of this competition in naval weapons was the publication of Mahan's "The Influence Of Seapower Upon History" in which he said, "The determining factor in seapower is the possession of a strong battle fleet capable of overcoming the enemy and driving him from the sea."

Appointment of Von Tirpitz as German naval chief and British development of the dreadnaught battleship design set the stage for a costly construction race; Britain intent upon maintaining her supremacy at sea, Germany determined to outbuild her.

This situation deteriorated up to the outbreak of war in 1914. Since both nations had then reached a point where financial exhaustion loomed, war may have been regarded as the only solution available.

Compares Summit Meetings

But efforts were made by both sides to limit growing tensions and armaments. The first and second Hague peace conferences attempted to reach an understanding. There were "summit meetings" between King Edward and the German Emperor—there were meetings at the "Foreign Ministers level" but the offers of each government were considered inadequate by the other.

In the history of that period Sir Edward Grey, appointed British Foreign Minister in 1905, speaks of "the difficulties of satisfactory dealings with the German government . . . Some Germans in high places saw that the growth of German naval competition must prevent rapprochement and eventually impair good relations. For that reason they deplored German naval policy and some of them tried to arrest it; but they were always overborne by the naval and military element."

In his book, "Twenty Five Years," Lord Grey traces the various crises that arose during that time. The first was in 1906 at the conference in Algeciras where the Germans were intent upon testing British determination to support France. The second came in 1908 when Austria annexed Bosnia and Herzegovina. The third arose when Germany sent a warship to Agadir, ostensibly to protect its interest in Morocco. The fourth crisis that led to war in the Balkans was followed by the fifth crisis, murder of Archduke Ferdinand at Sarajevo and the outbreak of World War I.

Since 1945 we have seen strangely similar crises in the Berlin blockade, the Korean war, the Suez fiasco, Sputnik and now Berlin again.

Continuing Thread

In reviewing this whole series of events, which originated in British-German naval rivalry, it would seem there is a continuing thread of relationship as one situation leads inexorably to another. Defeat of Germany and Austria in the first war led to runaway inflation in Germany, Hitler, a series of crises and the second war. Defeat of the Axis powers in that war led to Eurasian ascendancy for Russia and the present series of crises in which we may now have reached the fifth and final one.

During this period no nation victorious militarily has as yet really won a victory politically. When war is considered as an extension of politics, it must be admitted that results in this last half century have been unsatisfactory. If a third world war comes from the present crises and disturbances, there will be three certainties about it: no one can win, nothing will be settled and the combatants will mutually perish.

The foreign ministers' conference, to be followed by another summit meeting if satisfactory preliminary arrangements can be made, appears to hold a modest promise of arriving at some solution of this last and most dangerous crisis in Berlin. But it is obvious that no easy answers will be available. For the position of the West is mortgaged by the debt we owe the courageous people of West Berlin. That debt arises from mistakes made by our leaders in 1945. When they failed to reduce to writing any firm guarantee of access to that great city it was left as a hostage island of freedom in a surrounding sea of communism. That confused situation, already too long endured, clearly calls for negotiation. And it is utter defeatism to believe that no other alternative can be found than either maintenance of the present fantastic *status quo* or the horrors of atomic war.

However, the belligerent statements issued by both sides—"We will bury you" and "We won't give an inch"—do little to make negotiations easier. There are two possible courses of action that might be helpful in smoothing the path toward practical and workable adjustments: (1) a determination on both sides to moderate the critical statements and name calling which have so consistently come out of both foreign offices, and (2) appointment of a group of leading scientists of all nations to meet with the foreign ministers in an advisory capacity.

There is little question but that scientific breakthroughs in missiles, space, under-water developments and in nuclear weapons have entirely outpaced the knowledge and understanding of most statesmen and politicians. It is, therefore, possible that the men best qualified to help in finding some way to control and live with the horrible weapons they have created will have to come from the ranks of those technically equipped to understand the problem.

Does Russia Want Peace?

This is a time when correct interpretation of the often inscrutable intent of Soviet leaders becomes important to all the world. Those who have in the past been associated with them or lived among them may have clearer vision of these events than the rest of us. One event of recent history has been somewhat of an enigma to most Americans. That is the visit to this country of Mr. Mikoyan. In *National Review* (2-28-59) Whittaker Chambers, who from his record, should be better able than most of us to understand and point out the meaning of this mission, said, "This is one reason why certain business men, who sense clearly enough the grim shape of things to come, appeared to listen . . . to what Anastas Mikoyan flew so far to tell us, namely: *that Russia wants to end the cold war.*"

It has also been suggested by Harrison Salisbury, former N. Y. *Times* corerspondent in Moscow, that the excessive cost of the arms race has become a present embarrassment to Mr. Khruschchev—that he is caught in an economic dilemma between the promises made to the Russian people for more consumer goods and the high cost of electronic weaponry.

If these gentlemen are correct in their interpretations, the next few months may provide the best chance this quarrelsome world will ever have to pull itself out of the rut of continuing crises, armament races and wars into which it has fallen in the last 50 years. Unless some such happy outcome can be achieved by negotiation, conciliation and mutual adjustments of points of view, not necessarily appeasement, then, as the cost of the competitive race becomes heavier each year, tensions and terrors will increase until war finally becomes inevitable. Possibly the best advice we can find comes from a man who saw the beginning of this half century of savage destruction.

In a chapter headed, "Could War Have Been Prevented" from his above-mentioned book, Sir Edward Grey says, "More than one true thing may be said about the causes of war, but the statement that comprises the most truth is that militarism and the armaments inseparable from it make war inevitable. Armaments were intended to produce a sense of security in each nation—that was the justification put forward in defense of them. What they really did was to produce fear in everyone. Fear causes suspicion and hatred; it is hardly too much to say that, between nations, it stimulates all that is bad and depresses all that is good."

H. L. SPENCER
180 S. Orange Grove Ave.
Pasadena, Calif.

April 5, 1959.

Opens New Office

Trust Securities Corporation announces the opening of a new office at 375 Park Avenue, New York City.

William W. Vicinus, Vice-President and Director of Trust Securities Corporation will be in charge of the office and will continue to represent Investment Trust of Boston in New York, Pennsylvania, New Jersey, Virginia, Maryland, Delaware and Washington, D. C.

New York Commerce Chamber Elects Officers

Isaac B. Grainger, President of the Chemical Corn Exchange Bank, has been elected to a second term as President of the New York Chamber of Commerce, oldest Chamber of Commerce in the United States. Walter E. Sachs, limited partner of Goldman,

Isaac B

Walter E. Sachs

Henry C. Alexander

W. Alton Jones

Eddie Rickenbacker

Sachs and Company, was re-elected Chairman of the Chamber's Executive Committee. Both will serve until May, 1960.

The election was held at the 191st annual meeting of the Chamber at its headquarters, 65 Liberty Street.

Elected to four-year terms as Vice-Presidents were Henry C. Alexander, Board Chairman of Morgan Guaranty Trust Company of New York; W. Alton Jones, Board Chairman of Cities Service Company; and John D. Rockefeller, III. Edward V. Rickenbacker, Board Chairman of Eastern Air Lines Inc., was chosen to serve as Vice-President until May, 1961. He succeeds Keith S. McHugh, former President of the New York Telephone Company, who left the post to become Commissioner of Commerce of New York State.

Wandell M. Mooney, Vice-President of the Chemical Corn Exchange Bank, was re-elected Treasurer. James T. Moriarty, Treasurer of B. F. Drakenfeld and Company, was re-elected Assistant Treasurer.

Founded in 1768, the New York Chamber of Commerce was the first organization of businessmen in the United States. Its membership of 2,000 includes representatives of many of the largest business, industrial and financial organizations in the nation.

What Does He Really Mean

"The hearing completed this week into the newspaper and magazine industry in New York has revealed the alarming degree to which racketeers have entrenched themselves in the economic structure of the nation's largest city.

* * *

"In a country where freedom of the press is a cornerstone of our basic liberties, we find racketeers able to do what no government authority would conceive of doing. We find racketeers able to shut off the supply of news to the public and we find these nationally known publications compelled to make payments to assure the delivery of their newspapers.

Sen. J. L. McClellan

"The revelations in this hearing clearly indicate that the time has come for Congress to seriously consider the enactment of special antitrust legislation in the transportation field. I have instructed the staff to prepare legislative recommendations in this field which would then be referred to the Judiciary Committee for further consideration."—Senator John L. McClellan, Chairman of the Senate Rackets Investigating Committee.

But why "special antitrust legislation in the transportation field" where, except for labor unions, existing antitrust legislation (or close governmental regulation and supervision) fully applies? And so do many other laws which, however, are often not enforced where organized labor is concerned. Can the Senator really mean application of antitrust laws to the unions in this field?

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

In a major move to expand and improve service for customers, **Chemical Corn Exchange Bank, New York,** is installing the nation's largest center of electro-mechanical equipment for check handling in the new downtown office building at 2 Broadway.

More than 1,000 employees, previously located among the bank's 94 offices in Greater New York, have been transferred to the new quarters.

Upon announcing the near-completion of the move, Chairman Harold H. Helm explained that the operation at 2 Broadway is an important step in Chemical's Gold Medal Program, the theme of which is "Pledged to Serve You Better." By consolidating such activity under one roof and installing the latest electronic and electro - mechanical equipment, Mr. Helm said, Chemical is adopting the most advanced techniques in automation.

* * *

Albert C. Simmonds, Jr., Chairman of the Board, **The Bank of New York,** announced the appointments of ten men on May 12.

Volkert S. Whitbeck of the Investment Division was elevated to Vice-President and Eldon H. Read, Jr., of the Comptroller's Division, was named an Assistant Vice-President. In the Banking Division, Robin A. Danton was made an Assistant Vice-President and Arthur L. Armitage was appointed an Assistant Treasurer.

In the Trust Division, Joseph L. McElroy and Eben O. McNair were named Assistant Trust Officers and Nicko J. Mextorf was appointed an Assistant Secretary. James D. Barnes, Wesley V. Taylor and John J. Wortendyke were made Managers.

* * *

The Chappaqua National Bank, Chappaqua, N. Y., changed its title to **Northern Westchester National Bank, Chappaqua,** effective May 1.

* * *

Russel Cartwright, former President of the **Rahway National Bank, Rahway, N. J.,** died May 6 at the age of 74.

Mr. Cartwright has been President for 10 years and retired three months ago.

* * *

The Belmar National Bank, Belmar, N. J., changed its title to **Belmar-Wall National Bank, West Belmar, N. J.,** effective May 2.

* * *

Robert R. Calpas and Norman H. Rea, formerly Assistant Vice-Presidents, have been elected Vice-President of **Fidelity Trust Company, Pittsburgh, Pa.,** according to John Byerly, President of the bank. They will continue their association with the bank's trust department.

Mr. Calpass began his career with Fidelity as a messenger in 1920. He later became chief clerk in the trust accounting department and was next appointed an Assistant Trust Officer in 1939. In 1946 he was named as a Trust Officer and was elected Assistant Vice-President in January 1956.

Mr. Rea joined Fidelity Trust Company in 1950 as a representative in the estate planning division, he later was given trust administrative duties and in 1953 was elected a trust officer. In 1955, he was transferred to the investment division and was made an investment officer prior to his election as Assistant Vice-President in 1956.

* * *

Hubert J. Horan, Jr., President of the **Broad Street Trust Co., Philadelphia, Pa.,** was elected Chairman and Chief Executive Officer, James D. Henderson, Jr., Vice-President was elected Vice-Chairman and J. Harrison Jones was elected President. Promoted to Senior Vice-Presidents were Raymond J. Erfle, Hubert J. Horan, III, John Namourian and A. C. Mueller.

* * *

The Saint Marys National Bank, St. Marys, Pa., increased its common capital stock from $200,000 to $600,000 by a stock dividend, effective April 28. (Number of shares outstanding—6,000 shares, par value $100.)

* * *

A proposed merger of the **Farmers Bank of the State of Delaware** and the **Lewes Trust Company of Lewes, Del.,** under the name and charter of the Farmers Bank was announced by the two institutions. An agreement of merger has been signed by the Boards of Directors of both institutions providing for the exchange of one share of the Farmers Bank of the State of Delaware for each share of the capital stock of the Lewes Trust Company.

Joseph L. Marshall, President of the Lewes Trust Company, will become a Vice-President of the Farmers Bank. Louis F. Ingram, now Cashier of Lewes, will become an Assistant Vice-President of Farmers, and James B. Austin and Florence A. Wingate will become Assistant Cashiers of the Farmers Bank. The present Directors of the Lewes Trust Company will constitute the Advisory Committee of the Farmers Bank for Lewes with the same authority and power to make loans as in the past.

Special meetings of stockholders of both banks are being called for June 25 to approve the merger and it must also received the approval of the State Bank Commissioner and other supervisory authorities before becoming effective.

* * *

On April 10, shareholders of **The Citizens and Southern National Bank, Atlanta, Ga.,** increased the bank's capital and surplus to $40,000,000. This gives the bank total capital funds of over $45,000,000, largest in the Southeast.

* * *

San Angelo National Bank of San Angelo, Texas, increased its common capital stock from $700,000 to $800,000 by a stock dividend, effective April 30. (Number of shares outstanding — 80,000 shares, par value $10.)

* * *

Elwood H. Kern, Assistant Manager of **Bank of America's** California-Broadway branch in Redwood City, has been named to manager the MacArthur-39th office in Oakland, S. Clark Beise, President, announced.

Mr. Kern, a 29-year veteran with the bank, succeeds Charles J. Leone, MacArthur-39th manager since 1937 who retires May 31 after almost 40 years in banking.

Mr. Kern began his career as a messenger at the South First Street branch in San Jose in 1930 and remained there until his February, 1956 appointment as lending officer at the California-Broadway office. He was named to the Assistant Manager's post in July that year.

Missile Production Outlook

By ROGER W. BABSON

Fresh from Cape Canaveral, financial observer reports on encouraging prospective ability to produce accurate-hitting intercontinental missiles. Mr. Babson expresses disappointment over our failure to perfect anti-missile missiles and predicts first country to gain advantage here would be in a position to start World War III. Until then, he states, there will be no war.

My last few days in Florida were spent at Cape Canaveral, which is located on the East Coast of Florida some 150 miles south of Jacksonville. From here the tests are being made of the various intercontinental missiles, by which World War III, if it ever comes, will be fought. I understand there are three other "proving grounds,"—in Alabama, in Arizona, and on the Pacific Coast.

Roger W. Babson

Leading Corporations Producing Missiles

These missiles are contracted for by the Department of Defense with various important corporations such as the Douglas Aircraft Company which builds the "Thor," the Northrop Aircraft Company which makes the "Snark," the Martin Company which builds the "Titan" and "Vanguard," General Dynamics' Convair division which constructs the "Atlas," Boeing Aircraft which is building the "Bomarc," and the Chrysler Corporation which makes the "Jupiter." These companies compete for the best engineers, metallurgists, and other scientists. Such specialists are not under the bureaucratic restrictions of government workers, hence can be paid higher salaries. The work is under the able direction of General Donald N. Yates.

I was much impressed with what I saw, including the launching of three of these missiles. They vary in length from 25 to 65 feet, each divided into three stages, and cost from $1 million to $1.5 million each. Of the three launched while I was there a section of one failed to ignite, and only the first section went into the air. A second missile blew up into a thousand pieces. But the third was successfully launched and traveled 1,500 miles, striking the ocean very close to its target.

Tracking These Great Missiles

While at Cape Canaveral, I was briefed, together with the Honorable Paul H. Spaak, Secretary General of NATO, by some of the more important officers on how these missiles are tracked. (I was warned not to ask any questions.) The proving course was between Cape Canaveral and Ascension Island off the West Coast of Africa, which I saw on my trip last year. The course covers several islands in the Atlantic, between which are stationed U. S. ships. Thus, the missiles is constantly in sight, so that not only can its speed be observed, but the nose cone can be located when it comes to the end of its arc. Within these cones are important data and the intricate machines which process such data and log the results. I am sure we will be able to build and put into production intercontinental missiles that will go over 1,500 miles and hit a target with an accuracy of within one mile. They will be shipped to launching stations in Italy, France, England, Norway, and other nations, with the purpose of annihilating enemy cities within 30 minutes after the first nuclear missile or bomb fired at the U. S.

If Russia should decide to attack us, she would first attempt to destroy our launching bases in these friendly countries, after which she would perhaps destroy our 10 largest cities. Even if 20-million American citizens were killed within the first few hours of such an attack, we would still have 150 million people left, with an underground system of communications and much of our transportation continuing to operate.

What About the Anti-Missile Missiles?

My great disappointment at Cape Canaveral was to learn that no anti-missile missiles have been perfected. Hence, though Russia, or the United States, or certain other countries, will soon be in a position to destroy, none of them now have the necessary means of defense against an enemy missile. Once in a while the engineers feel they are on the right track; but the targets which they use move very slowly compared with the speed of an enemy missile. My days at Cape Canaveral convince me of what I have said before,—that there will be no World War III until some country discovers and has in production a dependable anti-missile missile. Our Defense Department feels that our engineers will be successful in producing such and we are now erecting stations around our large cities for firing such anti-missile missiles when they are perfected and in production.

Joseph Rinaldi Joins H. D. Knox & Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Joseph M. Rinaldi has become associated with H. D. Knox & Co., Inc., 27 State Street. Mr. Rinaldi was formerly an industrial trader with Lerner & Co.

Opens Inv. Office

GEORGETOWN, Texas — John P. Hughes is engaging in a securities business from offices at 1218 Church Street.

Birr Co. Opens Branch

SAN JOSE, Calif.—Birr & Co., Inc., has opened a branch office at 246 South First Street under the management of R. W. Hughes.

Free Gold Market Will Soon Be Here in the United States

By HARRY SEARS*
President, Calaveras Central Gold Mining Co., Ltd.
Angels Camp, Calif.
Chairman, Western States Gold Committee

Claiming that the Gold Act of 1934 declassed monetary gold into commodity gold, Mr. Sears avers all gold—as a commodity—is private property and that it is beyond the power or authority of the Treasury or Congress to prevent U. S. citizens from buying, selling, or hoarding gold, in any amount or price. Moreover, the gold mining head contends, the Treasury does not have the right to purchase gold in currency of declining purchasing power or to control the commodity gold; 95% of U. S. gold miners have been forced to close down their mines, "brazenly *robbed*" by our gold price buying policy; and there are no criminal penalties for possession of gold. The writer explains how close we already are to having free gold warehouse receipts traded on the market, and sees a free gold market soon with gold's price reaching $100 per ounce.

Three words describe a condition as old as civilization—People want gold.

They express human emotions, the desire for power, wealth, adornment, or merely personal satisfaction, plus some sense of safety.


Harry Sears

For 25 years our people in this country have been denied the possession of gold, except in the form of manufactured products. The government asserts complete control.

But we have reached the time when this government, having failed to provide us with sound money and a sane and honest fiscal policy, find themselves deeply enmeshed in a rapidly growing inflation, with the greatest indebtedness in the history of the world, with an irredeemable paper currency, based only on debt, with no sound monetary reserves which can be used under their present system, and from all quarters come their confessions that they need some solution to their problems, but have not found it.

We still talk about dollars but do not use them. The Federal Reserve notes which we use instead of money merely carry the insignia which has been familiar to us for years, but because of constantly shrinking purchasing power, this paper currency is valued only in pennies and when translated into an equivalent of what a dollar should be in value, for almost any transaction in our daily lives, we are met with high prices, but these are merely the result of multiplying our currency units, because of their constant loss of purchasing power, into the number required to bring their usefulness to the necessary amount demanded for goods and services in our daily transactions.

Offers Conversion Table

There is one outstanding exception to this perfect pattern. The price of gold, which was set by government decree in 1934 and which the Treasury has refused to alter, has been steadily reduced since the originally proclaimed $35 per ounce, so that translated into the purchasing power of the paper currency which is paid for it by the Treasury, the price of gold becomes:

$16.80 per ounce, with a 48c dollar
11.55 per ounce, with a 33c dollar
8.75 per ounce, with a 25c dollar
3.50 per ounce, with a 10c dollar
.35 per ounce, with a 1c dollar

And by applying the same factual figures to the sales of gold by the Treasury we find that during the past year between $2 and $3 billion in gold has been sold to Foreign Central Banks and their government and private customers, in addition to all the gold which was supplied by the Treasury for commercial use in this country and abroad, **at the same reduced prices.**

The proponents of this suicidal and fantastic stupidity have the audacity to call such results the **"value of gold,"** and groups of economists and "monetary experts" are constantly seeking to have conversion of this Federal Reserve currency into gold, at the $35 price and a favorite slogan with them is that any increase in the price of gold would be inflationary.

The root cause of the inflation stems from the practices of the Federal Reserve System, their multiplication of printed currency based on debts, the removal of gold from all monetary use in the United States and the unlawful Treasury practices and propaganda regarding gold.

The inflation has been built by the government because they wanted to build it, but it is getting beyond control and the people are searching for safety and a way out of the confusion. They are beginning to turn to gold.

We are at the date of an important anniversary. Twenty-five years ago the Gold Reserve Act of 1934 was passed by Congress. This is claimed as the authority for the Gold Regulations and practices of the Treasury; and that Congress acted under its Constitutional power to "Coin money and regulate the value thereof," but Congress has used no such **power** with regard to this Act, and the Treasury has been clothed with no **authority.**

That was some time ago, the details may be quite in our memories, but again please note the title, the Gold Reserve Act of 1934. This very title is misleading and its interpretation has been appalling. Few people have read it and realize its actual powers and limitations and during this quarter of a century we have been taught fundamental errors and have been herded into mistaken understandings and have been taught false beliefs regarding gold. Our government officials have promoted fictions and claimed powers which are outside the law and which they do not possess.

Our rights and the peoples' rights are fully supported by law and are directly contrary to the claims and practices of the Treasury.

So that there may be some order in this confusion we review provisions and purposes of the Act.

Review Gold Act's Provisions

The government took title for the United States, to the gold coins and monetary gold bars which had been in the vaults of banks for many years or which had been turned in at Treasury or Federal Reserve Banks by our citizens in accordance with presidential demands.

We need not here determine the legality and morality of Congress in blindly following Presidential orders and stripping the American public of their gold, in 1933.

This was in the period when the President ordered Congress to pass laws and not to hesitate because of doubts as to their Constitutionality, so acting under the assumption that possession denoted authority, title to this gold was declared by the Act, to pass to the government.

But it is extremely important that we know what was provided as to gold owned by the government, we therefore quote from the Act:

"No gold shall hereafter be coined, and no gold coin shall hereafter be paid out or delivered by the United States . . .

"All gold coin of the United States shall be withdrawn from circulation and together with all other gold owned by the United States, shall be formed into bars of such weight and degree of fineness as the Secretary of the Treasury may direct. No currency of the United States shall be redeemable in gold . . ."

This is the important provision of the Act and through improper interpretation of these words, or through intentional disregard of their meaning, the Treasury and other government departments have indulged in a program of skullduggery toward gold which violated the basic property rights of all citizens and has almost entirely destroyed the gold mines and gold producing districts in 13 Western States.

They have confiscated the gold which was taken from its owners, in defiance of law, and they have been parties to the imposition of frauds on our citizens generally, through misrepresentation to them that gold was the basis of a "reserve" to provide safety for users of the present irredeemable currency.

With gold clearly and completely removed from all monetary use in the United States it lost its former identity as money, and became a simple commodity and Congress then had no greater power over it than over any other commodity.

The fact that some of it is stored in Treasury or Federal Reserve vaults, or Fort Knox, gives it no monetary standing or character for the Gold Reserve Act specifically terminated any monetary use of gold in this country. The term "bullion" has no monetary significance. It merely means "metal in the mass" and the term has been in common use for centuries.

All gold owned by the United States thus became merely a commodity stored in government warehouses in 1934, and the Secretary of the Treasury merely became the custodian of the warehouses. It is thus exactly the same as the commodity gold produced from the mines and is subject to all safeguards for property which our Constitution and laws provide.

Questions Treasury's Authority

The Act gave no authority to the Secretary of the Treasury to set a price for gold and to maintain such a set price during the years of inflation when the purchasing power of irredeemable Federal Reserve currency dropped steadily so that now it is only accepted on the basis of from 25 cents to 33 cents on the face value of the so-called dollar. This means that in buying gold from a producer, the Treasury pays for it with irredeemable paper currency of which the purchasing power has been so reduced that it pays only from $8.75 to $11.50 per ounce, and not the much touted $35 which is publicly held forth as the rate the Treasury pays.

The Secretary has a set of Regulations but owing to the fact that he is only dealing in commodity gold, just as any private citizen would deal in it, he has no authority to control or enforce them because Congress had no power to grant authority to control commodity gold. But in spite of this he compels gold producers to secure a license from him before they can melt their gold and place it in marketable form and he also demands that they contract to sell the gold to him, at his price, to avoid having this license cancelled.

Of course gold cannot be produced at these prices, except in a few special cases and as a by-product from other metals.

There were about 4,000 operating gold mines in production when they were peremptorily closed as an asserted war necessity, in 1942. After years of idleness the great majority of these could not attempt reopening because economic difficulties of inflation and currency depreciation had made a higher gold price mandatory. A few mines attempted reopening but after heavy losses were forced to again close down. This is the condition of more than 95% of all gold mines in the country.

Frauds on the People

Another provision of the Gold Reserve Act of 1934 gave the Secretary of the Treasury authority to buy and sell gold, "at home and abroad." Sections 8 and 9 provide for his purchases and sales at varying prices, with no special price specified. As this was virtually a public trust it was his duty to see that these purchases and sales would be properly conducted and the laws respected, but this has never been done.

The gold policy of the Treasury was concisely stated by former Undersecretary Randolph Burgess in testimony before a Senate Committee in 1954; when he said:

"We buy and sell gold freely with other countries . . . at the price of $35 an ounce and we sell gold . . . to foreign banks and private owners as well."

There was a lot of loose language and fancy phrases in the Act and in the proclamation of the President which announced it in 1934, but none of this could vary the essential fact which the Act established.

When gold was completely removed from monetary use in the United States there could be:

No "gold dollar,"
No "gold content of the dollar,"
No gold "monetary reserves."

In addition, there is a Statute which declares that no obligation of the United States could be measured in gold, therefore no matter what the President said, surplus language describing unauthorized and non-existing facts have no effect and establish no rights, but in view of what has since happened, one announcement by the President should be remembered. He said:

"In pure theory, of course, a government could issue mere tokens to serve as money—tokens which would be accepted at their face value if it were certain that the amount of these tokens were permanently limited and confined to the total amount necessary for the daily cash needs of the community."

This could well have been an advance description of managed currency and the present Federal Reserve notes. Since they have no ascertainable value they fit the description of a "mere token to serve as money." They are accepted far below face value for it is certain that the amount of these tokens is not limited, either permanently or temporarily, and they are not confined to the daily cash needs of the community but are contributed in fantastic amounts as gifts all over the world. Thus vast amounts accrue in the hands of "foreign banks and private owners as well," which are given the fancy title of foreign trade balances and the Treasury honors these by selling them gold at $35 an ounce.

Nevertheless throughout the years, government officials, bankers, business advisers, economists, teachers and members of Congress continue to think and talk about these non-existent gold formulae and our currency as though they were real. They have been so effectively brainwashed that they continue to delude themselves and others by repetition of untrue and wholly fallacious theories.

For years we have been conducting our lives under this irredeemable and constantly depreciating currency. In testifying before the Senate Finance Committee in 1957, retiring Secretary of the Treasury Humphrey, who had just admitted that the purchasing power of the dollar had dropped to 48c, was asked:

"But you do think that as long as this inflation keeps up, the savers and pensioners and people who have paid on insurance for 20 to 30 years, are the forgotten people, are they not?"

To this Secretary Humphrey replied:

"They are definitely forgotten people who have been injured . . . They are severely injured."

In these words was the confession of the Secretary of the Treasury regarding your bank balances and savings.

In spite of the contempt for the legal and property rights of our citizens and gold owners, as shown by the Gold Regulations and Treasury practices, gold is extremely important to the Treasury as a screen to conceal their real position.

If the depositors in our banks are injured by saving our shrinking currency, there could be no question that gold producers have a greater injury illegally forced upon them. Their gold is taken under coercion by a Treasury acting without authority and they are forced to accept Federal Reserve Currency in exchange for their gold. They are brazenly **robbed.**

In spite of the Treasury's repeated insistence that United States citizens cannot possess gold, they misrepresent gold to the people in order to mislead the public. In hearings before the Senate Finance Committee in 1957, former Treasury Undersecretary Randolph Burgess admitted:

"We have got a kind of gold standard and to the extent the people have confidence that we are going to keep the money nailed down to the value of gold, **it is easier to sell the bonds."**

The Treasury Can No Longer Evade the Law

We have had no gold money or monetary gold in this country for a quarter of a century. Gold held by our government is merely metallic gold as a commodity.

It is in the same class as the gold which is owned in the thousands of gold mines and properties throughout our Western States.

The rights to produce this gold and sell it are on an equal footing with the rights of our citizens to purchase it and to hold it, or to sell it as they may choose.

Congress has no power to enact laws or to authorize regulations which abridge these rights of possession and when the Secretary of the Treasury attempts to enforce such regulations he is act-

*An address by Mr. Sears before the National Western Mining Conference, Denver, Colorado.

ing illegally and without authority.

A current case in the Federal Court bears directly on this. It concerns possession of gold bullion by a man in the State of Washington, charging him with a criminal act for which he was arrested, tried and sentenced. During recent years there have been many instances where others have been treated in this fashion and in most cases they have not contested, having been overawed by the long standing propaganda and claims that the government had this power, or they could not afford the cost of an appeal.

Claims No Penalties Are Provided

This case was appealed, and after consideration by the Court of Appeals, has been remanded to the original Court for corrective action or dismissal. The criminal charge for gold possession was based on original emergency orders of the President early in 1933 and upon subsequent Treasury Regulations and the Gold Reserve Act of 1934, but it was found by the United States Court of Appeals that there are no criminal penalties provided in the Gold Reserve Act for possession of gold and no criminal statutes authorized by Congress.

Of course the conditions under which the original presidential emergency orders were issued, no longer exist. In 1933 they were used to force the people to turn their gold coins and bullion over to the Treasury and later, title to this gold was given to the United States in the Gold Reserve Act of 1934. It all became commodity gold and gold coinage was wiped out.

In fact, even the Treasury has recently lifted bans on the possession of gold coins and they are now permissible to be held by the public and are classed as collectors' items. But the old criminal bogey, as to gold bullion, is still held over the heads of the people by the Treasury. It is interesting to note the language of the Court of Appeals in reversing this case:

"It seems vital as a matter of national policy that emergency regulations and almost dictatorial powers granted or conceded in the turmoil of war, cold war, economic revolution and the struggle to preserve a balanced democratic way of life, should be discarded upon return to normal conditions, lest we grow used to them as the fittings of ordinary existence. Executive regulations drafted and confirmed for an emergency should expire with the emergency."

Since the Gold Reserve Act of 1934 established the status of gold owned by the United States as merely commodity gold, and abolished any former status it may have had as money, or monetary gold, it had the effect of establishing all gold in the United States as commodity gold and as private property.

Avers There's No Power or Authority

Neither Congress nor the Secretary has any power or authority to prevent United States citizens from buying, selling, or holding gold, or:

To prevent the mining or processing of gold in the United States, or to make regulations which would interfere with the proper conduct of such business by the owners of this gold, or any mineral deposit containing same, or:

To set a price limit on gold, or to compel its owners or producers to sell it in any manner, or at any price which does not conform to valid laws regarding private property, or:

To require gold miners and producers to have any form of license in order to melt their gold, which is a necessary part of mining to change it from the form of a concentrate in which it is mingled with other metals, and to prepare it for sale, or:

To confiscate privately owned gold or to assess any owner with a penalty or a threat of penalty, because of its possession, or:

To appropriate or take possession of privately owned gold, in any manner which violates the property rights of the owners, or contrary to any valid law made to protect them, or:

To misrepresent the status of gold owned by the United States and to state or imply that it is in any manner connected with the present irredeemable currency in common use.

Sets Forth Operating Principles

In considering newly mined gold from properties in the United States and summarizing the laws which must be obeyed, by the Secretary of the Treasury, we find he is governed by the following well settled legal principles:

Price control of commodities and private property is unconstitutional,

Private property and property rights of all United States citizens are protected under our Constitution and must be so recognized and respected,

Private property of citizens is protected from seizure or confiscation,

Private property cannot be taken for public use without just compensation and this cannot be determined without a hearing.

It should come as a welcome breath of hope for the future of the gold mining industry to consider that although in the past we have been singled out and made the victims of lawless treatment by our government, we have well settled rights which can be invoked and can reverse this condition for the future.

Gold producers have been an isolated industry with limited public contacts in the past but the drastic effects of the manufactured inflation has brought gold into fresh prominence and as the cycle of inflation continues, the doubts and the growing resentment of the people can compel the government to establish and use real reserves of gold, for there could be swift collapse of the multiplication of paper currency now being used.

People Want Gold

In recent years there has been increased buying of gold in free countries abroad. Our substantial citizens have been adding to their holdings, but these had to be handled as bulk purchases since the sales were large and the storage abroad was expensive, so this was never a practical market for our modest citizens.

But there has been preparation under way for some months to bring the advantages of a free gold market to us close at home, and on such a scale that it could be a popular market. With expenses cut to a minimum it can serve all classes. This is about ready to function in Canada and trading would be on the open commodity markets both there and here in the United States. The gold will remain in bank vaults in Canada and warehouse receipts will be traded on the market.

Even in its preliminary steps the volume of demand for gold is causing surprise in Canada and they see that here is a world market in the making. But we can foresee that it will not be necessary even to go to Canada or to trade there, for we now know that morally and legally there is a clear right for us to have a free gold market here in the United States, and to start the building of such a market, the growing fear and unrest in the minds of our own people can be a factor of great importance.

Among other steps, there is a carefully prepared case in progress in the Federal Courts to terminate all control of newly mined gold through Treasury regulations.

Our citizens have watched their bank accounts wither and fade in the purchasing power of their deposits and they have plunged into the stock market to multiply their shrinking dollars only to find that this is now even a bigger gamble than horse racing.

They want something tangible, that could be safe and dependable but whose value can grow as it attracts increased public demands for its possession.

Throughout history, this has always been the function of gold. It has not been permitted to register its value in this country during the past 25 years. That value should soon show at more than $100 per ounce.

Let us therefore view this as a fresh start when we turn away from the past and foresee a far different future.

Los Angeles Airport Bonds Marketed

A Bank of America N.T. & S.A. underwriting syndicate, which included The First National City Bank of New York, Blyth & Co., Inc., and The First Boston Corp., on May 12 purchased the $15,000,000 Municipal Airport Bonds of the City of Los Angeles, Los Angeles County, Calif.

The bank syndicate paid a premium of $15,469 for a combination of 4½%, 3½%, 3¾% and 3.90% bonds, or a net interest cost to the city of 3.82%. The bonds were reoffered to investors to yield from 2.40% to 3.95%, according to maturity June 1, 1961-1989.

The bonds were issued from an authorization approved by voters in the election of 1956. Proceeds of the sale will be used for various additions and improvements to the Los Angeles Municipal Airport.

Bank of America N.T. & S.A. and the underwriting accounts it managed have bought more than $629 million of California State and and Municipal Bonds in the past 12 months. The bank and its syndicates, through successful competitive financing, provide an assured source of funds for a wide range of public projects and civic improvements.

Other major members of the bank syndicate were: Security-First National Bank; American Trust Co., San Francisco; California Bank, Los Angeles; R. H. Moulton & Co.; Smith, Barney & Co.; Kuhn, Loeb & Co.; Merrill Lynch, Pierce, Fenner & Smith, Inc.; Seattle-First National Bank; Northern Trust Co.; Dean Witter & Co.; John Nuveen & Co., Inc.

H. W. Moore & Co. Formed

ASBURY PARK, N. J.—H. W. Moore & Co., Inc. has been formed with offices at 710 Mattison Avenue to engage in a securities business. Herbert W. Moore is a principal of the firm.

New Schwabacher Office

PALO ALTO, Calif. — Schwabacher & Co. has opened a branch office at 350 Lytton Avenue under the direction of Frank B. Nombalais.

Forms Lawrence Inv.

BROOKLYN, N. Y.—Lawrence Scharfman is engaging in a securities business from offices at 3060 Ocean Avenue under the firm name of Lawrence Investment Co.

Walston Office Opened

LOUISVILLE, Ky.—Walston & Co. Inc. has opened a branch office at 430 South Fifth Street under the direction of W. D. Fleming.

Sidney Ungar Opens

Sidney J. Ungar is engaging in a securities business from offices at 350 Broadway, New York City.

What Measures Will the U.S.A. Take About the New Dollar Scare?

By PAUL EINZIG

America, according to Dr. Einzig is expected to check any dangerous gold outflow by disinflationary measures and cessation of foreign aid. Even though this may affect U. S. A. and world recovery, according to Dr. Einzig, delay in taking this worthwhile step to restore dollar confidence would be construed by world opinion as evidence we would take line of least resistance —viz. devaluation——making the world safe for inflation.

LONDON, England — The sudden increase in the outflow of gold from the United States towards the end of April and the beginning of May revived speculation in London about the possibility of a devaluation of the dollar. Until now most people over here assumed that there would be no such change under the present Administration but that there would be rather more than a possibility in case of a Democratic victory at next year's Presidential election. But the heavy gold losses during recent weeks induced a number of quarters to revise their opinion. It is felt in London that even the United States, with their gold reserve still above $20 billion, could not afford to continue losing gold on such a scale for any length of time, and that, unless the movement is checked, the American authorities might feel impelled to devalue, whether they like it or not.

Paul Einzig

Reckless Suggestions

Recklessly irresponsible suggestions about doubling the dollar price of gold came to be repeated in various quarters recently. Even though nobody with any sense of reality could seriously imagine that a United States Government, whether Republican or Democrat, would resort to a devaluation by anything like 50%, the mere discussion of the possibility tended to accentuate the scare caused by the increase of the gold outflow. Even if and when there should be a devaluation, it seems utterly unlikely that any responsible authority would think it necessary to devalue the dollar in any circumstances to a larger extent than is unavoidable in order to make American industries competitive at home and abroad. A devaluation by something like 10 to 15% would be ample for that purpose.

We all remember that in 1949 Sir Stafford Cripps, having resisted the devaluation of sterling to the last, decided eventually to cut it to a considerably larger extent than was necessary to restore the equilibrium of sterling. The result was a rising trend in British prices which continued for 10 years. Excessive devaluation opened the floodgates for inflation. It seems probable that, with this lesson in mind, the United States Government will have the good sense to abstain from excessive devaluation, even if and when devaluation should come to be considered inevitable.

American's Likely Course

But we are a long way from that stage, if indeed it will ever be reached. It seems most unlikely that the present Administration would yield without a strong fight. Should the outflow continue at an alarming rate the United States is expected to follow the British example in checking it by means of disinflationary measures. If the present high level of unemployment in the United States has not been sufficient to bring the trade unions to their senses it might become inevitable to resort to measures that would cause a further increase in order to check wage inflation.

Admittedly, it would not help the prospects of the Republican Party if business conditions were to deteriorate as a result of the defense of the dollar. Time is running short, and it is doubtful whether any recovery that would follow the defensive measures would occur in good time to influence the result of the Presidential election. But then, it seems from this side of the Atlantic, the chances of the Republicans to remain in office are in any case negligible. So possibly the Republicans will adopt the attitude that they might as well go down fighting in defense of the dollar. Nevertheless, the temptation of taking the line of least resistance by devaluing instead of adopting unpopular disinflationary measures is admittedly very strong. Unless such measures are adopted in the near future, delay in their adoption is likely to strengthen the impression abroad that the government does not intend to adopt them. This impression would accentuate the outflow of gold. A progress of the vicious spiral in which gold losses generate distrust and this distrust accentuates gold losses would necessitate eventually much more drastic measures than those which might suffice if adopted in good time.

Scaling Down Foreign Aid

The most obvious and most immediately effective step would be a drastic scaling down of foreign aid. When conditions are satisfactory the free world is entitled to expect the United States to be generous in this regard. But when the dollar is the subject of a sweeping attack then it is not very wise to waste the financial ammunition which is needed for its defense. It is to the interests of the free world that the United States should husband their financial power at a time when a dollar crisis is threatening, so as to be in a position to resume foreign aid on a large scale when the danger is over.

An announcement of a temporary reduction of foreign aid, together with simultaneous disinflationary measures, would be able to restore confidence and would bring the outflow of gold to a halt. Admittedly, it would slow down, and possibly even halt, progress towards recovery in the United States and in the free world. But this price would be well worth paying for the restoration of confidence in the dollar. If even a Republican Administration should fail to take drastic and effective measures to safeguard the dollar, world opinion would naturally take it for granted that a Democratic Administration would take the line of least resistance and make the world safe for inflation by devaluing to an unnecessarily high degree.

Ernest F. Rice

Ernest F. Rice, a Vice-President of Loewi & Co. Incorporated, Milwaukee, Wis., passed away April 24th.

Several of the Forecasting Techniques in Use Today

By Dr. RICHARD BERGER*
Commercial Research Engineer
General Aniline & Film Corp., New York City

For businessmen and analysts, Dr. Berger defines forecasting, explains why or how it may be used and its construction. The chemical firm's statistician discusses the *pros* and *cons* of non-numerical and numerical methods. With regard to the former, he evaluates the methods of consensus of executive opinion, sales manager's estimates, historical analogy, composite by industry experts and sampling of group opinions, and, regarding the latter, the methods involving trends, cycles and correlations. The author concludes by offering criteria to judge which of the several methods to use.

A forecast is an estimate based on a set of assumptions which are most likely to occur. Underlying any sales forecast must be some basic assumptions, and these should be clearly defined in setting up your forecasts. (Actually, of course, these assumptions have provided many a forecaster with an "out" when their forecasts have proved wrong). Nevertheless, it is true that the better the assumptions, the better the forecast.

Richard Berger

The general aim of either sales or economic forecasting is simply to provide the managements of various companies with reliable advance information on future business conditions. In the final analysis, forecasts by whatever means obtained, must be modified and applied in terms of an executive's personal judgment and special knowledge of his own business.

Selection of Criteria

Certain criteria can be set up to judge the various forecasting methods:

(1) It should be based on scientific method, that is, on organized knowledge used to explore cause and effect relationships.

(2) The method should allow the determination and measurements even if inexactly, of such relationships.

(3) Analytical methods must be of such a nature that they can be used for forecasting purposes.

(4) The method must be based on the use of available data.

(5) The method should be inexpensive in terms of time, manpower, and the use of manpower not too difficult to hire or train—as related to the accuracy and value of the results obtained.

(6) Finally, and most important, the method should work empirically and give useful forecast.

Every sales forecast has two basic elements to it—the external and internal forces. A company has little or no control over external forces (e.g., consumer income or competitive prices.) The internal forces are those wherein the company sets its own policies (e.g., inventory, type of product carried, or the quality of the product).

Forecasts can be either of a long-term or short-term nature. Although the primary purpose here is not to discuss the various uses made of such forecasts, a brief summary of such uses may be in order. A short-term forecast is one of less than a year, while a long-term forecast is generally conceded to be one of longer than a year's duration. Of course, various companies may vary somewhat as to these definitions. Short-term forecasts are used for the following purposes:

(1) Inventory policies.

(2) Pricing policies.

(3) Wage and salary policies.

(4) Purchasing of materials.

(5) Determination of sales quotas.

(6) Budgeting.

(7) Employment policies.

(8) Production planning, and several others.

Now let us look at the reasons for employing a long-term forecast—

(1) Capital investment policies.

(2) Disposition or selling of a plant or equipment.

(3) Long-term borrowing.

(4) When aging of a product is of importance (such as liquor or tobacco).

Non-Numerical Methods

Now that it has been determined what a forecast is, and why or how it may be used, let us get down to actual cases on how to make one. Actually, either non-numerical methods or numerical methods may be used. Let us look first at non-numerical methods, which can be classified into five groups. These non-numerical methods are appraisals based mostly on opinions and judgments. What are they?

(1) Consensus of Executive Opinion.

(2) Sales Managers' Estimates.

(3) Historical Analogy.

(4) Composite by Industry Experts.

(5) Sampling of Group Opinions.

First, the Consensus of Executive Opinion. This is simply the gathering of the majority views of top executives, who meet periodically to review a company's prospects—e.g., the President, Executive Vice-President, Comptroller, or others. As a first step, much material is prepared before actually coming to the meetings. The material is reviewed at the meeting and views are expressed concerning the data and the future outlook. The Chairman arrives at a consensus, and the group abides by the decision.

Such a method, of course, is much less costly than maintaining an economic research staff and allows each key man the opportunity to make a direct contribution to the forecast. Also these men really know the firm and have been responsible for its success (or failure, if a forecast goes wrong). A quick alteration in forecasts can also be made to take care of unforeseen events.

However, there are disadvantages to such a method. Perhaps these men are unaware of underlying national events or economic trends. And, although as was stated before, since all forecasts involve assumptions, these are not usually emphasized in executive sessions. If a forecast is in error, it is difficult to determine which assumption went wrong. And, certainly, this process does not result in too much objectivity. Furthermore, the forecasts are limited in application since they are not usually set forth in enough detail for operation.

"Grass-Roots" Approach

The second method is based on the Sales Managers' Estimates, often known as the "Grass-roots" approach. Here a company relies on the Sales Manager to get estimates on the theory that he is closer to the consumer and has a "feel" of the situation. In this method, either a questionnaire is sent to each member of the sales force to determine future estimates, in which case the form must be very clear—or else estimates are made by salesmen in consultation with the branch or regional manager. (Of course, there are varying views on how salesmen feel about this "extra-curricular" activity). Usually, the estimators will be supplied with a record of past sales in order to get more realistic estimates. Results are accumulated for each branch, or district, and forwarded to the central office where a composite forecast is derived. Some companies do not bother individual salesmen but, rather, rely on the specialized knowledge of the sales executive staff like district or product managers.

Some of the advantages of this method are as follows: Men closest to the market are giving their opinions. Responsibility is placed in the hands of those who must produce. The sales force is given greater confidence in quotas developed from forecasts. On the other hand, sales managers are usually unaware of national developments and trends, but, even if they were, they are unable to translate these conditions to sales. Their forecasts are based mostly on past experience and their own psychology. In a period of declining sales, they tend to become overly pessimistic, and vice versa. Furthermore, this requires an extensive expenditure of time by executives and sales forces that have something better to do than to play with figures.

The third approach of Historical Analogy has only a limited usefulness. Here, we look at sales in terms of past performance. An attempt is made to select a period in past history with conditions similar to the period which you are trying to forecast. This might be a worthwhile procedure if a company is starting a new business with a new product. Then it would try to use the past experience of a company selling a similar product. However, rarely will economic conditions be the same in both periods. Perhaps this method should be used only to confirm other methods, or, of course, if no other method is available.

In the fourth method—the Composite by Industry Experts—the company simply hires individual experts in various fields. Periodically, these experts are asked to submit forecasts. Usually, one person in the company will take each of the forecasts, weight them somehow, and come up with a combined figure. The advantage here is that we are dealing with specialists with supposedly good contacts in the various fields. Obviously, a company selling only one product might not use this system. Furthermore, it is difficult to correlate the several parts since they are based on different assumptions.

Finally, there is the Sampling of Group Opinions method. In this method, sampling surveys are conducted among either consumers or customers. For example, Dun & Bradstreet, Inc. often runs surveys concerning the business outlook. For most companies, this would be a very costly method involving sampling, follow-ups, sub-sampling of non-respondents, etc. Sampling can become an involved process which is better left to the experts. Often, the entire survey would have to be re-run to see if opinions have changed. However, where no other approach is feasible, this method can be used provided you believe you have a good sample.

Numerical Methods

But enough time has been devoted to the non-numerical methods. Attention will now be turned to the numerical methods. Actually, these techniques might be classified into those involving trends and cycles, and those involving correlations. Of course, there are also many mathematical formulae used for which time does not allow discussion today. What follows has been prepared on the assumption that many of you will be familiar with most of the mathematical terms mentioned. However, no involved mathematics will be discussed.

In a discussion of the first of these methods, it is necessary to keep in mind the fact that sales for any company are largely the result of four factors—long-term growth trends, cyclical business fluctuations, seasonals, and irregular variations. Unfortunately for this method, there are too few companies where the patterns of these factors are so well defined that the use of this system proves profitable. In most industries this method is used chiefly for long-range forecasting rather than short-range, since results are not usually accurate enough for month-to-month planning. Moreover, the error involved in missing peak sales by two or three months in a period, say five years from now, would not seriously affect the financing of new plant and equipment for that period. But it could affect seriously the profit or inventory pictures in that particular year.

Obvious limitations, of course, do not permit a discussion on how to obtain trends, cycles, or seasonals. Many volumes have been written on these subjects which you can find in any business library. Briefly, however, the trend is obtained in the units with which we are dealing and the other factors are obtained as percentages. Thus to get a particular forecast, we would mutiply the four factors together — the trend factor multiplied by the three other percentage factors—the cycle, the seasonal, and the irregular. In terms of symbols, it would be T C S I. For purposes of today's meeting, only yearly forecasts shall be discussed so that the seasonal factors will be ignored here. Thus, only the trend, cycle, and irregular components will be dealt with.

Types of Trends

Very often, the only method used by companies to make a sales forecast is the trend alone. This is especially true when the company does not know, or is unaware, of underlying economic factors affecting a company's future. There can be many types of trends, linear, logarithmic, or curvilinear, although in practice linear or logarithmic are most often used. Semi-log paper comes in very handy in extending trends, for if the trend appears to be a straight line on such paper, it indicates that sales are increasing at a constant percentage rate for that company. This is commonly the case. In determining trend lines, it is often necessary to eliminate certain time periods in which random factors have occurred. These periods tend to distort the trend. For example, war periods usually show higher than normal sales. Incidentally, the theory of least squares is used in determining most trend lines, although if you've had enough practice, obtaining trends by sight is almost as useful and less time consuming. In this theory of least squares, a line is obtained which gives a so-called "best-fit" and where the sum of the squared deviations of points around this line is less than that from any other line you might draw through these points.

Turning our attention to cycles, a subject is found that has captured the interest of economists and businessmen for many years. Especially active in this regard has been the National Bureau of Economic Research which has been studying cycles for a few decades now. Actually, it is not believed that any perfect theory of business cycles has yet been devised. Since the subject has not yet been very fully developed, many companies are wary of using cycles in their forecasting. However, it is possible to try to develop a cycle of your own company sales. Usually, cycles are obtained by a process of elimination. First, the trend is developed. The original data is then divided through by these trend estimates for each year. What is left in your data then is the cycle and irregular factors. By a smoothing-out process, usually by sight, a cycle can be developed. Having determined each of the components of a time series, all that is necessary in forecasting is to forecast each component and then combine them into projected data for the period under review.

The Correlation Method

The correlation method is the next one to be considered. Often the word itself frightens many business executives from using this method, and yet it has proved to be one of the most satisfactory methods of forecasting for many companies. Actually, it is simply a method of measuring the relation between two or more factors. For example, there may be a direct relation between the Federal Reserve Board Index of Industrial Production and the unit sales of a product or group of products a particular company sells. A very popular index for comparison purposes is Disposable or National Income, which may be used primarily for comparing with retail trade items, or any item which flows to the consumer. Gross National Product is also a very popular index that is often used in this type of analysis. These indicators are especially useful to companies having a fairly stable share of their industry's sales. However, the indicators are used often even if this is not the case.

Now you may say, what is the good of relating the sales of a product to National Income, for example? You would still have to forecast national income before you could decide what the sales of the product would be, say for next year. That is true. However, there are multitudes of experts around who will forecast national income for us. Simply pick up the New York "Times," "Journal of Commerce," the "Chronicle," or other business publications, and read. You will find dozens of forecasts by government and industry experts, all surprisingly similar as a rule. Take one of these forecasts that you have faith in, or better yet, make up one of your own if you have the basic "know-how" and realize what goes into a forecast of national income.

These correlations may be simple, or they may be rather complex. For complex ones, of course, it is best that you have some basic knowledge of correlation techniques. But no one need be an expert for simple correlations, and many times these serve the purpose just as well and are easily understandable by top management. Even complex correlations may be done simply by graphic method, although the understanding of the "why we do this" may not be so clear.

Besides general factors, such as Gross National Product or National Income, sales are also related to specific factors, such as change in prices, or numbers of units per household, or others. For automobile sales, for example, new car registrations

*An address by Dr. Berger before the American Institute of Chemical Engineers, Atlantic City, N. J.

might be thought of as a factor. There are numerous relatible items that might be considered, or even combinations of them. That is the job for the forecaster—to determine which factors work best with the particular product. But even here, the work is not over. A constant review must be kept because an indicator can suddenly become almost useless for a company, especially if economic conditions change.

Use of the Scatter Diagram

One of the basic techniques in this procedure is the use of a scatter diagram, which does not require the services of an expert for its preparation. You simply label your ordinate or Y axis "Sales" and the X axis "National Income," or whatever indicator you are using. Then plot your past data for each year, i.e., sales for 1946 against income for 1946. This is one point on your graph. Repeat for each year. After the points are plotted, see if there is a relationship and how close it is. Try this with several series until you get the best ones. If more than one series is used, it can also be done graphically, using the system of residual variations, which will not be delved into here, but which is extremely simple, and again you do not need to be expert.

For those companies not able to afford experts, or which cannot take too much time in forecasting activities, the graphical approach to correlation is highly recommended. There is one caution that should be pointed out, however. Occasionally, good correlations are merely the result of coincidence rather than logical cause and effect, or any direct relation between the two factors. Of course, these should not be used. Here is where good judgment comes in. After all, sales of refrigerators wouldn't be related, say, to the number of stamps sold monthly in the Atlantic City post office.

Incidentally, one of the most valuable correlations that can be obtained is where the indicator leads your sales by a few months or so. Thus, when an indicator goes down, your sales can be expected to decline a few months later, and vice versa.

Don't place all your reliance on correlation, however, for although past trends may be good indicators of future ones, business is not static, and the forecaster must be alert to factors which may cause abrupt or severe deviations from the past. Even the best correlations are subject to chance variations which could cause severe company losses.

Selecting the Method

Just which of the several methods that should be used, of course, depends on several factors.

(1) Operating executives should be able to understand the methods used, otherwise their confidence in them is lessened.

(2) This factor may be obvious, but the method should result in fairly accurate forecasts. Nothing destroys confidence like consistently bad forecasts, or for that matter one bad forecast.

(3) The cost of making the forecast and the amount of work involved should be considered against the possible benefits to be derived from it.

Usually, a combination of several of the methods will provide the best results. The National Industrial Conference Board Report on "Forecasting In Industry," issued in 1956, describes how several specific companies make forecasts.

In closing, it should be mentioned that forecasting is a dangerous occupation, and all too often it is judged by those with 20-20 hindsight. If one is aware of the numerous problems faced by the forecaster, it is possible to view his achievements, or lack of them, with more understanding. Finally, let it be noted that not all forecasters agree on the future outlook. In fact, it has been said that if all the forecasters in the country were laid end to end, they would point in all directions.

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A. G. Becker Group Sell Spector Freight Stock

An underwriting group headed by A. G. Becker & Co. Inc., on May 12 offered publicly 200,000 shares of class A common stock ($1 par value) of Spector Freight System, Inc., at $11.12½ per share. Of the shares offered, 60,000 are being sold on behalf of certain stockholders.

Net proceeds to the company from its sale of 140,000 shares will be applied to payment of bank loans and equipment obligations of its subsidiaries, and the balance will be added to working capital.

Spector Freight System, Inc., headquartered in Chicago, Ill., is a common carrier by motor vehicle, engaged primarily in interstate operations. It provides regularly scheduled freight service over approximately 11,500 miles of authorized routes in the East and Middle West, extending from New York, Boston and other points on the Atlantic seaboard to various terminals as far west as Wichita, Kansas. Terminal facilities are maintained in 28 cities.

Gross revenues in 1958 were more than $43,000,000 and net income $1,459,000, equivalent to $1.75 per share of combined Class A and Class B stock outstanding prior to this offering.

Forms Carroll Co.

CLIFTON, N. J.—Raymond C. Carroll is engaging in a securities business from offices at 4 Huemmer Terrace under the firm name of Carroll Co. Mr. Carroll has been associated with P. J. Gruber & Co. Inc. and Foster & Adams.

Forms Lightner Co.

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif. — Meyer Lightner is engaging in a securities business from offices at 3408 Park Boulevard under the firm name of Meyer Lightner & Co.

Jamieson Opens Branch

RICE LAKE, Wis.—Jamieson & Company has opened a branch office in the Land O'Lakes Hotel under the direction of Fred A. Sirianni.

McDonald Branch Open

DAYTON, Ohio — McDonald & Company has opened an office in the Third National Bank Building under the management of Eugene A. Bohlander.

Opens Brooklyn Office

BROOKLYN, N. Y. — Newburger, Loeb & Co. has opened an office at 920 Flatbush Avenue with Clarence T. Walker and George Bloch as co-managers.

Eugene Manacher Opens

(Special to THE FINANCIAL CHRONICLE)

WHEATRIDGE, Colo.—Eugene Manacher is engaging in a securities business from offices at 7140 West 32nd Avenue.

Manley, Bennett & Co. Adds Three to Staff

DETROIT, Mich. — Henry G. Gildner, Jr. is now associated with Manley, Bennett & Company, members of the Detroit Stock Exchange, as a registered representative at the downtown office in the Buhl Building. Following his service with the U. S. Army he entered the Manley-Bennett training program spending a year with the firm's correspondent in New York while attending the New York Institute of Finance.

Manley, Bennett & Company also announces the association with their mutual fund department of Carl Johnson and James C. Finney, Jr.

Mr. Johnson has been in public relations and sales in New York City and Detroit for the past 12 years. Mr. Finney is a former partner of James C. Finney & Co. certified public accountants and has had considerable experience in management and tax problems. Both men will devote their entire time to the mutual fund field and the application of mutual funds to pension and profit sharing plans.

Voorhis Officer of Tri-Continental

H. M. Baird Voorhis has been appointed assistant secretary of Tri-Continental Corportaion, and the Broad Street Group of Mutual Funds — Broad Street Investing Corporation, National Investors Corporation and Whitehall Fund, Inc.—it was announced today by Francis F. Randolph, chairman, and Fred E. Brown, President, of this group of investment companies. Mr. Voorhis will also serve as assistant secretary of Tri-Continental Financial Corporation, Broad Street Sales Corporation and Union Service Corporation.

Mr. Voorhis has worked as a security analyst on the research staff of the investment company organization since 1956.

J. H. Ayres Co. Opens

COLORADO SPRINGS, Colo.—James H. Ayres is conducting a securities business from offices at 920 East Williamette under the firm name of J. H. Ayres & Co.

Form Babson & Kaye

YONKERS, N. Y. — Irving K. Babson and Philip Kaye have formed the Babson & Kaye Co. with offices at 222 North Broadway, to engage in a securities business.

Wall Street Option Fund

Wall Street Option Fund, Inc. has been formed with offices at 233 Broadway, New York City. Officers are Morris Goldman, President and Bertha Waldman, Secretary-Treasurer.

To Form Stern, Hoffman

Stern, Hoffman & Co., members of the New York Stock Exchange, will be formed as of May 29 with offices at 14 Wall Street, New York City. Partners will be Richard H. Stern, Arthur E. Hoffman, member of the Exchange, and Herbert Dobuler. Mr. Stern is a partner in Stern, Frauenthal & Co. which will be dissolved.

Grant B. Schley

Grant B. Schley, partner in Moore & Schley, New York City, passed away April 24.

Gerald M. Goodman

Gerald M. Goodman, partner in Lord, Abbett & Co., passed away May 4 at the age of 62. Mr. Goodman was partner in charge of the firm's Los Angeles office.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Bank Stocks

MORGAN GUARANTY TRUST COMPANY

The Morgan Guaranty Trust Co. seems to be an accomplished unit among the New York banks—always unless Congress enacts some sort of *ex-post facto* law that would make it possible for the Justice Department to force an undoing of the merger. Impossible as this may seem to be, there have been suggestions of this sort from several of our Congressmen, who apparently want to tie such a provision to the bill now before a committee to require notice of mergers before they could be effected. Prevention of this merger would not have helped competition among the banks, for, as we have already pointed out, the merger puts the consolidated bank among the largest and thus increases the competition possibilities on large loans. Further, neither component sought small consumer loan business, but confined its activities to wholesaling credit. With a very small branch system, Morgan Guaranty will have a comparatively low overhead, just as was true when each was going its own way.

Let us look at the rates of earnings on invested assets for the banks with widespread branch systems (with high overheads), versus the wholesalers with only a few branches:

	Ratio Earnings: Invested Assets (Dec. 31, 1958)
Large Branch Systems:	
Bankers Trust	1.00%
Chase Manhattan	0.90
Chemical Corn	1.03
First National City	0.96
Manufacturers	0.79
Wholesalers:	
Morgan	1.14
Guaranty	1.24

Another facet to this matter of a low overhead is that under recession conditions such banks as the wholesalers will have less trouble meeting it than will those banks that have huge branch personnel and numerous other charges that they will find it hard to keep within bounds.

So it is that this new banking institution will not cater to the man-in-the-street, but rather to the large corporations and institutions.

* * *

"No Time for Bearishness On Bank Stocks"

The outlook for bank earnings continues to be at least good. The recovery from the recession found bank earnings not severely strained. Certainly not to the degree that industrial and rail corporations felt the downturn. This was in the face of lower interest rates and reduced loan volume, just the reverse of what had sent earnings higher in the several years preceding the business setback.

Now what do we find? See the newspaper headlines taken off recently in just a day or two's news items:

March Inventories of Manufacturers Rose $400 Million.

Tight Money Returns to Haunt Banks.

Higher Profits Predicted After First Quarter Jump.

Consumer Outlays Break All Records.

U. S. Rubber Posts Record Earnings.

R. H. Macy Sales Set New Records.

Records Broken by Mutual Funds.

Chrysler's First Quarter Profit Tops That for Any '58 Period.

Nation's Output Hit Record High in First Quarter.

Du Pont Net Rose in First Quarter.

And "Wall Street Journal" at the end of April reported: **"Profits Zoom. First Quarter Earnings Top '58 by 53%. Year Expected to Set Record."**

There has been such a volume of favorable news in the financial community lately that it can only indicate that the economy is headed toward a level of prosperity. And what does this mean to the banks? Obviously a higher loan position, and higher earnings. The banks are in a so much better position to fend off the worst of a recession, for if loan volume declines pronouncedly, their funds go into high grade investments, those of the large central banks being short terms where the "roll-over" is relatively rapid. If the economy prospers, their funds are taken up by the demand for loan accommodation.

The recent recession never did see interest rates as low as they were some time back, and as a consequence the income from their loan portfolios, with the substantial increase in their holdings of governments and other high-grade investments during the downturn, enabled them to maintain earnings at a favorable level. Now, with rates on the firming side, and the economy on the upgrade, this department visions new highs in operating earnings. True; loan volume since Jan. 1, last, has contracted about a quarter billion with the large New York banks, but for one thing this has been only a seasonal move, and, for another, it has been of modest proportion in a total loan volume of, let us say, between $10 and $11 billion.

This is no time for bearishness on the bank stocks.

Named Director

The election of A Charles Schwartz, a Senior Partner of the investment firm of Bache & Co., as a member of the Board of Directors of Desilu Productions Incorporated to fill an existing vacancy has been announced.

Continued from page 5

The Challenge of Soviet Economic Expansion

rate has averaged between 8 and 9% during this time. Over the same period, our own average annual increase, both in Gross National Product and in industrial production, has been about 3%. In 1957, we estimate the Soviet Gross National Product to have been about $175 billion—roughly 40% of our own. Soviet gross industrial production in the same year was about $65 billion, also roughly 40% of ours.

The methods employed by Soviet leaders to raise their economy from the relative backwardness of post-revolutionary days to its present level were starkly and terrifyingly simple; they brutally squeezed an overwhelmingly agrarian population to provide the state with the resources for an unprecedentedly high rate of investment which was concentrated in heavy industry. The ruthlessness with which this was accomplished was made possible only by reshaping Soviet society into a totalitarian mold. The state owns all land and the means of production, and controls the labor force. State planning supplants market forces based on demands of the consumer, whose interests are completely subjugated to the achievement of Communist goals. The real power behind the state is the militant, elite Communist Party, which wields the levers of power.

Short-Changing the Consumer

The unveiling of the Soviet Seven Year Plan has made it clear that the future economic development of the Soviet Union will continue along the same lines. The consumer will continue to be short-changed in favor of high investment in heavy industry. The goals proclaimed by Soviet leaders envisage the increase of industrial output by 80% by 1965. Annual steel production is to be pushed close to 90 million tons by the end of the plan—an increase, if accomplished, of some 35 million tons. Corresponding increases are planned for other selected industries which spell national power. While these goals represent a slight decrease from recent annual growth rates, the projected expansion nevertheless is very impressive.

When they proclaimed their newest plan, the Soviet leaders tied its goals to the slogan of "overtaking and surpassing" the United States. This goal, which is as old as the Soviet state, is now being dinned into the Soviet people day and night by every technique known to mass indoctrination.

The Future Economic Race

It is not my purpose to indulge in a numbers game here today. I will simply state that there is no possibility of the Soviet Union outstripping the United States in industrial production by 1970, and as for outstripping us in per capita production by the same date, this is nothing but a political smoke screen designed to hide from the Soviet consumer the way in which he is being shortchanged. But it is undeniable that the Soviet economy has been growing at a faster rate than our own in recent years. There is also no doubt that if we project our own growth at the level of present performance, the Soviets will continue to make substantial gains in their self-proclaimed economic race with us.

This is a sobering thought. To begin to appreciate its implications, one need only speculate on the nature of a world in which the Soviet Union **had actually** ~~achieved~~ economic predominance. One could bring this thought one step closer and speculate on changes which might be brought about in the world if the Soviets succeeded in catching up significantly on our lead and the mere **belief** were to become widespread that the USSR would surpass us by a certain future date.

The Simple Answer

The answer is simple and within our power. We must find ways of substantially increasing our rate of economic growth, while at the same time avoiding the perils of inflation.

As experts in information techniques, you will readily appreciate that the impact of continuing Soviet economic expansion is not only military, political and economic, but profoundly psychological as well. Let us briefly examine some of its major international implications:

First, and most obviously, the achievement of planned Soviet goals would result in a further expansion of the economic base of Soviet military power. Already, despite the fact the Soviet output is only 40% of our own, Soviet military expenditures on an absolute basis would appear to be at least as large as ours. The Soviet system's ability to ruthlessly mobilize available resources for national policy purposes ensures that as the Soviet productive base increases, so will the magnitude of the Soviet military threat—enabling communist leaders to pursue more aggressive foreign policies.

Second, Soviet economic success is of vital importance to international Communism in projecting an image of the Soviet system as the magic blueprint for the achievement of rapid progress by the less-developed countries of Asia, Africa, the Middle East and Latin America. We should not underestimate the appeal which such an image may have on men of influence in the underdeveloped countries who are desperately seeking to lead their people into the Twentieth Century.

Actually, the Soviet experience is not a good example for the underdeveloped countries. Conditions in Soviet Russia forty years ago were quite different from those in most of the underdeveloped countries today. Pre-revolutionary Russia, although a backward country in many respects by Western standards, had already achieved a rapid rate of economic growth. It ranked fifth among the industrialized countries of the world and had definitely passed the "take-off" point to self-sustained growth. It had a small, but highly competent corps of administrators, scientists and technicians. The ratio of available resources to population was relatively high. The Soviet Union never has faced the most pressing problem of many of the present underdeveloped countries: the crushing burden of an exploding population.

However, despite the inapplicability of the Soviet experience to their own problems, the less developed countries cannot help but be profoundly affected by the example of purposeful and dramatic increases in output achieved under Communism. In some of these countries, highly organized Communist Parties and their front organizations work unceasingly to prey upon this susceptibility. The Seven-Year Plan is a major weapon in their propaganda arsenal.

Finally, increased Soviet economic capacity will enable the Communists to expand and extend their efforts to penetrate the underdeveloped areas through trade and aid. As one Soviet writer put it, the current economic offensive is, and I quote: "a new form of the economic competition between the two systems, but one which takes place in the territories of countries having a majority of the human race." In other words, the Soviet economic offensive is a means of carrying the struggle against us in its economic aspects to the most vulnerable sector of the Free World. The ultimate objective of Soviet leaders continues to be the downfall of the West. Blocked, however, by the unity and the continuing political, economic and social health of the more industrialized Western countries, the Soviet leaders calculate that the underdeveloped nations offer the best opportunities for eventual take-over.

The Soviet Union launched its aid and trade drives in the newly-emerging areas in 1954, as part of a general campaign to establish the Soviet "presence" in the most vulnerable target countries. Since then, the Soviet Union has extended some $2½ billion in military and economic development credits — $1 billion during last year alone. The number of Soviet technicians in these countries has increased to 4,000. Soviet trade with them has doubled since the beginning of the offensive.

Soviet Techniques

The techniques employed by the Soviets include low interest rates, repayment of loans in commodities, construction of projects which have a high visual and psychological impact, speedy negotiation of agreements, long-term trade commitments, and incessant propaganda in which domestic Communists and "fronts" play a crucial role. By these devices, Moscow seeks to hammer home to the peoples of the underleveloped areas the cynical theme that the Soviet Union not only possesses a supposedly superior economic system, but is the "selfless friend" of newly-developing peoples and stands ready to extend economic and military assistance "without strings."

Once a country becomes dependent upon the Soviet Union for a large share of its trade or of its development program, the "strings" become very apparent and are manipulated to serve Communist ends. The Soviets do not hesitate to employ blackmail and pressure by deliberately turning off their trade or cancelling their development projects. Any nation which permits its economy to become heavily dependent on the Soviet Union soon finds that it has a very truculent bear by the tail.

Soviet short-term objectives in the underdeveloped countries can be summed up as a drive for "identification" with popular aspirations and the more militant nationalist forces—so long as they are not opposed to Soviet objectives. This drive is accompanied by opportunistic Communist agitation calculated to inflame local passions, exploit latent tensions between these countries and the more advanced nations of the West, and to maintain a continuing situation of crisis. Economic arms are only part of their arsenal which includes military, political, diplomatic, cultural and propaganda weapons. Communist penetration of the Middle East, for example—of which Iraq is the most recent and most dramatic illustration—was not achieved by economic weapons alone. But the use of economic weapons on a large scale is an indispensable element of this concerted effort in an area which is deeply concerned with economic advancement.

The Two-Stage Revolution

Identification is only the short-term objective. Communist leaders have made no secret of the fact that the purpose of identification is to strengthen Communist forces operating within the target countries. To employ Communist jargon, the "national liberation movements" —the Communist term for the nationalist groups in the less developed countries—will undergo a "two-stage" revolution. Once a strong foothold has been secured through agitation of anti-Westernism and hypocritical support of deep-seated nationalist aspirations —and once conditions are judged to be ripe in a given country— the native Communists will inaugurate the second stage by openly challenging the leadership of local nationalist forces on domestic issues. This is a classic example of Leninist strategy: using nationalism to oust Western influences and then eliminating the nationalists.

There is increasing evidence in the public pronouncements of Soviet leaders that Communist strategy is now directed at emphasizing Communist - inspired domestic programs in underdeveloped areas in an effort to enhance the role and prestige of Communist groups in these countries. This strategy also involves attacks on nationalist forces by the local Communists as they attempt to seize power for themselves.

These, then, are the main elements of the Soviet economic offensive. I turn now to the posture which the United States should assume in meeting this mounting challenge. What should be the character of our own economic relations with this growing power, whose leaders are holding out such golden prospects of expanded trade with us?

First, let me state unequivocally that the United States would welcome an expansion of peaceful, two-way trade with the Soviet Union. President Eisenhower made this clear in his reply to Soviet Premier Khrushchev's well-publicized letter proposing a grandiose increase in trade between our two countries. During his "Unofficial" visit to this country earlier this year, I gave Mr. Mikoyan similar assurances— as did every American official with whom he spoke.

We welcome peaceful trade because it has always been the purpose of your government to promote this country's foreign commerce and because we sincerely believe that trade is mutually beneficial.

But we are not sanguine as to the prospects for the expansion of **satisfactory** and **continuing** trade relations. The major obstacles to these are inherent in the Soviet philosophy and organization for trade.

Possibilities of East-West Trade

We have only to recall the experience of the Thirties: Once the purposes of the Soviet procurement campaign were achieved, their imports from the West dropped from some 3.8 billion rubles in 1931 to 841 million rubles in 1935. Our own sales to the Soviet Union plummeted from around $100 million in 1931 to $12 million in 1932. The Soviet Union in its trade with the West is today motivated by the same autarchic considerations as in the Thirties. This is borne out most forcefully by the fact that the second ranking industrial power of the world exports to the West about the level of Denmark — roughly $1 billion a year — and that these exports are more characteristic of those you would expect from an underdeveloped or semi-developed country than from an industrial giant.

Soviet exports are, in the main, bulk primary products and semi-finished goods which permit the state trading monopoly to raise the foreign exchange to pay for imports with the least possible dependence on the world market. The price-cutting tactics to which the Soviet state trade monopoly has resorted, in order to fulfill its export plans in such cases as tin and aluminum, have already proved injurious to such traditional Free World exporters as Bolivia, Malaya, Indonesia, and Canada. The monopoly's use of barter techniques also tend to disrupt established trade channels for the movement of basic commodities upon which friendly underdeveloped countries of the Free World are so dependent.

Furthermore, both Premier Khrushchev and Mr. Mikoyan have frankly said that an expansion of Soviet imports in the next several years is predicated upon the extent to which the West can be persuaded to finance Soviet purchases.

Do the Soviet leaders actually expect us to finance the growth of the industrial machine of a hostile Communist Party whose leader has threatened to "bury us"?

Meeting the Challenge

Now, as to the underdeveloped areas: In considering the complex task of meeting the Soviet challenge in these countries, we should never lose sight of the fact that the accomplishment of Communist designs will depend much less upon the volume of Soviet aid and trade than upon the political and economic health of the newly-developing countries and of the entire Free World. This is fundamental.

Experience has taught us that Communist power will flow wherever there is real or apparent weakness. Our answer to the Soviet challenge must be to help the peoples of the newly-developing nations to realize their potential for economic progress under free institutions. We must be steadfast in our purpose of building a sound and expanding Free World economy in which these countries will find their greatest opportunities for advancement. We seek to achieve this goal in two ways: through international economic and financial institutions and programs in which all Free World countries collaborate, and through our own program, principally those conducted under the Mutual Security Program and the Reciprocal Trade Agreements Act.

In pursuing these twin paths to our goal, we must:

(1) Continue, without any interruption for lack of adequate resources, the vigorous operations of our own new Development Loan Fund, which provides a flexible source of financing and a very special hope to the less developed nations in building the basic and productive facilities needed for economic growth.

(2) Continue our program of military assistance and defense support, to provide a shield of security from outside aggression and internal subversion behind which the governments of the newly-developing countries can work at the primary task of improving the well-being of their peoples.

(3) Continue to work with the International Bank for Reconstruction and Development and the International Monetary Fund, which are now expanding their resources. These institutions have come to occupy a key position in the structure of Free World economic cooperation by mobilizing the resources of many countries for the purpose of sound economic development and protection against serious temporary drains on foreign exchange.

(4) Continue the active and time-tested lending operations of the Export-Import Bank.

(5) Intensify our participation in programs of technical cooperation, to help provide the basic management and technical skills which are lacking in all of the underdeveloped countries.

(6) Take a leading part in reducing barriers to world trade through our own example and through such multilateral instru-

ments as the General Agreement on Tariffs and Trade.

(7) Continue to extend sympathetic and open-minded consideration to the problems which the less developed nations face as a result of price fluctuations in their raw material exports. Such price fluctuations can, and have, wiped out many of the benefits to the less developed countries from Western economic assistance.

(8) Promote and strengthen collaboration between government and private enterprise in order to put the unmatched financial and management resources of American private business to work on a mutually profitable basis in the newly-emerging nations.

Finally, I cannot emphasize too strongly that our own economic health and growth is the single most important element in our posture vis-a-vis Communist economic expansion.

We can and **must** find ways to increase our own economic progress. The present rate of growth in our economy is simply not good enough. We must devote our very best brains to finding ways of stimulating growth while maintaining the basic stability and value of our currency. Unless we do so in a more purposeful fashion, we shall weaken our capacity to provide the leadership which the Free World so urgently expects of us.

By accelerating our domestic growth we shall make important strides toward meeting the Soviet challenge in the underdeveloped and largely uncommitted nations. Because of our intimate links with them, American economic growth will inevitably react favorably on their development. Unlike the effects of Soviet expansion, the benefits of our growth and prosperity are transmitted through normal trade and private capital channels to all nations which participate with us in the Free World multilateral economic system.

A Powerful Example

The example of purposeful economic growth under free institutions will also have a far-reaching political and psychological effect abroad. It will serve to deflate the Soviet line that Communism represents the "wave of the future." Most importantly, it will demonstrate to the peoples of the newly-emerging nations that their aspirations can best be achieved in a free society.

What, after all, is our national purpose in promoting increased trade, in expanding private American investment abroad, in extending technical and financial assistance through our Mutual Security Program?

It is a broad purpose and is not solely confined to furthering economic development as such. For productive capacity and technological skills do not of themselves bring about the full development of a free civilization in which the individual can realize his potential for spiritual growth. We need only recall that Soviet Russia, Communist China, and other bloc nations possess these material assets in varying degrees.

Our interest lies also in the development of free political institutions, of respect for law, of regard for human decency. We seek to accomplish this by helping the new nations to advance toward modern economic and political status while, at the same time, maintaining their independence and assuring the possibility of an evolution which safeguards the liberty of the individual.

In this way, we move closer to our national goal of living prosperously among friendly nations in a world ruled by law where man can live in peace with justice.

Walter W. Blair

Walter W. Blair passed away May 4 at the age of 76 following a long illness. Prior to his retirement he had been a Vice-President of D. H. Blair & Co., Inc.

NSTA Notes

NSTA 1959 MUNICIPAL COMMITTEE

Appointment of the 1959 Municipal Committee of the National Security Traders Association, Inc. has been announced by Lester J. Thorsen, President.

William Perry Brown of Newman, Brown & Co., New Orleans La., past President of NSTA, was named Chairman of the committee, and Parks B. Pedrick, Jr. of Howard, Weil, Labouisse, Friedrichs & Co., New Orleans, Vice-Chairman.

Wm. Perry Brown

The Municipal Committee is composed of NSTA members throughout the country who have the responsibility of watching national and local legislation which may affect municipal securities traded on the Over-the-Counter Market. Over $18 billion worth of state and local government securities are traded annually in this market, to finance schools, parks, roads, hospitals, slum clearance, ports, buildings, bridges, tunnels, sewers, etc. Legislation and activities affecting such municipal bonds are reported by the Municipal Committee to the NSTA for appropriate recommendations and action.

Other members of the committee are: George M. Wood, Jr., George M. Wood & Co., Montgomery, Ala.; Elmer G. Longwell, Boettcher & Co., Denver, Colo.; David A. Haley, Harkness & Hill, Inc., Boston, Mass.; John M. Heimerdinger, Jr., Walter, Woody & Heimerdinger, Cincinnati, Ohio; Taylor B. Almon, Rauscher, Pierce & Co., Inc., Dallas, Texas; Frederick C. Beil, Jr., Beil & Hough, Inc., St. Petersburg, Fla.; J. W. Means, First Southeastern Co., Atlanta, Ga.; Russell M. Ergood, Jr., Stroud & Co., Inc., Philadelphia, Pa.; H. Frank Burkholder, Equitable Securities Corp., Nashville, Tenn.; Milton E. Reiner, Blyth & Co., Inc., San Francisco, Calif.; Ed Vallely, John Nuveen & Co., Chicago, Ill.; James Musson, Phelps, Fenn & Co., New York, N. Y.; Alphonse J. Grun, First National Bank of Minneapolis, Minneapolis, Minn.; and Earl W. Godbold, Dempsey-Tegeler & Co., St. Louis, Mo.

LETTER TO THE EDITOR:

Great Wave of Prosperity Seen Under Way by Analyst

Investment securities analyst explains why he believes a great wave of prosperity is now underway. Mr. Bernheimer is convinced automated companies will benefit most in the end, and their employees and investors will receive greater wages, profits and dividends than non-automated competing companies.

Editor, Commercial and Financial Chronicle:

During the years since World War II American industry has been in a hand-to-mouth psychology as far as plant-building and modernization are concerned.

The situation has recently changed to one of forward looking and planning. According to their 12th annual survey of Business Spending Plans as reported by McGraw-Hill almost 7 billion dollars of the 10-12 billion that manufacturing companies planned to spend in 1959 will be used for making their factories more efficient by use of cost-cutting and labor-saving devices including automation.

This will have a great influence on labor and labor unions. During the past centuries the guilds and labor unions have almost invariably opposed any new method of doing a job in the tried and true way for fear that machines would displace personnel. To a certain degree I think that fear was justified. However, because of the increased output due to mass production, the price of the item made was generally able to be reduced which would create a much larger demand for same and this would mean greatly expanded sales and scope of operations.

Aiding the Unemployed

The future for most presently employed workers in manufacturing seems assured and raises in basic pay would seem reasonable. Exactly the opposite is the situation for the unemployed person whom the government will have to take care of until industry (especially new industries now in the making on the drawing boards) can take up the slack of unemployment.

One good feature of the entire situation is that most of the service industries will not be greatly affected because automation can hardly take hold in let us say the shoe-repairing business, TV or radio service, sales of all kinds, medical, dental, legal or accounting professions or a myriad of other lines.

Naturally those companies who concentrate on automatic machinery will benefit most in the end. Their workers will be better paid than those of competing companies in the same business and in addition they will be able to show greater profits and dividends for their stockholders.

GERALD G. BERNHEIMER
Chief Investment Analyst
D. F. Bernheimer & Co., Inc.
42 Broadway
New York 4, N. Y.

Coast Exch. Member

The election of Claude M. McDonald representing the firm of McDonald, Evans & Co. to membership in the Pacific Coast Stock Exchange through the purchase of a membership in the Los Angeles Division has been announced by Thomas P. Phelan, Division President.

McDonald, Evans & Co., with headquarters office in Kansas City, Missouri, maintains branches in Wichita and Pittsburg, Kansas, and St. Joseph, Missouri. The firm was first organized in 1935 and has been in continuous operation at the same address in Kansas City since that time.

Securities Salesman's Corner

By JOHN DUTTON

Don't Be A Bailout

During the past few months certain "glamour" stocks have been marked up vigorously in price to levels that are beginning to look suspiciously like someone is going to latch onto them and wish they hadnt'. It could be something like the last man on the totem pole for the fellow that gets caught. As this column is being prepared (Thursday May 7) it may be that the long overdue shakeout of certain high-flying market favorities that are selling on a scarcity basis, and also a "fear of inflation psychology," is nearer than we might guess. At any rate, there is one rule that holds good in such markets. Don't encourage your good retail clients to step in and put a bucket under someone else's overpriced stocks just because they have declined a few points from a recent high, and you happen to have an indication from your customers that they have had an interest at a lower level in that particular security.

A Matter of Judgment

It is not the intention of this column to give trading advice to salesmen or investors, but it is never-the-less important that salesmen of securities guide their clients as to sound procedures when certain stocks become toppy and uninformed buying is taking the play from investor and professional alike. Here is just one instance of what we have in mind. During the past four months the stock of a very sound commercial bank in a growing area has moved steadily upward from 39 to a recent high of 65. Traded in the Over-the-Counter Market, I have followed the buying and selling very closely. I have had institutional orders for this stock in the 50's that I could not fill because of the scarcity of the offerings. Substantial purchases, however, were made for some accounts in the low and middle 40's. As this stock has advanced in price the bidding has become more aggressive. However, in the 55 to 60 level the institutional bidding slumped off markedly. From 60 to 65 I believe the stock was marked up on small volume.

As May 7 was the first market session in months where a sizable decline in stock prices took place on the exchanges the "Counter" market naturally reflected this uneasiness. This bank stock was offered at 66 in the morning and offerings became more general at the 63 level by late afternoon. The stock that is in the hands of professional traders and in position accounts is no doubt now looking for a place to go. If you have some customers that recently bid you 63 in a situation similar to this, it would be my guess that you could do a better job for them by waiting to see which way the wind is blowing, rather than to step in here and guess that you have a bargain. The odds would be against it.

Customer Expects Timing to Be Favorable

I believe that the best salesmanship in the world will not keep your customers for you unless you help them obtain good performance from their selections and also their **timing.** I have heard the argument that a good investment should be bought when you have the money. Up to a point this is so, but your customer won't appreciate your lack of skill and market judgment if you put his funds into a stock 10 points or more above where he could eventually buy it a few weeks or a month after you have made the purchase for him. There are accounts that can scale their purchases, but most investors are from one hundred to a few hundred share buyers and the average salesman does business primarily with Middle Bracket Joe not High Bracket Moe.

There is a true saying in the market place that there is more distribution going on (10% to 20%) from a stock's high than when it sold at the top of its price range. At any rate, my point for this week is simply this—it is better to step aside and let prices settle, and the dust clear away, before you too eagerly jump in and try to buy that stock that got away from you during the past few months just because it is now a few points off from its high of recent days. I have the suspicion that some of the recent prices paid for certain high flying stocks may not be duplicated for some time to come. Why not play it safe.

By protecting your customer's interest you protect your own. You may not be able to outguess the market but you don't have to be a "patsy" either.

13 Cooperatives Banks To Sell Debentures

A public issue of $130 million collateral trust debentures of the 13 Banks for Cooperatives is being arranged for sale today (May 14) according to John T. Knox, fiscal agent of the Banks.

These debentures will be sold at par and will mature in six months. The interest rate will be announced on the offering date. Proceeds from the sale of this issue will be used to redeem the $97½ million of 3½% debentures maturing June 1, and for lending operations. The joint and several obligations of the 13 banks, this new issue of debentures will be offered through Mr. Knox, with the assistance of a nationwide group of security dealers.

Rose Branch in Brunswick

BRUNSWICK, Ga.—Reuben Rose & Co. has opened a branch office at 502 Gloucester Street under the management of James Wentz and Guida G. Odom.

Opens Boston Office

BOSTON, Mass. — Winslow, Cohu & Stetson Incorporated has opened a branch office at 79 Milk Street under the management of Richard B. Doyle.

Trachtman Statistical Mgr. For Steiner, Rouse Co.

Jack Trachtman has been appointed manager of the statistical department of Steiner, Rouse & Co., 19 Rector Street, New York City, members of the New York Stock Exchange.

Western States Inv. Co.

PASADENA, Calif.—Cooper P. Matthews is engaging in a securities business from offices at 56 South Lake Street under the firm name of Western States Investment Company.

Brandenburg to Admit

Brandenburg & Co., 100 Broadway, New York City, members of the New York Stock Exchange, on May 7th will admit Gerald M. Bregman to partnership. Mr. Bregman will become a member of the New York Stock Exchange.

Samuel Englander

Samuel Englander, President of Englander & Co., Inc., New York City, passed away on May 1.

Public Utility Securities

By OWEN ELY

Niagara Mohawk Power Corp.

Niagara Mohawk Power is one of the largest distributors of electricity in the United States, its 1958 output almost equaling that of Consolidated Edison, the largest utility as measured by revenues. It serves an area in New York State with a population of 3,100,000 extending from Albany to Buffalo, including the large upstate cities with the exception of Rochester.

Industries in the area include aluminum and other metal products, automobiles, cement, chemicals, electric equipment, pulp and paper, textiles, food products, etc. There are also important farming and resort areas. Revenues are about 80% electric and 20% gas. Industrial sales account for about 36% of electric revenues, residential and rural 32%, commercial 18%, etc. A substantial amount of power is sold to other utilities and to municipalities; nearly half of this power went to Consolidated Edison last year, and New York State E. & G. also took a substantial amount.

Despite loss of industrial business in the last two years, the company has continued its heavy expansion program, spending over $100 million annually in 1957, 1958 and also in 1959. This and related information was set forth by President Earle J. Machold in the course of a recent address before a group in Syracuse, N. Y.

About 62% of the energy produced in the company's own plants is from steam and the remainder from hydro. The company recently added two 210,000 kw. steam units at its Huntley Station at Buffalo, bringing the plant's total capacity to over one million kilowatts, and is completing two more 210,000 kw. units at Dunkirk. The two units at Huntley will use only 68/100 of a pound of coal per kwh. compared with over a pound of coal required by units built before World War II. This increase in efficiency was needed to help offset the increased price of coal, which now averages about $9.50 per ton compared with only $3.68 in 1940.

The company is also adding some hydro power of its own, and will buy substantial amounts from the New York State Power Authority. A 17,000 kw. plant is under construction near Utica—the seventh hydro station built since the war. Moreover, the company expects to buy all the power made available by the Power authority of the State of New York from the St. Lawrence and Niagara River projects. It has contracted for 115,000 kw. firm power from the St. Lawrence project plus any extra power available; this is distributed to some 400,000 rural and domestic electric customers in the Central and Eastern divisions, any savings realized being passed on to customers through credits on their bills. These credits, which are based on the saving in cost of power from St. Lawrence as compared with company power, have averaged 1.2 mills per kwh. The difference in costs is due to the fact that the St. Lawrence project pays no taxes and was financed with tax-free bonds at a relatively low interest cost.

In addition to the firm power from Niagara River, which will amount to 445,000 kw., probably beginning in 1961, Niagara Mohawk will receive a substantial share of the remaining output, since "preference" power for publicly-owned systems such as municipalities, co-ops, etc. is limited to one-half the total output of the project. The company also expects to serve as a principal transmission agency to deliver Niagara power to most of the project's marketing area.

The company suffered a very severe loss in the summer of 1956 when its big Schoellkopf hydro plant was substantially destroyed in a rockslide at Niagara Falls. The output of this plant was largely 25-cycle power used by industrial companies near Niagara. With a big shortage of this kind of power, the company was forced to buy 25-cycle electricity from the Hydro Electric Commission of Ontario, and the cost of such power has probably averaged much higher than anticipated, due to unfavorable hydro conditions in Canada and other factors. In order to help the company pay for these extra costs, the State Public Service Commission granted the company a rate increase of about $6.7 million in the latter part of 1957. In June, 1958, the company applied for a further increase of about $10.5 million. There was some opposition by industrial customers to this latter increase and the Commission has not yet handed down its decision. Should the requested rate increase be received in full, it would be equivalent to about 40c a share on the common stock.

It is understood that the industrial companies will eventually convert to 60-cycle power and that their requirements can then be taken care of with power to be obtained from the Niagara River Project of the State Authority.

The adverse effect on earnings of having to buy special power from Canada is obvious. Last year the company bought about 2.4 billion kwh (about 14% of its total output) from the Hydro-Electric Power Commission at a cost of about $9.2 million. This power thus cost about 3.9 mills per kwh compared with a cost of less than a mill for the company's own hydro power, and 4.8 mills on steam power. It is to be hoped that the Public Service Commission will recognize the handicap thus imposed on earnings and will grant the requested rate increases.

The company's industrial sales declined from 10.6 billion kwh in 1956 to 7.9 billion last year, presumably due to two factors—the recession in the heavy industries last year, and some loss of business to the State Authority, which has contracted to sell substantial blocks of power to aluminum producers and General Motors. Residential and commercial sales have, however, continued to gain steadily. Gas sales have made an especially good record, increasing about 58% since 1954.

In 1950 Niagara Mohawk system integration was completed and the new common stock was distributed to the public. Share earnings in that year were $1.96 but in the following year declined to $1.81. Moderate increases occurred in each of the four following years, but the loss of the hydro plant reduced earnings in the two ensuing years, only $1.91 being reported in 1957. With the rate increase in 1958 equivalent to about 27 cents a share, earnings increased 21 cents to $2.12 (which, however, would be reduced to $1.96 if the convertible debenture 4⅝s should be fully converted). The company earned only about 5.6% on average investment last year (including tax savings from accelerated depreciation), compared with 5.3% in the previous year, indicating the need for a further increase in rates.

At the current price around 40, the stock yields 4½% and sells at nearly 19 times 1958 share earnings.

Continued from first page

Tell the People About Their Stake in Dollar's Integrity

prising that the most recent consumer survey, by the Federal Reserve, showed that more than 60% of our people look for higher prices in the coming year. That, incidentally, compares with a figure of 15% in 1954.

What lies in back of this change in attitude? What are the possible consequences if nothing is done about it? And what can we do to help alter the picture? These are all questions about which I should like to deal with in this paper.

Deceptive Breathing Spell

I believe a number of developments in recent years have acted to produce the changed attitudes with regard to the dollar. First, of course, none of us can be unaware of what has happened to prices. We run into it every time we turn around — in the clothes we buy, the cars we run, the repairs to the homes we own. The cold statistics show that today's dollar is worth lesss than half that of 20 years ago. True, much of this deterioration was due to the war and was unavoidable. But it's the record of recent years that has provided the most disturbing evidence; the rise in living costs from 1955 to 1957 and even in the early stages of the past recession. Recently we have had a breathing spell, but even here appearances can be somewhat deceptive. The overall indexes show no change in wholesale prices in the past year, but if you take out farm products, industrial prices exhibit an advance of about 2%.

But every bit as important as the record have been the pressures that have acted to produce it. Two developments, in particular, have burned themselves indelibly into the public mind. One has been the image of labor, strong in its organization and continuously pushing wage costs higher. And the second has been the performance of government, with budgets seemingly under no effective control.

Nothing has been more conducive to inflation, in my judgment, than the persistent tendency of wages to outrun gains in productivity. Here I can do no better than let the facts speak for themselves. Over the past decade the rise in wage rates, including fringe benefits, has averaged about 5% a year. Productivity, on the other hand, has increased no more than 3% a year — and this due largely to the tremendous investment in machinery and equipment, which, in the final analysis, is chiefly responsible for our greater output per man hour. It's little wonder then, that managements have been impelled to resort to higher prices. And no less significant has been the setting, the environment in which these changes have occurred: a bargaining process in which one side has enjoyed special benefits conferred by law — a law which protects and abets job featherbedding, itself uneconomic, and indeed morally indefensible, and still other labor practices which interfere with the process of passing on savings to the consumer. Most of us would agree to the desirability for higher wages over a period of time. But improvements in living standards can only come out of increased production —they can't be fashioned out of mere pieces of paper.

Non-Defense Spending Rise

Likewise the performance of government in the past several years has hardly encouraged those who would seek fiscal stability. Here we are, in a year of mounting prosperity, running a deficit of close to $12 billion. And in the coming year, despite the valiant efforts of the President, we are in real danger of continuing to operate in the red to some extent —in a period, incidentally, when business volume is likely to reach an all-time peak.

Again it isn't only the fact of deficit spending, but the roots from which it stems. I realize it is fashionable to blame our budget problems on the high cost of defense and foreign aid. But how many of us appreciate that in the past five years, almost 60% of the rise in government expenditures has gone for non-defense—a total increase of $8.5 billion. During this time expenditures for foreign aid have actually been reduced. But outlays for farm assistance have increased by $2.5 billion; aid to veterans by $1 billion; and assistance for housing and public welfare generally by no less than $2 billion.

I am afraid that one of our truly serious problems today is the tendency for more and more of our people to look to government for subsidy and relief. And it isn't only the farmer or the veteran who are the sole offenders. The tendency has even spread to business. Witness the subsidies to transportation, to housing, and to small business generally.

More than a fiscal problem is involved here—tied in with it, too, is our whole way of life. We must vigorously oppose the present trend of running to Washington for aid through a new agency or governmental bank whenever any segment of our economy develops a disturbing symptom. What we need is more agencies and banks dedicated to individual initiative and backed by commence sense.

Passion for Security

Today, it seems to me, there is a growing passion for security, for the sure thing—even to the sacrifice of individual freedom. The farm program is a good example. It started with simple price supports. Then we found ourselves curtailing marketing and, finally, production. And the first thing we know, the individual himself has fallen under insidious government control—chained by subsidies which some have come to regard as essential to their livelihood.

I can't help but be reminded of the lessons the historians have handed down regarding ancient Greece, whose philosophers first set forth the ideal of personal freedom and its relation to the state. In the end, one historian has said recently, the Greeks came to want security more than they wanted freedom, they wanted a comfortable life and they lost all: security, comfort and freedom. When the Greeks finally desired not to give to the state, but for the state to give to them, when the freedom they wanted most was freedom from responsibility, then Greece ceased to be free. What a great challenge this is to America.

These are the reasons, then, that our people have come to anticipate a degree of inflation: not only the record of the past, but a vague fear that perhaps, individually and collectively, the sense of responsibility that has characterized our society, and made it strong, is now weakening.

Then, too, I believe our people are confused by the fact that there are those among us who argue that a little bit of inflation may actually be a good thing. Just a month ago I was at the Reserve City Bankers' meeting at Boca Raton, where we listened to both Dr. Sumner Slichter and Dr. Wilhelm Vocke, former head of the German Central Bank. It was quite a session! Dr. Slichter, of course, presented his well-known argument in support of creeping inflation, while Dr. Vocke pictured for us, in detail, the terrible consequences of the German inflation—the suffering, the inequities, and the moral blight it placed on Germany.

Hits Creeping Inflation Argument

I must admit it is hard for me to appreciate Dr. Slichter's argument: why inflation at a rate of 3% each year apparently is all right, but a rate of 5% would be downright dangerous. Simple arithmetic tells us that 3% in 1940 would have grown on a compounded basis to a rate in excess of 5% of the base period today. Over a working lifetime, the value of money would be cut in half, and inflation, that invisible thief, would have robbed a large section of our population. But even aside from this, it is clear to me that creeping inflation is something that we, as a nation, simply cannot afford.

We can't afford creeping inflation for two compelling reasons: first, the positive harm that it would do to our domestic economy; and secondly, the profound impact it would have on our world position.

Dr. Slichter has argued that it is possible to have creeping inflation without such inflation degenerating into a gallop. I find this very hard to accept. There may have been times in the past when prices crept ahead without any acceleration. But those were days when people did not **expect** inflation; indeed, their actions were tempered with a realization that a readjustment in values would inevitably occur if prices moved ahead too fast. Today, as I indicated, the situation is different. Once people begin to expect inflation and to act on it, they create the very excesses we seek to avoid. Stock prices are bid up; government bonds get into trouble; and people rush into real estate. Even business begins to make investments too far ahead. Why wait to build a new plant when it may cost up 50% more in a few years? As a matter of fact, inflation can be much like the use of drugs: it may give you a great lift temporarily, but the end result is likely to be severe collapse — a prolonged period of unemployment while business and the economy works off the excesses. We can't afford that.

Nor can we bask in inflation and still hope to hold our world position. This past year has been a great one to throw light on some of our more vulnerable spots. For one thing, we ran a deficit in our balance of payments with other countries of $3.4 billion. Some $2.3 billion of this took the form of a loss of gold, while the rest was added to liquid balances and short-term investment held in our country by foreigners (which now total about $16 billion). Moreover, we are not out of the woods on this matter yet.

Tough Foreign Competition

The reasons for this problem in our balance of payments are complex. They are related in part to the extent of our political commitments abroad, which require large outlays for military bases and foreign aid. But tied in also has been the growing difficulty we have experienced in export markets. In 1958 our exports fell by more than $3 billion. All of you probably have run up against cases where we have priced ourselves out of important world markets. Bethlehem Steel at Sparrows Point used to ship a lot more to Latin-America then they do today. As a matter of fact, more than half of the barbed wire now being used in our own country comes from abroad. Or, take the story Roger Blough tells, of the industrious Japanese who buy scrap metal here in the United States, haul it back to their mills in the Orient, manufacture it into finished products and ship it back across the wide Pacific to undersell American producers by such wide margins as $29 a ton on reinforcing bars. We can hardly compete in Latin-America when foreign producers undersell us in our own front yard.

This same problem can be found in machinery, textiles and many other lines. And the long decline in our farm markets is a story unto itself. Moreover, all this comes at a time when foreign producers are moving into a stronger position — not only producers in Western Europe, but the Communists in Russia and China as well. And it's happening also in the face of a growing need on our own part for many imports: raw materials like iron ore, copper and even oil.

I'm not sure we yet realize how tough our foreign competition may turn out to be. The new European Common Market will have a population about as large as our own. Companies in that area now have up-to-date equipment and the latest technical know-how, and their wage scale is no more than a third of ours. It's no surprise, then, that many American companies are establishing new facilities in the Common Market or expanding old ones, both to serve customers in that area and to employ it as a base for exports.

All this is bound to cut into shipments from our own country. And it's one more reason—and a very vital one — why this nation cannot afford inflation in any form or any degree.

The General and the Dollar

Along this same line, I was very interested in a report which our Chairman, John J. McCloy, recently brought back from a trip to Europe. He was over there as a member of the President's Special Committee investigating foreign aid, and the Committee had been meeting with the Generals at NATO. During this conference one of the Generals—a foreigner — asked about the possibility of inflation in America, about the future of the dollar. Mr. McCloy, of course, expressed surprise that such a question should be asked. But the General returned a very interesting answer. He said there was a direct relationship between the physical defense of the United States and the soundess of its currency—that a weak currency suggested a weak country, either in resolution or physical resources, and that such a country might be judged not fit to lead an alliance. Furthermore, he pointed out that the economic stake of Europe in the United States is so great that any suggestion that the dollar might be slipping produced a sense of uneasiness and insecurity, which also was damaging to the alliance.

Certainly we have had a small taste this past year of what might happen if people abroad ever should lose confidence in the dollar; if they ever came to believe that the United States was incapable of managing its economic affairs. The high esteem in which the American economy has been held, could be seriously undermined. We could see pressure on the dollar develop, and the necessity for counter-measures which none of us would relish—counter-measures which would pose a major headache for banks, among others—including loss of deposits, a severe tightening of credit, and a continuing decline in bond prices—all of this would have an impact on our world position, including our defense alliances.

I do not expect this to happen. I don't expect it to happen because I, for one, believe that we can lick this problem of inflation, creeping or otherwise. But that is where the bankers come in. The problem can't be licked unless our people fully understand what is at stake—what the nature of the problem is—and then are willing to act on it. The present case of the budget is a good example. The budget *can* be balanced, and without sacrificing anything vital in the process. But the President, with the best intentions in the world, can't do the full job himself. He needs the backing of the American people —people who grasp the essentials of the problem, and then let their Congressmen know they support the President one hundred percent.

Offers a Suggestion

Bankers not only are bankers, but are leaders and responsible citizens in communities as well. It is up to them—and I would add, to business generally — to take the initiative in alerting the American people to the challenge confronting the dollar, and indeed the American way of life. We cannot sit at home night after night and leave unanswered the efforts of those who would direct our economy on to a new and alien path.

This is a huge and difficult task, so much so that it is beyond the capability of any single group of men. Like all important objectives, it requires thought and organization. What is needed in effect is a new attitude on the part of business toward its role in the affairs of the community, state and local as well as national. Businessmen cannot stand aloof and expect the environment in which they operate to remain unchallenged and unchanged. Businessmen, too, must enter increasingly into the debates and management of affairs at all levels of the community.

A number of companies are becoming acutely conscious of this need. Some have adopted programs designed to encourage their employees to assume greater leadership in their communities. You may find these programs of help to one's own thinking, and I urge all to examine them. In our own bank, we have designated one of the top officers in our Personnel Department to be a counselor on community activities. It is his responsibility to know a great deal about the practical side of community leadership — what organizations are effective, what needs to be done, and how the individual can be helpful and influential. All this activity, of course, is on a voluntary basis. It is nonpartisan so far as political affiliation is concerned. And we are finding a growing interest in it among the people on our staff.

Heartened by Events Abroad

I have no doubt about the ability of the United States to cope with inflation—and to handle it in a manner in keeping with our long tradition. It is interesting to see how many countries today are turning away from planning by the state and relying more and more on the market place—Argentina, France, and even the Scandinavian countries in some degree. Lighting the path for all, of course, is the inspiring example of postwar Germany. We too must pay heed, once again, to the old economic laws, proven by decades of hard experience — in our relations with the farmer, with the worker, and in the management of government.

Often before, the American people have faced great challenges. Once they have been given all the facts, they have never failed to respond to them. It is up to us, the business community, to get out and give our people the facts. Surely nothing is more important, more vital to our future, than this call to action.

New York Stock Exch. Elects Officers

Edward C. Werle has been re-elected to serve a second one-year term as Chairman of the Board of Governors of the New York Stock Exchange. Annual elections have been held since 1817 when the Exchange, then in its 25th year, adopted a formal constitution.

Edward C. Werle

Mr. Werle, a partner in the firm of Johnson & Wood, began his career as a page boy with the New York Stock Exchange in 1919. He joined Johnson & Wood in 1924 and became a partner in 1940. He has been a member of the New York Stock Exchange since 1950, a Governor since 1953, and Vice-Chairman in 1956 and 1957. Previously, he was elected Governor of the American Stock Exchange in 1944, Vice-Chairman two years later, and Chairman in 1947. Thus he is the only man to serve as Chairman of both Exchanges.

Six new Governors were elected for three-year terms:

Peter Ball, senior partner of Ball, Burge & Kraus (Cleveland) and a former Governor of the National Association of Securities Dealers.

Walter N. Frank, a member of the Exchange since March 1937 and a partner in Marcus & Company (New York City).

Joseph A. Martin, Jr., a member of the Exchange since July 1945 and a partner in Gaines & Co. (New York City) since August 1945. He is a Governor of the Association of Stock Exchange Firms.

Clifford P. McKinney, managing partner in G. H. Walker & Co. (St. Louis). He has been active in the Stock Exchange community since 1942.

Frank L. Newburger, Jr., senior partner in Newburger & Co. (Philadelphia), and a Governor of the Philadelphia-Baltimore Stock Exchange. He was President of that Exchange from March 1954 to March 1957.

Robert L. Stott, Exchange member since December 1929, and partner in Wagner, Stott & Co. (New York City). Mr. Stott was Chairman of the Exchange from May 1941 to May 1943 and an Exchange Governor for twelve years.

Four Governors were re-elected to serve three-year terms:

George F. Hackl, Jr. of Laird, Bissell & Meeds; H. Van Brunt McKeever of Goodbody & Co.; Walter Maynard of Shearson, Hammill & Co.; and Charles L. Morse, Jr. of Hemphill, Noyes & Co., all of New York City.

Total membership of the Board is 33, including the Exchange President, G. Keith Funston, and three Governors appointed specifically to represent the public.

The following Trustees of the Gratuity Fund, from which payments are made to the families of deceased members of the Exchange, were re-elected: William Shippen Davis of Blair S. Williams & Co.; John M. Young of Morgan Stanley & Co., for three-year terms; and William K. Beckers of Spencer Trask & Co. for one year.

Elected to the 1960 Nominating Committee were: James Campbell, Jr. of Marks and Campbell; Brittin C. Eustis of Spencer Trask & Co.; Robert J. Jacobson of Benjamin Jacobson & Sons; Robert C. Johnson of Kidder, Peabody & Co.; Hudson B. Lemkau of Morgan Stanley & Co.; Allan H. McAlpin, Jr. of Wood, Walker & Co.; Harold C. Mayer of Bear, Stearns & Co.; Alexander R. Piper of Paine, Webber, Jackson & Curtis; and James J. Watson of Hornblower & Weeks.

L. Higginson Correspondent

Lee Higginson Corporation, 20 Broad Street, New York City, members of the New York Stock Exchange, have announced that Birely & Company has been appointed their correspondents in the District of Columbia.

Now With Illinois Co.

(Special to The Financial Chronicle)

CHICAGO, Ill. — Herbert C. Keller has become associated with The Illinois Company, Incorporated, 231 South La Salle Street, members of the New York and Midwest Stock Exchanges. He was previously with Paine, Webber, Jackson & Curtis.

Henry T. Mathews With David A. Noyes & Co.

(Special to The Financial Chronicle)

CHICAGO, Ill.—Henry T. Mathews has become associated with David A. Noyes & Co., 208 South La Salle Street, members of the New York and Midwest Stock Exchanges. Mr. Mathews, who has been on La Salle Street for many years was formerly with Walston & Co., Inc., and Reynolds & Co., Inc.

Henry T. Mathews

With Cartwright, Valleau

(Special to The Financial Chronicle)

CHICAGO, Ill. — Carl L. Kirk has been added to the staff of Cartwright, Valleau & Co., Board of Trade Building, members of the Midwest Stock Exchange.

H. Hentz Adds

(Special to The Financial Chronicle)

CHICAGO, Ill.—Lee D. Schoenbrod has become affiliated with H. Hentz & Co., 141 West Jackson Boulevard.

Railroad Securities

Missouri Pacific

Earnings of Missouri Pacific Lines this year are expected to show improvement over those of 1958 due to improved economic conditions in the service territory. The grain crop this year is not expected to be up to the large 1958 tonnage, but, in this respect the road has a large amount of grain in storage on line which is expected to move to market. Manufacturers and miscellaneous freight is expected to rise well above the depressed 1958 levels.

One of the advantages the road will have this year is that costs are under good control and while expenses probably will rise with increased traffic, they should be held in line. Maintenance of way costs were reduced last year, but it is believed that there is little actual deferred maintenance that cannot be picked up through current earnings. Equipment maintenance expenses will have to be increased to meet a higher volume of traffic in view of the bad car order ratio of 9.5% on March 1 of this year.

Of particular benefit to the "A" shares this year will be a change in the calculation of the onerous capital fund under the terms of the reorganization plan. Capital fund charges this year are expected to drop by about $3,500,000. These charges will now amount to 2½% of gross revenues less depreciation as compared with $11,000,000 less depreciation in the period from 1955 to 1958. Retirement of outstanding bonds at a rapid rate, particularly the 4¼% collateral issue, would reduce sinking fund requirements substantially.

There are a number of traffic factors which could play an important part in Missouri Pacific's revenues in coming months. While grain traffic probably will not reach the totals of 1958, still it is expected in the agricultural section that continued increase in the movement of citrus fruits will be recorded since maturing trees are coming into production. Expansion of the public utility industry in the territory would indicate larger shipments of steam coal. The management also has been active in attracting new industries and plants on line. This should add further to revenues. The road is subject to heavy competition from trucks and barge lines, but some relief in this respect should come from legislative provisions which restrict exemptions on certain agricultural products and more regulation of truckers who have not been under Interstate Commerce Commission regulation in the past.

Missouri Pacific has spent large sums on property improvement and rehabilitation. The $13,500,000 Kansas City Yard is scheduled for completion this year and this could save the system $2,000,000 annually in operating expenses. Abandonment of unprofitable mileage also is expected to continue. Further curtailments of passenger service is anticipated and this would reduce the deficit from this operation.

Other income of this carrier last year declined to $7,722,000 from $8,657,000 in 1957, reflecting for the most part the smaller dividend income received from the 80% owned Texas & Pacific Railway. However, some $200,000 savings in taxes is possible through the filing of a consolidated return.

Finances of Missouri Pacific continue comfortable despite purchase of its own obligations and purchase of Texas & Pacific common stock. As of Feb. 28, cash and cash equivalents amounted to $48,995,000 and current liabilities were $53,703,000. Net working capital was $32,517,000 against $27,957,000 at the end of the like 1958 period.

Last year the carrier, after all charges and funds, had $2.79 a class "A" share available as compared with $4.44 in 1957. The road has been paying 60 cents quarterly, or at an annual rate of $2.40 a share of the class "A" stock. This rate is expected to be maintained during 1959.

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What Can Be Done About Inflation in Canada

that organized producer groups have grown in strength and influence, a development which has tended to produce an inflationary bias in democratic societies.

Canadian Deficit Financing

Undoubtedly, however, the strongest reason for new concern about inflation is the development of large government deficits, both budgetary and cash, in this country as well as in the United States. Canada's fiscal response to the recession has been prompt and substantial — to a degree that might warm the hearts of the most earnest advocates of anti-recession government spending, though it is only fair to add that the process has been strongly aided by the timing of two elections. In the fiscal year just closing it looks as though the official estimate of the budget deficit of $700 millions will be not far off the mark and that a cash deficit of the order of $1,500 millions may be realized. From an economic point of view the cash deficit, i.e., the amount by which government payments and advances, whether of a current or capital nature, exceed government receipts, is the important figure, and the $1,500 millions approximation for this fiscal year compares with a cash deficit of only $300 millions in the preceding year. What is most remarkable is that the great bulk of this cash deficit is deliberate—the result of raising expenditures for pensions, unemployment insurance, hospital insurance, payments to the provinces, aid to grain growers, pay to civil servants, Colombo Plan aid, of making loans for housing in particular, and of reducing taxes. Only about one-fifth of the increase in the cash deficit is the result of the decline in tax revenues associated with the recession.

It was certainly appropriate to run a deficit in the fiscal year just closing and in my opinion a sizable one. A year ago the economic portents were not favorable and the promptness of the recovery took most of the experts by surprise. However, the cash deficit is a very large one and the increased expenditures which account for half of it are not readily conducive to substantial or early reduction. Indeed, many of the increases appear to be permanent, such as those in pensions and pay, and some are rapidly rising in character such as the hospital insurance payments. Less funds will probably be required for housing and for such capital payments as those connected with the Seaway and Northern Ontario Pipe Line and, because of this and a probable improvement in revenues, the cash deficit might be cut to say a bit over $1,000 millions in the coming year, unless, of course, more drastic and unpopular measures are taken. But this is still a very large figure and sufficient to arouse concern in the breasts of many that it will be years before the national budget can be balanced. Meanwhile, with business recovering, it is feared that the large deficit will act as an engine of inflation forcing dangerous increases in the supply of money and credit.

Larger Money Supply

It is a fact that the fear of inflation has already forced a larger increase in the money supply than was probably desirable in the circumstances. From the end of 1957 until September 1958, the total of money and bank deposits — the money supply — rose by 12½%, though since then it has declined a little. The extent of this increase indicates the unwillingness of Canadians like Americans to invest in fixed interest-bearing securities in sufficient amount, and specifically their unwillingness to take up the government deficit even at sharply rising rates of interest. And since the public were not interested in buying the government bonds needed to meet the deficit, the central bank expanded the credit base so that the banking system could take them up. And this is what has been happening up until the last few months when the public has shown more interest in the very favorable yields available and in the tax advantages of low coupon bonds, and when businesses have had more liquid funds available to invest.

It should be emphasized that the increase in the supply of money has not as yet had any direct inflationary consequences because a good deal of the additional money is not being very actively used. But the concern is that additional increases may be needed to finance future deficits which the public may not want to take up. So when the world economic climate again favors a strong forward surge in the Canadian economy, we may find ourselves in fact with too much money chasing too few goods. And the fear of this process, as I have emphasized, is already leading to protective actions which are inflationary in themselves.

Even such a brief analysis as I have presented will make it all too evident why there is so much confusion about this question of inflation. There are, in fact, a variety of conflicting influences, some factual and measurable, and others intangible and psychological but important nevertheless. As I have emphasized, the general economic background is not particularly suggestive of inflation and yet there is a growing fear of inflation based to a large extent on the increased influence of producer groups in our society, and on the prompt and vigorous measures of expansion pursued by governments to combat recession. Confidence in the value of money has reached a low ebb at a time when there is still a good deal of unemployment.

Accompanying Dangers That Are Feared

This is a definitely undesirable situation. In the first place, there is the obvious danger that the value of money will decline further—a danger which is increased in the short-run by the belief of more and more people that money will in fact lose value. There is the related danger of getting into a mesh of controls in an effort to prevent undue increases in prices and to prevent the additional money needed to finance government deficits from feeding the inflationary fires. And last but not least, there is the danger that fear of inflation will set the groundwork for a serious recession. Sooner or later stock prices may get so high in relation to corporate earnings and to bond prices that a marked reaction may set in. People may suddenly realize that things are getting out of proportion. This is all the more likely if fear of inflation leads to ill-considered capital investment in some directions or to unnecessary accumulation of inventories.

The basic facts of economic life do not change beyond recognition in a decade, though fashions in thinking may well do so. From the early postwar period until a couple of years ago we were still greatly concerned about the dangers of a serious recession—a line of thought which was in no small measure influenced by the great depression of the 'thirties. This questioning attitude about continuing prosperity on the part of the business community was on the whole a healthy state of affairs. It worked to prevent things from getting out of hand — it checked speculative excesses. In the last year or so, the atmosphere has changed and the emphasis is on permanent inflation. This is supposed to be the kind of environment in which we are living and, to the unsophisticated, it may appear to suggest a steady but not violent rise in prices and a more or less continuous succession of prosperous times. This is, of course, nonsense and smacks of the "new era" of the late 'twenties. If we are in for long-range inflation it will not be steady. The more people believe in inflation the more violent will be the upswing in prices and the more drastic the following correction. It is even doubtful if the theory of long-range inflation holds water because the violence of the ups and downs might very well convince society to take corrective steps. But the point I want to emphasize is that fear of inflation increases the risk of a subsequent and substantial recession or depression. Fear of inflation may promote maladjustments in the economic machinery and bring on a recession.

Overcoming Dilemma in Attacking Inflation

It is more than apparent that the circumstances I have been endeavoring to describe have presented the fiscal and monetary authorities with a trying dilemma. What is needed is a group of policies that will overcome, or at least greatly lessen, the fear of inflation. And yet the kind of restrictive policies that would work to that end — reduced spending, higher taxes, tighter money — scarcely seem appropriate when there is still a good deal of unemployment and slack in the economy. However, the problem is one of degree and is perhaps not as insoluble as might appear at first sight. It is neither necessary nor desirable to balance the budget in the coming year—this would be drastic medicine indeed and would undoubtedly have seriously unfavorable economic consequences. What is necessary is to move part way toward a balance in the government's activities so that by 1960 or 1961, if the general economic environment becomes more expansive, the government will not be an agent of inflation and might even be in a position to run a cash surplus. Of course, it may be that economic conditions will not be particularly expansive in 1960 or 1961. But the point is that the public and business community need to be convinced that, if conditions do become strongly expansive, the fiscal and monetary authorities will be willing and able to combat the resultant inflationary pressures, and it must be confessed that no such conviction is evident at this time.

Stress on High Employment

Economic policy in most of the western countries has since the 'thirties put first emphasis on maintaining a high level of employment. Where this objective has appeared to conflict with prudent financial and fiscal policies, financial and fiscal policies have usually been adjusted. There is no doubt that a high level of employment must be a prime objective of economic policy. But the experience of the postwar period suggests that we have probably been too concerned about the risk of depression and not sufficiently impressed with the strength and vitality of our economic system. The record suggests that we should have put more emphasis on defending the value of money — on preventing inflation. In any case, we have now reached the position when it is becoming apparent that inflation is a threat rather than an aid to employment. The pursuit of inflationary policies could, as I have stressed earlier, lay the groundwork for a serious recession. And the prospect of increasing ups and downs in business conditions to which the developing fear of inflation gives rise is anything but favorable from the standpoint of employment.

Cut Spending or Raise Taxes

In the circumstances, therefore, it would seem appropriate that a serious effort should be made to reduce the government's cash deficit for the coming year well below the level of the $1,000 millions or so which is indicated on the basis of present tendencies. The most desirable way of cutting the deficit would be by reducing expenditures. While it might not be realistic to express optimism about this possibility, it is clearly of the greatest importance that sustained and serious efforts be made to hold down government spending, particularly outlays of a continuing nature. The truth is that we face a most unpleasant and difficult choice at this time. If government expenditures cannot be significantly reduced, then the only other way to cut the deficit is to raise taxes. And if a sizable cut in expenditures is not made, then it would be better to raise taxes than to stand idly by in the face of the inflationary threat. This would at least bring home the fact that government spending is not costless. The fear of inflation is too widespread and too deep set to be overcome by any token or verbal assurances. We need a real demonstration of the will to fight inflation even if it is a distinctly unpleasant one.

Monetary Restraint

I have not said much about monetary policy because at this time the size of the government's cash deficit and the consequent need for financing sets limits on what can be done in the monetary sphere. If the deficit can be substantially reduced, fear of inflation will probably lessen and the central bank will be more able to pursue the type of monetary policy suited to the conditions of the time—and at present that is a policy preventing further additions to the money supply. If we really want to fight inflation we must be prepared to support a policy of monetary restraint which means relatively high interest rates until the threat of inflation subsides. The British have done this with some success.

And this leads to the question of what can the responsible citizen do about inflation? First and foremost he can support the government and central bank in following the sort of policies necessary to combat inflation and, if necessary, he should demand the pursuit of such policies by the responsible authorities. It is fashionable to assume that governments cannot pursue restraining and restrictive policies because these will allegedly cost them the support of the voters. This is a sad commentary on the intelligence of the average citizen, and for those who do not wish to accept such a cynical view the remedy is apparent — to make their support of well-considered and intelligent economic policies perfectly clear and indeed to demand such policies. Another thing the responsible citizen can do is to take a longer view and to recognize that inflation is a serious threat to our way of life and that there are no, or very few, winners if inflation takes over. Recognition of these facts leads to a more responsible attitude in approaches to government, in price setting, in wage demands, and so on. If we want to beat inflation, we have to take it seriously and realize that it will involve some costs on our part. If we insist that the other fellow is entirely responsible and should mend his ways we are not likely to get very far.

Personal Appeals to Producers

Nor are we likely to achieve much if we call on the organized producer groups to get together and solve the problem. Organized producer groups represent producer interest. They can be reasonably responsible or irresponsible but it is almost flying in the face of nature to ask them to fight inflation. The easiest and most natural way for organized labor, business and farmers to resolve their conflicting interests and overcome their problems is to raise their prices all round at the expense of the consumer and the citizen at large. It is true that inflation is not even in the long-run interests of producer groups but the fact is that short-run considerations, matters of immediate advantage and disadvantage, bulk heavily in wage and price determination. And the only way to combat the strong influence of producer groups is for the citizen in his role as consumer and responsible member of society to support government policies and government attitudes designed to prevent inflation. Government will reflect what the public want and it is up to those who are concerned about inflation to make their views heard.

Closing Views

In closing, let me fire a parting shot at another form of fatalism concerning this question of inflation. That is the commonly expressed view that it does not matter very much what we do in Canada about inflation—the question will really be determined in the United States. It is certainly true that the Canadian economy is greatly influenced by the United States and that we should find it difficult to do much better than the Americans in combating inflation. But we could easily do worse, and doing worse would not only carry with it the obvious disadvantages and inequities of inflation but it would undoubtedly slow our economic growth and lead to a much less balanced kind of development. There are plenty of examples of countries in this very position today. And let us not assume that we shall without difficulty do as well as our American neighbors. In the sphere of fiscal policy they are doing more than we are now and they are carrying a relatively larger defense load. Their present cash deficit is relatively smaller than ours and they are seriously budgeting for something approaching a balance in 1959-60. In any case, if we value our national identity we must act responsibly and pursue well-conceived economic policies of our own. The fact that such policies will be easier or more difficult to carry out depending on how things go in the United States does not alter the fact that we in Canada should endeavor to do our best.

2 With McDougal, Condon

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—John G. Roche and Robert G. Walsh have become associated with McDougal & Condon, Inc., 208 South La Salle Street. Mr. Walsh was previously with the First of Michigan Corporation.

Two With Draper, Sears

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Bertrand B. Dionne and Byam Whitney, Jr. are now connected with Draper, Sears & Co., 50 Congress Street, members of the New York and Boston Stock Exchanges. Mr. Dionne was previously with Graham & King, Inc.

Continued from page 3

The Ethical Drug Industry —A 20-Year Forward Look

rate is just slightly below the trend observed from 1946 to 1956 when the industry almost tripled its sales . . . rising from $512 million in 1946 to $1.5 billion in 1956. This is a **conservative** estimate.

The ethical drug industry has chalked up dramatic growth curves in the last 10 years, not always steadily upward, but in spurts as new research breakthroughs have occurred. At the same time there have been substantial price declines in certain products, such as antibiotics, hormones and many of the vitamins. This decline had a restraining effect on the growth curve, especially from 1951 to 1954. Then came the corticoid hormones, tranquilizers and the Salk and Asian flu vaccines. Once again the curve arched up.

Economic Growth Projection

The first projection is based, as mentioned, on six primary sources. What I have done here is construct a composite of annual sales reports from the six different sources (DTN, CW, CORP, GOVT, FDC, MED), giving equal weight to each series for the years in which figures were available.

DTN, the retail value of the Rx drug market in drug stores, based on annual prescription surveys conducted by "Drug Trade News" and "Drug Topics," provides a fairly accurate record of total ethical drug sales at the manufacturer's level. The data here indicate that the Rx business realized through drug stores represents about one-half the total annual sales value of the ethical drug industry. Since the retail value for ethical products is about twice the manufacturer's value, the retail annual sales value for Rx items through drug stores approximates very closely the total sales value at the manufacturer's level.

CW is another time series, less complete than the DTN data. This refers to a report on the drug industry published in 1954 in "Chemical Week." There is a wide gap from 1939 to 1949 for which no figures were available. The individual variance in the series is, if anything, overstated at least in the years 1949 to 1951.

CORP is a corporate annual sales reconstruction of 26 leading ethical houses, covering the period from 1946 to 1956. An adjustment was made here for 1953 through 1956 for Squibb, Upjohn and Lederle, whose annual sales were not available for those years. No effort has been made to separate out the non-Rx sales of each corporation during any year, so these figures may include export, veterinary, proprietary, or bulk pharmaceutical products.

GOVT is plotted from a manufacturing census report released in 1954 by the U. S. Department of Commerce. Statistics for the ethical drug industry are hard to get from government sources. There are a few reports before 1947, but the classifications don't jibe with more recent reports in the Census of Manufacturing from 1947 and 1954. For this reason only the 1947 government figures are suitable for this projection.

The weekly trade letter "F-D-C Reports" occasionally estimates and reports the annual sales value of the industry. Reports through 1956 are reckoned in the line labeled FDC. These statistics are derived from studies of corporate sales, but how "F-D-C Reports" gets them, I do not know.

The Medimetric Institute of New York drug store prescription survey sample, MED, is projectable nationally. It supplies information about the number of prescriptions and average price of the products in major categories of the ethical industry. The statistics were kindly provided by this private research agency in the form of total number of prescriptions nationally for the years 1953, 1954, 1955, 1956. The value then was multiplied by the average annual prescription price to obtain the values plotted here.

EXPORT is derived directly from the Statistical Abstract of the United States and represents the sales value of all product exports—Rx, proprietaries and finished bulk medicinals—over the past 20 years. The values therefore are probably overstated in terms of ethical drug products.

Export sales is an important factor in the overall projection. From 1946 to 1956 these sales increased from $144 to $246 million. However, their relation to the total annual ethical drug business fell from about 33% to 16%. Actually these values are overstatements inasmuch as the export statistics, as previously indicated, contain medicinal products other than ethical drugs. If you assume that export sales will grow over the next 20 years at the same **arithmetic** rate as they did from 1952 to 1956, then the percentage value by 1975 will fall to around 10%.

The overseas market obviously is a prime objective for the U. S. ethical drug industry in the next 20 years. Hence one might anticipate a steady increase in the value of exports. Offsetting this trend, on the other hand, is the fact that many of the larger pharmaceutical manufacturers have constructed, or are building, production plants in foreign countries.

This probably will continue for some time to come. So the value of exports of ethical drugs in the next 20 years should become a smaller and smaller percentage of the annual sales of the industry.

Since no one statistic for any one year is a more accurate approximation of industry sales than any other statistic, a composite annual sales value can be calculated, to give equal weight to each series for the years in which a statistic was available.

Projection (1) is based on the assumption that the ethical drug industry will continue to grow in the next 20 years at the same **arithmetic** annual rate observed during the past five years—that is, at about $120 million per year.

Projection (2) is **geometric** and assumes the industry will double in sales value every 10 years for the next 20 years. This rate of growth is somewhat less than has been observed in the period 1946 to 1956, when sales about tripled.

Projection (3) portrays a more rapid rate of geometric growth—a doubling of the annual sales value every seven years. This we have seen in the last seven years.

If the industry maintains the same annual **arithmetic** growth it has over the past five years, the annual sales value will be $2.02 billion in 1960, $2.67 billion in 1965, $3.32 billion in 1970, and $3.97 billion in 1975. If the industry exhibits a **geometric** growth rate somewhat slower than has been observed in the past 10 years and undergoes a **twofold increase every 10 years** up to 1975, then the sales value annually will increase from an expected $2.04 billion in 1960 to $5.63 billion in 1975.

If, however, the growth rate of the past seven years is continued, so that the industry doubles its volume every **seven years**, anticipated sales in 1960 will be $2.68 billion, expanding to $9.8 billion in 1975.

The growth rate during the period 1953 to 1956 has fallen below the trend of growth observed in earlier years. This would lead to hesitation in forecasting the future growth of the industry at the rate observed in past years. At the same time, it lends weight to the suggestion that projection (2) most nearly represents future sales value and growth as judged by economic growth projection of past performance. And this is real growth inasmuch as the drug and pharmaceutical wholesale price index has gone up less than 5% since 1946.

These three economic growth projections, based on a composite index trend of six primary data sources from 1939 to 1956, puts annual sales of the ethical drug industry at $2.04 billion in 1960, $2.85 billion in 1965, $4.1 billion in 1970, and $5.63 billion in 1975.

Prescription Drug Projection

The retail dollar value of the prescription drug business in drug stores is another barometer of the sales value of the industry. As previously indicated, the Rx drug value at the manufacturer's level is about one-half the retail sales value. At the same time, about half the total ethical drug business seems to be realized through the drug store on a prescription basis. This is why a projection of long-range trends in Rx sales through retail pharmacies serves as a measure of the total ethical drug industry in years to come.

The three population projections in the U. S. Census Report of 1955 are based on three distinct assumptions in regard to fertility or birth rate. The high projection is based on an assumed fertility comparable to 1954-1955 continuing until 1975. The intermediate projection is based on the fertility observed during the period 1951-1953 and continuing to 1975. The low projection is based on the fertility of the 1951-1953 period declining gradually to the pre-World War II rate by 1975.

The per capita number of prescriptions increased from 3.46 in 1956 to 5.62 in 1975. The average Rx retail price rose from $2.49 in 1956 to $4.07 in 1975. These increases are consistent with the thesis that medical attention in the next 20 years will focus on chronic disease which requires long-term treatment. Hence the increase in the per capita number of prescriptions written annually. At the same time therapy will require new and more complex drugs, and this is consistent with an increasing average price per Rx. Estimated Rx retail sales will amount to $1.84 billion in 1960, $2.66 billion in 1965, $3.7 billion in 1970, and $5.05 billion in 1975. These are the median values of the three projections and I think they are quite realistic.

Personal Expenditure for Drugs Projection

A possible third approach to the future growth of the industry may be seen in the total U. S. personal consumption expenditure for drugs and sundries, as estimated each year since 1929 by the U. S. Department of Commerce. This time series includes not only the personal expenditure for Rx drugs in retail pharmacies, but OTC (over-the-counter) packaged medications and other sundries as well. Each annual estimate is derived from a rather complicated calculation by the Commerce Department. The trend may be useful in prognosticating sales growth.

These expenditures rose from an estimated $3.97 in 1936 to $11.21 in 1956. The population projections for the years 1960, 1965, 1970, and 1975 are the same as those in the Rx drug projection previously discussed.

The annual per capita drug expenditures for 1936 to 1956 then were projected to 1975 in five year intervals. The estimates rise from $11.21 in 1956 to an estimated $23.90 in 1975 in the high projection, and to $14.90 for the low one.

When the projected values for per capita drug expenditure are now multiplied by the various population projections, six estimates are obtained for the total U. S. personal consumption for 1960, 1965, 1970, and 1975. Of the six possible projections (e), (f) and (g) represent the two extremes and an upper average. The high projection combines the high value trend in 1940-1946 and the high population projection. Conversely, the low projection is a combination of low population projection and the low value for the per capita expenditure for drugs observed in the 1946-1956 period.

These projections put the total U. S. personal consumption expenditure for drugs and sundries between $2.05 and $2.42 billion in 1960, $2.37 and $3.29 billion in 1965, $2.71 and $4.29 billion in 1970, and $3.08 and $5.46 billion in 1975, as upper and lower limits. Theoretically these values should represent the upper limits for the ethical drug industry in the next 20 years.

The retail sales value of Rx drugs in drug stores in 1939 amounted to about 27% of the personal consumption expenditure for drugs. By 1956 the percentage had tripled, reaching almost 80%. Thus, prescription drugs are now the predominant factor in the personal consumption expenditure for drugs and sundries, having displaced in the past 20 years the proprietary drug products. Before 1940, proprietaries were the major factor in this market. By 1975 Rx expenditures may well account for more than 90% of the total, since the proprietary market is growing at a very low rate.

In October 1958, four months after the M.I.T. thesis report was completed, the U. S. Department of Commerce revised its Personal Consumption Expenditure for Drugs and Sundries estimates to conform almost exactly with the **Drug Trade News** annual survey reports. Originally the Commerce Department reported sales of drugs and sundries rose from $509 million in 1936 to $1,885 million in 1956. Later, these statistics were revised as follows:

U. S. Expenditures for Drugs and Sundries
(Millions)

Year	Original	Revised	Difference
1948	$1,358	$1,466	$108
1949	1,350	1,555	205
1950	1,406	1,719	313
1951	1,516	1,979	463
1952	1,569	2,058	489
1953	1,615	2,137	522
1954	1,631	2,163	532
1955	1,747	2,473	726
1956	1,885	2,869	984

For purposes of this study, the **original** Commerce Department totals were divided by the U. S. population totals, yielding a per capita estimate of the expenditure for drugs.

Mortality Rate Projection

Since the turn of the century this nation's mortality rate has plummeted from 17.2 per 1,000 population in 1900 to 9.36 in 1956. Even in the past 20 years the drop from 11.55 per 1,000 population in 1936 has been consistent and impressive.

While the death rate was falling from 11.55 to 9.36, ethical drug sales expanded 15-fold, from somewhat more than $100 million in 1936 to $1.5 billion in 1956. The continued development of new and life-saving drugs has acted as a giant brake on the mortality rate. These and other new drugs very likely will continue to be a factor in further reducing the domestic unadjusted mortality rate. Such an assumption underlies the fourth projection in this study—an estimate of ethical sales based on projected mortality rate of the U. S. population and the **projected sales value of the unit mortality rate.**

Mortality rate projections put average annual sales at $2.05 billion in 1960, $2.84 billion in 1965, $3.78 billion in 1970, and $4.84 billion in 1975.

The drug sales per unit mortality rate may also be considered as the value in dollars of drug industry sales required to reduce the crude mortality rate one unit per thousand. Since the overall mortality rate is approaching some value asymptotically and can never be zero, the sales value of this statistic will continue to increase. To my knowledge, mortality rates have never been linked with drug sales in the manner just described. Such a projection should be quite useful in other studies. Though not very sophisticated in itself, it was found useful for parts of the projection that follows.

Major Drug Projections

All the previous projections inherently contain the factor of innovation, the development of new drug products which has been the most significant feature of the ethical drug industry in the past two decades. It would seem desirable to arrive at a projection of the industry in which innovation could be dealt with independently of the existing, but expanding sales value of the industry.

The sales value of the industry may be subdivided into classes of drugs which maintain their own growth rates and hence their own characteristic projections. The degree of maturation of any class of drugs serves as a means of forecasting its sales future. There are, furthermore, major medical problem areas in which we may expect innovations and discoveries in the next 20 years: **cancer, heart disease, mental disease, arthritis** and **rheumatism** and the **virus infections** exemplified by the common cold and measles.

The fifth and final projection is an independent forecast of the existing major drug classifications in five-year periods up to 1975. Certain assumptions have been made about the time and magnitude of medical research breakthroughs in forecasting the sales volume of these markets. The individual forecasts then are correlated to get the final projection for ethical sales in five-year periods from 1956 to 1975.

Aspirin Products

Aspirin products and the derivatives of acetylsalicylic acid, most commonly known as analgesics, are by far the most important items in the proprietary or over-the-counter market. But a substantial quantity of aspirin compounds are promoted and sold ethically, inasmuch as aspirin is often combined with ethical drugs which require a prescription. My projection shows the Rx aspirin market at $24 million in 1960, $30 million in 1965, $37 million in 1970 and $43 million in 1975.

Barbiturates

Introduced to medical practice shortly after 1903, the barbiturates have become virtually indispensable as sedatives and hypnotics. For many years they have been a significant factor in the ethical drug business and today they represent a major category of ethical drugs. Growth has occurred at a definite rate with no observable leveling-out trend. A base value of $54 million has been set for 1956 and a trend for projection estimated at a value of $2.5 million increase per year. If anything these estimates are conservative, but intentionally so, because in the past few years a number of non-barbiturate seda-

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The Ethical Drug Industry —A 20-Year Forward Look

tives and hypnotics have been discovered and made commercially available. Furthermore, the recent development of the tranquilizing drugs probably will see a somewhat diminishing use of barbiturates in future years.

On this basis an estimate of future sales of barbiturates for 1960 amounts to $65 million, $77 million in 1965, $90 million in 1970, and $102 million in 1975.

Vitamins

Vitamin preparations are a product classification of major importance to the ethical drug industry. While Rx sales slightly outweigh proprietary sales, the latter are slowly and steadily gaining in sales importance. However, the ethical industry predominates in both markets since in most cases it supplies products sold through proprietary as well as ethical channels. Hence, for all practical purposes and with few minor exceptions, consideration of the future sales of ethical vitamin preparations must take into account **all vitamin preparations** promoted to the medical profession whether or not they are sold by prescription. This means the major share of the combined Rx and proprietary vitamin market.

With no new developments apparently in the offing and with a mature growth picture, one might be tempted to forecast future growth almost along the lines of population growth. But daily vitamin supplementation has become a function both of the standard of living and the amount of disposable income people want to spend for drugs and sundries. As the level of disposable income increases in the next 20 years, it is safe to predict that the per capita daily consumption of vitamin preparations will increase. With this in mind, the forecast for vitamin sales is based not only on population but also on the **trend in personal consumption expenditure for drugs and sundries.** A most conservative prediction. The projection estimates the rate of growth at about $5 million a year and points to sales of $195 million in 1960, $220 million in 1965, $225 million in 1970 and $290 million in 1975.

Sex Hormones

The synthetic manufacture, distribution and sale of sex hormone products represents a small segment of the ethical drug industry. Originally these products were isolated from natural sources and purified for medicinal use. Since the late 1930s, however, most male, female and progestational hormones have been produced commercially in pure form synthetically, starting with a steroid material contained in a Mexican yam. Although hormone products have been available for almost 20 years and have been widely used for a variety of purposes, there are very few statistics on their sales value to the ethical industry. The best sources place the value in 1956 at about $28 million. Growth in the past four years appears to have been limited. This market has, for all foreseeable purposes, matured. Further market growth would seem to depend mostly on population growth with little opportunity for product innovation.

The future growth of the sex hormone market is related to population growth. This puts the market for 1960 at $31 million, $33 million for 1965, $35 million for 1970, and $38 million for 1975.

Antihistamines

A small but no less important category of drugs are the antihistamines. The postwar development and commercialization of antihistamines was founded on their applications in alleviating cold and allergy symptoms. Ultimately, when such products found their proper place in the physician's armamentarium, their production and sale leveled off and the category matured. Maturity of the antihistamine group was rapid and growth in the past few years has been steady but small.

Here again, the outlook would appear to p a r a l l e l population growth, discounting new uses or innovations which might swell the annual sales value. Since the products are already on a non-prescription basis, no change in sales channels can affect the future course of limited growth.

This forecast furnishes values of the future market for antihistamine products at $53 million in 1960, $56 million in 1965, $59 million in 1970, and $62 million in 1975, or a growth rate annually of about $0.6 million.

Antibiotics

The rapid commercial development of antibiotics from penicillin to tetracycline is perhaps the most dramatic story in the history of the industry. The antibiotic category represents the most important dollar segment of the industry, accounting for some 23% of total business. While millions of dollars have gone into the search for antibiotics, and while many hundreds were discovered and isolated, only slightly more than a dozen have reached commercial development, of which only about six can be said to have real market value.

The infectious disease mortality rate from 1939 to 1956 has been projected to 1975 statistically by computing the straight line trend. This gives infectious mortality rate values of 0.34 for 1960, 0.23 for 1965, 0.16 for 1970, and 0.11 for 1975. These values are quite reasonable. They jibe with many predictions of the medical profession that in 20 years, death from infectious disease will be rare in this country.

Now we'll apply the **ethical drug sales value for the unit mortality rate,** as shown in accompanying Table I, with the **reduction in infectious disease mortality** which will take place in the five year periods up to 1975. By multiplying the reduction in mortality —that is, the value that the mortality rate from infectious disease will be reduced—by the ethical drug sales value for unit mortality rate, the value of the additional sales of ethical drugs in the form of antibiotics can be estimated over the base year of 1956. Actually the same type of estimate could be made for every year up to 1975.

It seems likely from the way these data are that the antibiotic class of drugs is beginning to mature. The outlook for a dramatic new discovery that will add substantially to the present value of the market seems remote, although the industry continues to spend considerable amounts on research in hopes of finding a new, chemically different antibiotic.

My projection estimates sales of antibiotics at $390 million in 1960, $444 million in 1965, and $513 million in 1970.

Sulfa Drugs

As a class of anti-infectives, the sulfa drugs are small potatoes—in a sales sense—compared with antibiotics. But the antibiotics have not eclipsed the sulfas. Quite the contrary. Sulfas have retained a definite place in the medications available for the treatment of infectious disease. A projection of the sulfa market puts the values at $47 million for 1960, $53 million for 1965, $62 million for 1970 and $72 million for 1975.

Corticoid Hormones

The commercial development of the corticoid hormones for use in arthritis, rheumatism and inflammatory disorders, is one of the four major medical breakthroughs of the postwar period. In a few years the value of the market has climbed from zero to about $80 million.

Future growth is difficult to predict. Arthritis and rheumatism are one of the five major medical problem areas now under study. The corticoid hormones, while important, even life-saving, are only a palliative in the treatment of arthritis and rheumatism.

More than $3 million in private and government funds is being expended in arthritis and rheumatism research. It is reasonable to assume that some form of chemotherapy, not palliative treatment, will arise from this research in the near future. The market for existing corticoid hormones or new derivatives therefore should arise much more slowly in the next few years.

It is assumed that by 1962, or shortly thereafter, there will be an important m e d i c a l breakthrough in the collagen disease area. This discovery will mushroom the arthritis and rheumatism market just as the corticoid hormones did between 1950 and 1956. The breakthrough in 1962 should furnish, in the 10 years that follow, a market twice as great as the present corticoid market of $80 million, or $160 million, without affecting the existing market.

The projection utilizing these assumptions represents the future sales value of the present corticoid hormone classification and the innovation anticipated in the arthritic-rheumatic disease area after 1962. The prognosis is for $88 million in 1960, $170 million in 1965, $260 million in 1970 and $270 million in 1975.

Biologicals and Vaccines

Immunological agents, b e t t e r known as biologicals and vaccines, are a class of drugs in renaissance. Antibiotics all but pushed the biologicals into limbo from 1945 to 1950. Then the profession and the industry began facing the fact that antibiotics don't perform miracles against virus diseases — and that polio, the c o m m o n cold and measles were still out in force.

Growth up to 1954 was steady and continuous. The sharp rise in 1955 was due to the development of Salk Vaccine for polio, which added some $46 million to the category. The jump in 1957 can be credited to Asian flu vaccine. Look for substantial and rapid growth with the development of commercially effective products in two areas. The first is just around the corner—a vaccine for the common cold. The second has been announced—as a commercial possibility—a successful vaccine for immunization against measles.

An effective common cold vaccine should become commercially available by 1962 at the latest. Administration and dosage probably will be similar to the Salk vaccine, that is, three injections will be required initially with a "booster shot" annually thereafter. Each injection should be worth about 50 cents to the manufacturer. Four-fifths of the population probably will wish to be immunized.

This being true, the initial immunization would amount to about $230 million with about $80 million per year thereafter for the supplementary immunization and protection of the new population. For this projection, the initial value of $230 million has been spread over a three-year period.

The potential market for measles vaccine would be m u c h smaller, since it would probably be restricted to children under 12 and women during the age of active child bearing. Initial sales are assumed to about equal initial polio vaccine sales, or about $50 million for the first year and a much reduced volume annually thereafter. It is further assumed that the measles vaccine would become commercially available by 1968. While I do not project a sudden jump in sales as a result of the measles vaccine introduction, this is because I have assumed the market would tend to fall back after the initial immunization, with the cold vaccine being completed about 1966-1967. The measles vaccine would take up the slack and generally smooth out the projection. All this assumed, the biologicals and vaccine category furnishes values in 1960 of $155 million, $350 million in 1965, $380 million in 1970 and $410 million in 1975.

Cardiovascular Drugs

Heart disease is the number one killer in the country today. More than one in every two deaths can be attributed to it. In 1955 more than 825,000 people died from some form of cardiac disorder. It has been estimated that somewhere between 9 and 10 million people suffer from a heart disease and, including minor ailments, the figure may be nearer 14 million.

TABLE I

Projection of Antibiotic Sales Value Through Infectious Disease Mortality Rate

Year	Projected Infectious Disease Mortality Rate	Projected Reduction Infectious Disease Mortality Rate	Ethical Drug Sales Unit Mortality Rate	Additional Sales Value	Projected Sales Value
1956	.52	0	160	0	350
1960	.34	.18	225	40	390
1965	.23	.29	325	94	444
1970	.16	.36	450	162	512
1975	.11	.41	600	246	796
					(600)

TABLE II

Growth and Projection of Sales Value Cardiovascular Drugs and Potential Market for Heart Disease Products

(millions of dollars)

Year	Heart Disease[1] Mortality Rate	Heart Disease Mortality Rate Reduction	Ethical Drug Sales per Unit Mortality Rate	Addition to Sales	Sales[2] Value
1938	4.11		14.45		9
1939	4.31		16.50		
1940	4.54		17.20		11
1941	4.50		19.60		
1942	4.58		22.40		15
1943	4.91		25.30		
1944	4.85		30.00		19
1945	4.97		33.60		
1946	4.70		43.50		25
1947	4.88		51.40		
1948	4.88		55.40		32
1949	4.85		67.20		
1950	4.94		85.00		45
1951	4.98		105.00		
1952	4.98		101.00		54
1953	5.03		109.00		
1954	4.85		123.00		64
1955	4.93		139.50		
1956	5.13		159.20		87
1957					100
1960	5.25		225		147
1962	5.31	0			191
1965	5.10	.21	325	68	259
1970	4.75	.56	450	252	443
1975	4.40	1.31	600	786	977
					(800)

[1] Vital Statistics of the United States. Vol. 1. (Washington: Government Printing Office) 1950.
[2] See text.

TABLE III

Projection of Sales Value of Potential Market Cancer Drugs

(millions of dollars)

Year	Mortality Rate[1] Tuberculosis	Mortality Rate[1] Cancer	Cancer Mortality Rate Reduction	Ethical Drug Sales per Unit Mortality Rate	Projected[2] Sales Value
1936	0.54	1.13		10.05	
1937	.52	1.14		11.75	
1938	.47	1.16		14.45	
1939	.45	1.18		16.50	
1940	.44	1.21		17.20	
1941	.43	1.21		19.60	
1942	.41	1.23		22.40	
1943	.41	1.25		25.30	
1944	.40	1.30		30.00	
1945	.38	1.35		33.60	
1946	.35	1.31		43.50	
1947	.32	1.34		51.40	
1948	.29	1.36		55.40	
1949	.26	1.39		67.20	
1950	.22	1.40		85.00	
1951	.20	1.40		105.00	
1952	.16	1.43		101.00	
1953	.12	1.45		109.00	
1954	.10	1.46		123.00	
1955	.10	1.48		139.50	
1956	.09	1.46		159.20	
1960		1.50		225	
1965		1.55	0	325	0
1968		1.26	.29	400	116
1970		1.07	.48	450	216
1975		.39	1.16	600	696
					(600)

[1] Vital Statistics of the United States, Vol. 1. (Washington: Government Printing Office) 1950.
[2] See text.

Private and government funds for research in this vital area total more than $30 million annually.

You cannot plot the growth of cardiovascular drug sales from any primary data. This may sound odd, since this has been a major classification for many years. Actually, it's a question of pharmaceutical semantics. "Cardiac drugs" cover a multitude of products, all concerned with heart disease, but with such a multitude of physiological actions that no historical growth pattern can be gleaned from the statistics.

However, for several years two sources have indicated that cardiovasculars have averaged about 7.5% of total prescriptions. The average prescription price for cardiovasculars during 1957 was about $1.35 at the manufacturer's level. Cardiovascular sales for the past few years, judging from this, have averaged about 5.7% of total sales of the ethical drug industry.

The mortality rate for heart disease is still climbing. It is assumed, however, that after 1962 medical discoveries will begin to cut the rate so that by the year 2000 it will be half the 1953 rate of 5.03 per 1,000 population, or 2.51.

It is further assumed that until 1962 the mortality rate for heart disease will continue to rise as it has in the past 10 years. The projected value for 1962 is 5.31 deaths per 1,000 population. With the successful development of new drugs by 1962 the rate will begin to decline, reaching 2.51 by the year 2000. Straight line interpolation puts the rate at 4.75 per 1,000 in 1970 and 4.40 in 1975. See Table II.

The projected sales from the base year 1956 are: $147 million for 1960, $259 million for 1965, $443 million for 1970. The value calculated for 1975 appears to be inordinately high, as observed in the previous calculations for antibiotics and for the ethical drug industry, and for the very same reasons. Therefore, a straight line projection was made using the calculated values for the previous years as a base. The $977 million figure, which appears too high, is by this method found to be about $800 million and this figure was used as the sales value for the year 1975.

Cancer

Cancer is the number two killer in this country. In 1955 one out of six deaths was caused by cancer. More than 700,000 people are under treatment and some 450,000 new cancer diagnoses were made in 1957. Research funds now total more than $45 million and the search for a cancer drug leads all other fields of pharmaceutical research.

People close to the field say it is quite possible that a major chemotherapeutic breakthrough will occur by 1965. When this happens the cancer mortality rate may fall at a rate paralleling the decline of tuberculosis from 1946 to 1956 following the discovery of streptomycin and later, isoniazid.

In the accompanying Table III you see the mortality rates for tuberculosis and cancer from 1936 to 1956. The cancer mortality rate is projected to increase during the period 1956 to 1965 from 1.46 to 1.55 per 1,000 population — the same rate for tuberculosis fell from 1.31 to 0.09 in 1956. Calculating at the same rate, cancer mortality will fall from 1.55 in 1965 to 0.39 in 1975. When reductions brought about by this decline (as shown in Table III) are multiplied by ethical drug sales per unit mortality rate projected for the years 1965 to 1975, an estimate of the sales value of the market for cancer drugs is obtained in the same manner as the projections for antibiotics, sulfa drugs, and heart disease.

These projections assume that a major discovery in the chemotherapeutic treatment of cancer will be announced by 1965. It is further assumed that the fall in the cancer mortality rate after 1965 will be at the same rate observed for tuberculosis after 1946. And further, that the cancer mortality rate will continue to climb until 1965 at the same rate observed in the last decade.

TABLE V
Summation of Projections of Sales Value
Major Drug Categories
(millions of dollars)

Category	1956	1960	1965	1970	1975
Aspirin	19	24	30	37	43
Barbiturates	54	65	77	90	102
Vitamins	175	195	220	255	290
Sex Hormones	28	31	33	35	38
Antihistamines	50	53	56	59	62
Antibiotics	350	390	444	512	600
Sulfas	42	47	53	62	72
"All Other"	380	515	720	1,030	1,420
Total Existing	1,098	1,320	1,633	2,080	2,627
Corticoids	80	88	170	260	270
Biologicals and Vaccines	102	155	350	380	410
Cardiovasculars	87	147	259	443	800
Cancer				216	600
Tranquilizers	135	185	316	416	800
Total Innovation	404	575	1,095	1,715	2,880
Grand Total	1,502	1,895	2,728	3,795	5,507

TABLE VI
Comparison of Five Major Projections
Sales Value—Ethical Drug Industry
(millions of dollars)

No.	Projection	1960	1965	1970	1975
(1)	Economic	2,020	2,670	3,320	3,970
		2,040	2,850	4,100	5,630
		2,240	3,700	6,000	9,800
	Average	2,100	3,073	4,473	6,467
(2)	Rx	1,850	2,700	3,800	5,220
		1,840	2,660	3,700	5,050
		1,750	2,610	3,560	4,700
	Average	1,813	2,657	3,687	4,990
(3)	Drug Expense	2,420	3,286	4,292	5,461
		2,047	2,366	2,710	3,082
	Average	2,236	2,826	3.501	4,271
(4)	Mortality	2,020	2,762	3,614	4,530
		2,080	2,922	3.955	5,148
	Average	2,050	2,842	3,784	4,839
(5)	Drug Category	1,875	2,728	3,795	5,507
	Grand Average	2,015	2,825	3,848	5,215
	Median	2,020	2,728	3,795	5,148
	Range	423	416	972	2,196
	Range %	*10	*7	*12	*20

* Plus or minus

Following the curve, the forecast for 1968 is $116 million, $216 million for 1970 and $696 million for 1975. A value of $600 million has been arbitrarily assigned as a reasonable estimate of the market in 1975.

Tranquilizers

One important area remains to complete the projections of major drug categories. This is mental disease. Tranquilizer drugs, one of the four major medical breakthroughs of the postwar period, marked the beginning. Other discoveries are sure to follow.

It seems reasonable to predict, as have leading researchers, that new discoveries will bring important chemotherapeutic drugs by 1962. However, even assuming this, it is difficult to forecast what it will mean to the industry. Mortality statistics would help but mental disease is not an important cause of death.

In many respects, except for mortality, mental disease resembles cancer. The number of hospitalized mental patients about equals the number of cancer patients estimated under treatment. The annual number of newly-diagnosed cancer cases is about the same as the number of new mental patients hospitalized each year. The cost of medical care for the cancer patient parallels that for the hospitalized mental patient: $1,075 for cancer, $1,112 for the mental patient per year for 1956. So the cost of drugs for long-term treatment might well be about the same.

On the basis of these comparisons and in the absence of a better method, it is assumed that the value of the future market for tranquilizers and for new drugs developed for the treatment of mental disease would be, by 1962, about the same as that calculated for cancer. Starting from a base of $135 million in 1956, the sales value in 1960 is $185 million, which is slightly less than that calculated from the rate observed in the 1956-1957 period. With the breakthrough in 1962 the value would then increase to $316 million in 1965, $416 million in 1970 and $800 million in 1975.

"All Others"

No one can gaze into the crystal ball of ethical sales without taking into account the "all other" drugs. This group includes a variety of Rx medications for a gamut of indications. It has its own annual product additions and deletions, but at all times represents an important segment of ethical sales.

The base point for 1956 was calculated by adding all the major categories and subtracting the major category total of $1,120 million from the composite value of $1,500 million for the whole industry to give an "all other" category figure of $380 million. (See Table IV).

TABLE IV
Projection of Sales Value
"All Other" Drugs
(millions of dollars)

Year	Projected Sales Value Total Ethical Sales	Projected Sales Value "All Other" Category [1]
1956	1,500	380
1960	2,040	515
1965	2,850	720
1970	4,100	1,030
1975	5,630	1,420

[1] See text.

It was assumed, with good reason, that this omnibus category would grow in future years at the same rate as the overall industry itself.

Comparing the Five Projections

We have now seen five major individual projections of the future sales value of the ethical drug industry:

(1) An economic projection for the past 20 years, employing data from six primary sources.

(2) The growth trend observed in Rx sales since 1939.

(3) The personal consumption expenditure for drugs and sundries.

(4) Mortality rates and the value of the unit mortality rate in terms of ethical drug sales, and

(5) a reconstruction of the industry by major drug classification taking into account the factor of innovation in the five major medical problem areas.

The five projections are in rather close agreement, as the accompanying Table VI shows. While the economic growth projection furnishes the **highest values** of the five projections, it is not much higher than the value obtained by projecting the individual drug categories and the areas of innovation. The economic growth projection inherently contains the innovation factor and it may well be that the forecasts of innovation areas in the last projections are too conservative.

The **average of all five major projections** is shown in Table VI. This provides values of $2.0 billion in 1960, $2.8 billion in 1965, $3.8 billion in 1970, and $5.2 billion in 1975 from a base value of $1.5 billion in 1956.

Since no one projection can be said to be more **valid** than another, this would appear to be the best possible projection for the industry. The variation of all five projections from the average or medium is about plus or minus 10% for the periods up to 1970 and plus or minus 20% for 1975. This is a surprising measure of agreement when you consider the various sources of primary data and the different methods used for each projection.

There is also the matter of the **timing** of successful research breakthroughs. Success usually is achieved years "ahead of time." The most optimistic forecasts of future mortality rates by insurance company experts have, for the past 20 years, been exceeded in fact.

Changes in the export-import regulations governing drugs, not only domestically, but in the major foreign markets, will obviously affect domestic production. So will Census Bureau population estimates, if fertility assumptions are underestimated and mortality projections are overestimated.

Undue government regulations and actions in the future would undoubtedly affect research expenditures which, this year, will amount to about $190 million. Such an undesirable turn of events would appreciably slow down the growth of the industry. This is a force to be watched in terms of the predictions made in this study.

Most other innovations will replace existing drugs. Bear in mind, however, that such replacement usually expands the market. The sizable funds for supportive or defensive research — for the development of **improved** products—do expand the market to some extent when the resultant products are made commercially available.

Assuming that no one will live forever, cardiac and cerebral accidents will never be completely eradicated. This argument remains a powerful force on the side of a more conservative prediction. The aging of body organs and tissues with time is undoubtedly not a problem that will be solved completely and absolutely, but study of the problem may give us many added years of active life expectancy. It seems obvious that this will be the direction medical and drug research will take, when the problem of infectious and chronic disease no longer needs much attention.

A word of caution. A long-range forecast is not a blueprint, it is a guide. It is not a plan of action, but a prospect to be used for changing a plan of action. It is a device, like navigation by dead reckoning, to be altered and changed as soon as the situation warrants a change of course. The longer the prediction, the less likely the outcome and the more often the prediction must be changed. Even the editor doesn't know all that's on tomorrow's front page . . . until tomorrow.

The prospects for the pharmaceutical industry have been reviewed here in terms of dollars and cents. But there is one final point to make clear and it underlies all the assumptions that have been made. Ours is an industry supported and propelled by the will of scientific progress. We are financially prosperous only insofar as we are scientifically successful. So there is another way to interpret these figures. They signify a future of boundless medical advance in an era of unprecedented health and well-being.

FHLB Places Notes

Public offering of $199,000,000 Federal Home Loan Banks 4⅜% consolidated notes, dated May 21, 1959, and due Feb. 15, 1960, was made on May 12 by the Federal Home Loan Board through Everett Smith, fiscal agent of the Home Loan Banks, and a nationwide group of security dealers. The notes are priced at 100%.

The offering will provide additional funds for advances to member institutions of the Home Loan Bank System to meet the rising demand for home mortgage money.

Upon issuance of the notes outstanding indebtedness of the home Loan Banks will amount to $871,950,000.

Merrill Lynch Adds

(Special to The Financial Chronicle)

CLEVELAND, Ohio—Sanford J. Sacks has been added to the staff of Merrill Lynch, Pierce, Fenner & Smith, Incorporated, 55 Public Square.

With Paine, Webber

(Special to The Financial Chronicle)

CLEVELAND, Ohio — Joel N. Heim has become affiliated with Paine, Webber, Jackson & Curtis, Union Commerce Building.

Two With House-Johannes

(Special to The Financial Chronicle)

DAYTON, O.—Jesse B. Hearin, Jr. and Lorrin C. Peterson have become connected with House-Johannes, Inc., 1126 Oakwood Avenue. Both were formerly with L. E. Jenkins & Co., Inc.

Now With Atkinson Co.

(Special to The Financial Chronicle)

PORTLAND, Oreg. — Frederick G. White has become associated with Atkinson and Company, U. S. National Bank Building. Mr. White was formerly for many years with Blyth & Co., Inc.

New Singer, Deane Branch

BEAVER FALLS, Pa. — Singer, Deane & Scribner has opened a branch office in the Sahli Building under the management of Harry R. Evans.

Joins Robert Levy

(Special to The Financial Chronicle)

CHICAGO, Ill.—Karl P. Zerfoss, Jr., has become connected with Robert J. Levy & Co., First National Bank Building.

With Keller Brothers

(Special to The Financial Chronicle)

BOSTON, Mass. — Albert H. Cohen has become affiliated with Keller Brothers Securities Co., Inc., Zero Court Street.

Now With York Co.

(Special to The Financial Chronicle)

SAN FRANCISCO, Cal.—George A. Godderis is now associated with York & Co., 235 Montgomery St., members of the Pacific Coast Stock Exchange. He was previously with First Mutual Securities Company.

Continued from first page

As We See It

growth so many of the reformers are constantly insisting upon.

Inconsistent with the Facts

Of course, this want-of-purchasing-power theory of business recessions and stagnation is inconsistent with the rather obvious fact that the very production of goods and services creates purchasing power in the amount of the cost of such goods—purchasing power in the form of wages, interest, dividends and the like. Unfortunately, however, this truth somehow does not seem to register fully with the rank and file—or even with a good many who should realize its validity. Fortunately, though, actual facts and figures can be marshalled to show clearly and convincingly that diversion of profits to wages would not do any of the wondrous tricks that labor and many of the "modern" analysts loudly proclaim. With a large number of labor contracts carrying increased rates of pay, and the prospect of others, it would appear appropriate at this time to cite some of this concrete evidence.

Corporate profits, taken either before or after income taxes, were at a record level in 1956. That year should therefore be an excellent one for the purposes in hand. Total corporate profits, according to the Department of Commerce, came to just short of $45.5 billion. A handsome figure—but let's see what became of these large earnings. First of all, Uncle Sam and the various states which have income tax systems took about $22.4 billion. That left the corporations some $23.1 billion. Somewhat more than half of this latter amount, $12 billion, was paid out in dividends—going, by and large, to those consumers whose purchasing power must sustain industry and trade, and whose lack of purchasing power, according to the New Deal ideas, is the chief cause, or at least one of the chief causes, of recurrent and prolonged periods of depression.

How Money Was Spent

Now what happened to that other $11 billion which corporations earned but did not pay out in dividends? Unfortunately, figures are lacking for a determination of the disposition made of this entire sum. The Department of Commerce has, however, provided figures for all corporations, except banks and insurance companies. Retained earnings are estimated at $10.2 billion for the year 1956. Together with $17.7 billion in depreciation reserves these corporations had funds derived from "internal sources" of some $27.9 billion. To these may be added $16.3 billion obtained in the course of the year from the sale of securities and from bank loans and other sources of short-term funds. Add all this up and we have a total of $44.2 billion.

What did these corporations do with all this money? Well, first of all they did not hoard it. At the end of the year they had only about a half billion more cash and deposits than they started the year with. And to have this much on hand at the end of the year they had to dispose of some $4.8 billion of government securities. Nearly $30 billion of these funds at the disposal of these corporations went for upkeep, improvements and additions to plant and equipment. Of course, they could not add so substantially to these physical assets without hiring and paying wages to large numbers of workers in their own plants and elsewhere. No loss of consumer purchasing power here! Inventories at book value were increased during the year by some $8.4 billion. A feat not attainable without paying out large amounts in wages to consumers!

Billions More for Wages?

Now let us suppose that in 1956—a year of virtually full utilization of resources and labor—some substantial sum, say $5 billion more than was actually the case had been paid out as wages without increasing prices so that profits were proportionately lower. Obviously either dividends would have had to be smaller than they were or else retained earnings would have been lower by an appropriate amount. If dividends had been reduced, plainly one set of consumers—wage earners—would have benefited at the expense of another set of consumers—those who provided the capital for business, assuming no reduction in employment. And nothing else. Let no one suppose that dividends these days go to a few excessively wealthy individuals. If they did most of them would go to Uncle Sam, and hence to the general consuming public. As a matter of fact, the income of the very wealthy these days and times comes from tax exempts very largely—and wasteful state and local expenditures are encouraged thereby.

But let us suppose that dividend payments were not reduced. Then retained earnings would be proportionately lower, and outlays for plant and equipment would in proportionately larger amounts have been financed by funds raised from external sources—or else curtailed with resulting loss of wages by men working in industries supplying materials and constructing such plant and equipment. But if the required funds were provided by investors (consumers) their purchasing power for consumer goods would be correspondingly reduced. And equally important, it is all but certain that capacity to produce efficiently and abundantly in the future would be compromised in the process.

Evidently, the higher-wages-for-purchasing-power theory does not stand up under factual analysis.

Continued from page 11

Men, Not Crises, Are Responsible For Type of Government We Have

Bill of Rights, and by limitation on national and State powers.

No more ingenious means of diffusing power has ever been conceived by the mind of man. Its wisdom is grounded on the eternal truths distilled from thousands of years of mankind's history.

It required only that the people safeguard and use the remarkable tools given them if they valued their liberties and were determined to keep them.

Dilution of Our Heritage

What Has Happened to This American Heritage?

It is an elementary proposition that institutions of government are made by man, and man is responsible for what happens to them.

Benjamin Franklin noted this when he was asked what the men at Philadelphia had wrought. He was said to have answered: "A Republic, if you can keep it."

A half a century later, Lincoln spoke in the same vein, when he declared:

"If destruction be our lot, we must ourselves be its author and finisher. As a nation of free men, we must live through all time or die by suicide." (Speech to Young Men's Lyceum, Springfield, Jan. 27, 1838, *Works*, I, p. 109.)

Today, men all over the nation are gravely concerned about what is happening to this American heritage of good government.

For at least the first century of our national existence, a free people under God and free government built the most powerful, most prosperous nation on earth.

But since then a process of corrosion has set in which has greatly accelerated in the last 25 years.

It would take a book to cover the details of how the American system of government is being altered. Let me touch a few of the highlights.

Federal Supremacy Reigns

Centralization of Government in Washington. In the last 30 years, the Federal authority has been extended and enlarged far beyond the limits originally set in the Constitution. Today, it either preempts or strongly encroaches upon the power of State and local bodies and covers almost every interest formerly of private concern.

The whole conception of a division of powers between Federal, State, and local governments is corroded. This concentation of power in the Federal Government cancels out the great principle of divided powers on which all history shows liberty depends.

It weakens the idea of government by consent of the governed by substituting centralized government for government closest to the people.

Government itself is weakened when it attempts to overreach its natural jurisdiction. The result is written in a law of diminishing returns which shows up in extravagance, inefficiency, waste, and corruption. We have that too.

Already we have created a series of "no man's lands" in vital areas of public policy and administration. This is evident in labor-management relations, in safeguarding the Nation against Communist subversion, and in protecting the citizens from double jeopardy.

Concentration of Powers. Not only has centralized government grown, but it has concentrated powers in its structure. A whole network of Government commissions, bureaus, and agencies has been set up and endowed with a powerful combination of legislative, executive, and judicial powers in total disregard of the principle of separation of powers on which freedom depends.

Struggle for Power Within the Federal Government. With this weakening of Constitutional principles and limitations, the way was opened for a struggle for power between the several branches of Government.

That, too, we have been witnessing over the past 30 years. The President has gained stronger powers in relation to the Congress than the Constitution contemplated giving him. The Judiciary — chiefly the Supreme Court—has seized upon legislative powers never vested in them in the Constitution.

Corruption of the Democratic Process. Perhaps the most damaging effects of this corrosion in principles of good government is the corruption of the democratic process.

As major government powers are drawn to a central source, the vitality, spirit, and character of the people are altered.

With government operating at a distance from them and exceedingly complicated, the people grow confused and discouraged from doing things for themselves. Their self-reliance is weakened. The lazy become parasites on the workers. They lose interest in acquiring the knowledge they need to hold government accountable. They give up the hope of influencing government. Already, less than half of our potenial voters trouble to go to the polls.

When the public is in this weakened state, the self-interest groups move in. Even though pressure groups represent only minority interests, they can wield considerable power because they are tightly organized, and the public is not. It is the same situation in which a small inside minority controls a corporation when the stockholders are many and scattered.

We have come pretty far along in bad government, when a bill to end flagrant corruption in labor unions has to have a "sweetener" in it to make it palatable to labor leaders.

Our public men are also affected by this corruption of democracy. They move from the high ground of principle to the sinkholes of expediency. They compete in out-promising each other, and elections become little more than a trade of favors for votes.

Consequences of Current Trends

The dismal consequences of these trends are inevitable.

More and more, the people are compelled to look to government for solutions to their problems; and the perverters of democracy respond with more government. The road they travel is Socialism, the infirmity that attends mature democracies.

Government spending goes beyond all bounds. Not only the Federal Government, but a growing list of States are in deep financial difficulty.

Every sizable voting group demands its cut in the form of subsidies.

Legislation is cut loose from principles. In its place we have expedient improvisation or surrender to the blackmail of pressure groups.

Taxes skyrocket and destroy incentive.

Public debt mounts to astronomical heights and cannot be paid off except by ruinous inflation or repudiation. The Federal debt is a time bomb hanging over the security of our people.

Ultimately the public faith in government is destroyed, and in the chaos that follows, the people willingly accept a dictator. The price they pay is their liberty.

The hollowest phrase is the one that declares: "It can't happen here."

What Has Happened Here

But look around you today. Have you ever seen such outrageous taxation, such a staggering national debt, such waste of public money, such a pyramid of government subsidies, dangerous inflation, so many lavish political promises, such a gigantic Federal bureaucracy, so much government favoritism to special groups, such moral laxity, and so little responsibility in public life?

And in this appraisal let us look at ourselves, the American people. As politicians bent on their own perpetuation promised more and more and gave more and more of what was taken from the people the people grew to expect and demand more from government.

How much Federal aid did our forefathers receive . . . what they did they did with their own abilities . . . what they provided in the way of schools and roads and hospitals they did with their own savings or taxes at the local level . . . what they had was character . . . all they did was work. . . . What they wanted was self respect . . . but look at us today. Security is above self respect, we ask more money for less work, we are weaklings who want government to take care of us when we should be taking care of ourselves, we pamper criminals and subversives when we should punish them and we condemn those among us with the traits of their forefathers as reactionaries. . . . We as a people have so accepted the arguments of compromise that we are willing to send men to run our governments who will compromise away basic principles . . . men who are even willing to appease in the name of compromise. . . . Compromise is a tool of the lawmaker but to fritter way principle for expediency . . . to destroy values for fear of disagreement . . . is carrying the theory too far.

Here we are just a little over a year from a Presidential election and where are the words of strength from the candidates? Who in seeking the highest office in our land is speaking of self reliance . . . harder work . . . yes, even self respect. . . . No, we are hearing the hackneyed shibboleths of giveaway . . . more for nothing . . . unbalanced budgets . . . give in to the union bosses for they have political power . . . the states can't do it anymore, centralize government. These aren't new ideas . . . they have wrecked government after government in the history of man.

These trends I have described have happened again and again in history—not to poor, undeveloped nations—but to nations at the heigth of their development in industry, culture, prosperity, and military might. Years of self respect and hard work made this country, but these trends we see today can destroy it.

Needed: An Informed Public

I would not want to end on this bleak note. I do not despair of American democracy; I have strong faith in it.

When it is informed and alerted, it can act swiftly and with powerful force. As Lincoln said:

"Our government rests in public opinion. Whoever can change public opinion, can change the government. . . ." (Speech at Republican Banquet, Chicago, Dec. 10, 1856, *Works II*, p. 385.)

But to Be Effective, the Public Must Be Informed. It must be alerted. It must have a newspaper press to educate, not to arouse passion and conflict. It must have courageous men to concentrate its force and to speak for it.

The Men We Need

This brings me back to the heart of my theme: *Today's crisis is in the thoughts and actions of men.*

We need more men of principle, men of conviction, men of courage. It takes principle, conviction, and courage to throw off the blanket of conformity which suffocates public life.

We need more men like Bob Taft, whose dedication to the public interest surpassed even his own life ambition.

We need men like Senator John J. Williams who fought doggedly for years, and often single-handed, to expose corruption in the Internal Revenue Service.

We need men like Joe McCarthy who, despite his shortcomings, did so much to alert our people to Communist subversion of American Government.

We need men like Senator Styles Bridges who realizes the significance of a balanced budget to a free country and hammers away for Government economy in the Appropriation Committee and on the Floor of the Senate; men like Harry Byrd and Admiral Rickover and Herbert Hoover.

And men like John Foster Dulles who, more than any man in Government today, understands the true nature of the Communist threat and has the courage to stand up to the Communists and expose them.

Let us have more men like those—Admiral Strauss and Senator John McClellan.

Others have and will extol their virtues, but I would like to say this. These men are today being bitterly assailed because they have the courage to act in the public interest — because they dare to speak for causes, not unpopular with the people, but unpopular with the special interest groups which seek to dominate the government.

Value of the Good Government Citation. In these circumstances a citation is more than an honor. It inspires them and others to persist and fight harder in righteous causes. It shows them they have distinguished support, and that they do not stand alone. It alerts the attention of the public. It helps to clarify the public mind on the real issues at stake. It encourages wider public support, and thus helps to neutralize the strident, biased voices of the special interests.

In this way we can increase and strengthen that rare element in public life—the number of men of principle and courage.

This is the way to restore good government, to preserve good government, and to insure the survival and progress of free government.

Joins B. C. Christopher

(Special to THE FINANCIAL CHRONICLE)

JOPLIN, Mo.—John H. Wilkinson has been added to the staff of B. C. Christopher & Co., 118 West Fourteenth Street.

McQueeny-Hendon Adds

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Mrs. Elizabeth B. Smith has been added to the staff of McQueeny-Hendon, Inc., 440 E. Sixty-Fourth Terrace.

With Morrison & Co.

(Special to THE FINANCIAL CHRONICLE)

SALISBURY, N. C. — Kenneth L. Mattox is now affiliated with Morrison and Company, Inc., 418 South Main Street.

Joins Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio—Donald S. Bean has joined the staff of Merrill Lynch, Pierce, Fenner & Smith Incorporated, Dixie Terminal Building.

With Dempsey-Tegeler

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Herbert E. Matthews is with Dempsey-Tegeler & Co., 1000 Locust Street, members of the New York and Midwest Stock Exchanges.

With White, Weld

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Cal.—Elizabeth J. Sanderson has joined the staff of White, Weld & Co., 111 Sutter Street.

With First Southeastern

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga. — Samuel N. Evins, Jr. is now affiliated with First Southeastern Company, Trust Company of Georgia Bldg.

L. A. Huey Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Walter F. Reddick has been added to the staff of L. A. Huey Co., Equitable Building.

Estabrook Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Edward S. Rowland has become connected with Estabrook & Co., 15 State Street, members of the New York and Boston Stock Exchanges.

Joins H. L. Robbins

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, Mass.—Russell J. La Roche has become connected with H. L. Robbins & Co., Inc., 37 Mechanic Street.

Joins La Hue Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

ST. PAUL, Minn. — Alice M. Jensen has become affiliated with La Hue Investment Co., Pioneer-Endicott Arcade.

Joins Einer Paulsen

(Special to THE FINANCIAL CHRONICLE)

SAN JOSE, Cal.—Carl L. Chittenden has joined the staff of Einer Paulsen Investment Securities Company, 1616 Washington Avenue.

Walter O. Eckert

Walter O. Eckert, partner in C. B. Richard & Co., New York City, has passed away.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The market for Government securities is in the process of digesting the recently offered refunding and new money raising issues. Even though all of the securities used in this combined operation were short-term obligations, there has not been any noticeable pick-up in the demand for intermediate- or long-term Governments because the yield is better in both corporate and tax-exempt bonds. Also, the Treasury whenever it is given the opportunity will use middle- and long-term issues in order to extend the debt maturity. These forces do not make for bullishness in the more distant Governments.

With the Treasury out of the market for a short while, the question is raised as to how soon, or when, the discount rate and the prime rate will be moved up. All in all it looks as though higher interest rates are in the making.

Special Factors Favored the 340-Day Bill Issue

The Treasury in its combined refunding and new money raising operation appears to have made the grade, although there was not too much to spare. The 340-day bill appears to have been the best received of the several issues which were offered in the May venture. The fact that this long Treasury bill was eligible for payment through the tax and loan account was the principal reason for the good reception that it received. Even though the yield on this obligation has been slightly above the 4% level, which reflects in part the tight money market conditions, the selling of this security by the deposit banks likewise contributes to the uptrend in return. The commercial institutions have the (Government) deposit, which was created through the purchase of the 340-day bill and can make use of these funds until they are called upon by the Treasury for payment. Usually, these monies remain with the deposit banks for a period of time, say 20 or 30 days, and because of this they can afford to sell out the issues that created the deposit, at a loss, since earnings in excess of those obtainable in the securities that made these funds available to them, can be made by the banks.

To be sure, the money market must be on the tight side, with the demand for funds sizable and the rate of borrowings at a high enough level to make this a profitable operation. If this were not so, and the banks had surplus funds of their own, they would not be selling any near- or long-term Government obligations since the way in which earnings are obtained is by keeping funds to work even at declining interest rates.

221-Day Issue Barely Oversubscribed

The issue of 221-day tax anticipation bills which was offered in the amount of $1,500,000,000 was just oversubscribed, with the amount of the oversubscription being less than $200,000,000. This obligation, which was not eligible for payment in the tax and loan account, also went above the average yield at which the Treasury sold them to those that can use these bills for the payment of taxes on Dec. 15. The demand for this security and the 340-day bill, in the opinion of not a few money market specialists, will increase after the refunding and new money raising results have been made available.

The Treasury offer of a one-year 4% certificate at a discount to yield 4.05% in place of the 1¼% certificate which comes due on May 15, was in line with what the financial district had been looking for, even though some money market followers were of the opinion that a somewhat higher yield would have made them more attractive to those that were given the exchange offer.

Higher Prime Bank Rate Expected

With the fiscal year 1958/1959 major operations out of the way, come the guesses as to what is likely to happen to the discount rate. The money restricting policy of the Federal Reserve Board is not going to make money any easier and, with the out-of-town banks loaned about up to the hilt, there will not have to be too much more of a demand for loans from the large money center banks before the prime bank rate will be advanced. As a matter of opinion, not a few money market experts believe that the first rise in the prime bank rate will come from commercial banks outside of New York and Chicago.

Four With Robbins

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, Mass.—Vasil V. Condos, Emil Eisenberg, Gery Eisenberg and Margaret Tkacik are now with H. L. Robbins & Co., Inc., 37 Mechanic Street.

Joins Jamieson Staff

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Ronald L. Bruch has joined the staff of Jamieson & Company, First National Soo Line Building.

Straus, Blosser Adds

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Mary T. Forrester has become associated with Straus, Blosser & McDowell, 21 West Tenth Street.

Joins W. D. Gradison

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio — Michael H. Rohs has become connected with W. D. Gradison & Co., Dixie Terminal Building, members of the New York and Cincinnati Stock Exchanges.

Bache Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

GREENSBORO, N. C.—Earl R. Betts, Jr., has been added to the staff of Bache & Co., 108 West Market Street.

With McDaniel Lewis

(Special to THE FINANCIAL CHRONICLE)

GREENSBORO, N. C.—Willard C. Robbins is now affiliated with McDaniel Lewis & Co., Jefferson Building.

With Merrill, Turben

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — John F. Turben is now with Merrill, Turben & Co., Inc., Union Commerce Building, members of the New York and Midwest Stock Exchanges.

Joins Saunders, Stiver

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Gerald S. Powers is now connected with Saunders, Stiver & Co., Terminal Tower Building, members of the Midwest Stock Exchange.

Ball, Burge Adds

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — James S. Bishop and Robert T. Shuber have become asssociated with Ball, Burge & Kraus, Union Commerce Building, members of the New York and Midwest Stock Exchanges. Both were formerly with Livingston, Williams & Co.

With Ross, Borton

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Robert S. Jacob is now with Ross, Borton & Co., Inc., The 1010 Euclid Building.

With Central States

(Special to THE FINANCIAL CHRONICLE)

MANSFIELD, Ohio—Robert E. Braden is now affiliated with Central States Investment Co., Walpark Building.

Continued from first page

The Current Market and Enforcement Activities

duty of prescribing these rules for the purpose of preventing excessive use of credit in the purchase or carrying of securities. However, the Acts contain specific prohibitions against certain types of activities which might endanger or impair the free and open character of our security markets. The Commission must try to enforce these provisions and must be very much concerned with any conditions which might directly or indirectly have such an effect.

Except for these limitations on credit, the Federal securities acts do not provide any administrative power or procedures designed to control or prevent speculation as such, and leave to the individual free choice as to whether or not he should go into the market. Perhaps I should also emphasize what is doubtless quite clear that the Commission does not have any power to pass on the quality or investment merits of a security. The investor or the speculator must make his own decisions. One of the primary purposes of these statutes and of the state Blue-Sky laws is to make available to the public generally reliable information to assist in the making of these decisions.

Unjustified Fluctuations

We have recently expressed some concern in public pronouncements and before the Congress over the extent to which the prices of some securities have fluctuated without visible economic reason, apparently as the result of baseless tips and rumors and often with the apparent participation of a considerable body of public investors. These conditions by their very nature cause us to be concerned whether what in fact occurs is the manipulation of securities prices by the unscrupulous, to the eventual detriment of the naive and unwary. Our concern is not directly with whether prices of securities go up or go down or go sidewise, but is rather whether price movements result from the judgment of buyers and sellers trading in fair, honest and orderly markets free from manipulation and fraud, based upon their evaluation of economic and other factors.

Let me give you a concrete example of the peculiar psychology which I am afraid may be an aspect of the present bull market and which is responsible for much of our concern. Several weeks ago, we had an anonymous tip that a certain security issue was oversold, though the registration statement had not even been filed as yet. We investigated, and found that there was a certain element of truth in the accusation. The syndicate manager, a perfectly reputable New York Stock Exchange house, had actually received so-called "indications of interest" for more shares than were to be offered by an electronics manufacturer. He insisted, and we found ample corroborative evidence, that he had not lifted a finger to sell the stock nor breathed a word of the issue. When we interviewed the brokers who had communicated their interest, we found that most of them had done so because of orders received from their customers. So, we interviewed the customers. One of them had overheard a conversation at a filling station, where he was pumping gas, told his father, who told his uncle, who put in an order for five hundred shares. A second had run out of the lunch counter where he was cashier with change left by mistake by a customer. The customer gratefully gave him a hot tip, and the order went in to the broker. Another customer overheard a couple of strangers discussing the issue in a board room, and at once placed his order. Mind you, the prospectus was not even in print, let alone filed, and it turns out that the company is a new venture with no earnings record and rather dubious prospects. I have no doubt at all but that the stock will be oversubscribed as soon as the preliminary prospectus is available. We have been completely unable to discover where the rumor started, or who started it. It will probably be a spectacularly successful offering, but I would be foolhardy to forecast what the end result will be to the purchasers.

Developing an Honest Market

This psychology is no doubt a factor in the bullish action which has dominated the market price of many issues during the past few years. Many of these situations and the enforcement problems involved are of continuing and vital interest and importance to the Commission, which I represent. It should be of equal importance to each and every broker and dealer that the integrity of the securities markets be preserved. I am convinced that the willingness of the American people to participate in private corporate investment, which has served in very large measure to make possible the tremendous capital expansion of the last few years, is based in substantial measure on the sense of security engendered by the public belief that the present market is honest, just and fair.

An interesting collateral conjecture relates to the possible relationship between the confidence reestablished by the disclosure provisions of the securities laws since the early 1930's when the Securities and Exchange Commission was established by Congress and the increased investor gullibility reflected in the resurgence of the "boiler-room" technique. I am happy to be able to say that most of the large boiler rooms have been driven out of business as a result of the Commission's enforcement efforts. There has developed, however, a more elusive type of activity in which small organizations open for business, sell an issue or two and disappear, often to reappear again in another location and often under another name. Not infrequently, the long distance telephone salesmen work out of hotel rooms, apartments and alleged business offices.

Our main effort, of course, is to stop the boiler room operators. We have been including numerous salesmen in the injunctive actions instituted to halt these operations, but, as a practical matter, it is sometimes difficult to obtain criminal convictions against salesmen, and it is not too easy to reach them even in civil actions. The result is that these individuals float from one boiler room to another as we close down their places of business. In a way, this is rather helpful to us, since we can get some idea of the nature of the business of a new broker-dealer by looking at the list of its salesmen.

Beyond the Boiler Rooms

But not all the securities transactions which result in serious losses to investors are effected through boiler rooms. We find the most reputable houses at times and, I think, in perfect innocence, mixed up in the most peculiar transactions. Let me cite you another example. In the course of our investigations into Alexander Guterma's dazzling legerdemain, we discovered that a very substantial block of F. L. Jacobs stock had been distributed through a highly reputable broker on foreclosure of one of Guterma's loans. The broker had sold it to some 600 of his customers at about $7. Since trading in the stock had been suspended by the New York Stock Exchange, and since the source of the stock would seem to have warranted grave suspicion as to the soundness of Mr. Guterma's empire, we asked the broker, out of sheer curiosity, what in the world ever persuaded him to get into this situation. It turned out that one of his office help had gotten into a conversation with an attendant at an industrial exhibit of General Electric, and had been informed that Symphonic Electric, which was in process of acquisition by Jacobs, had a fine future. Upon the assurance of Jacobs' executives that the suspension was only a flea bite and that the company expected a great year, without any up-to-date financial data, without inquiry of any disinterested source, the broker took delivery of the stock and peddled it to its customers. As you know, Jacobs is now in Chapter X, and the position of its stockholders is something less than enviable.

NASD Rules of Fair Practice

This situation, as well as the incident I described, present one aspect of a problem that must, it seems to me, give some pause to persons such as you who have their eyes fixed on goals involving something more substantial than the "fast buck." Just what is the duty of a broker? Is it to accept his customer's order for what the broker knows, or should know, is a "dog," without protest and with the attitude of an indifferent seller of merchandise? Or does he owe it to his customer to investigate carefully, and, even though his customer does not ask for advice, to tell him exactly what he is planning to buy? I am willing to go so far as to say that a substantial contributing factor to the speculative hysteria which appears to have attended the activity in some issues has been the failure of many brokers to insist that their registered representatives be customers' men in the true sense of that term, that is, that they be something more than salesmen, and that they be willing to sacrifice a few dollars in commissions in order to protect their customers. The NASD Rules of Fair Practice go at least part way in describing what I conceive as the duty of a broker toward his customer when they say that:

"In recommending to a customer the purchase, sale or exchange of any security, a member shall have reasonable grounds for believing that the recommendation is suitable for such customer upon the basis of the facts, if any, disclosed by such customer as to his other security holdings and as to his financial situation and needs."

Customer-Dealer Relationship

The Commission has repeatedly and, to my view, very correctly held that the relationship of a securities dealer to his client is not that of an ordinary merchant to his customer and that, inherent in the dealer-customer relationship is the implied representation that the customer will be dealt with honestly and fairly and in accordance with the established standards of the profession. However, I would go further than this, and suggest that these established standards might, perhaps, be reexamined and extended, and that the salesman be charged an affirmative duty to inquire, so far as he can do so discreetly, as to the financial position of his putative customer, and to point out the speculative or other negative aspects of the proposed transaction, if there are any.

The Commission is not solely concerned with fraudulent representations in the offer and sale of securities, such as those broadcast through the boiler rooms. It is also deeply interested by the sudden and unreasonable fluctuation in the price of securities, accompanied by unprecedented activity in them. While we must necessarily rely to a considerable extent upon the cooperation and self-regulation of the exchanges, we find that these gyrations sometimes occur, apparently without arousing any particular inquiries by the floor officials of the exchanges.

Preventing Manipulation

The statutory powers of the Commission over manipulative activities are extensive. It is unlawful for any person to create an appearance of active trading in a security or so to act to raise or depress the price for the purpose of inducing the purchase or sale of a security by others. It is specifically illegal to wash sales or to match orders for the purpose of creating a false or misleading appearance of active trading in any security. It is similarly unlawful to indulge in any deceptive device, such as the dissemination of rumors by persons buying or selling securities to the effect that the price of any security is likely to fall or rise because of market operations conducted for that purpose.

In addition, it may be noted that the Commission is given rule-making power in many important areas in order that it may promote orderly markets. For example, the Commission, after studying the effects of short selling in the rapidly declining market of 1937, adopted a rule covering the prices at which short sales may be effected on an exchange. This rule effectively prevents short sales in a declining market, thus discouraging "bear raiding." As recently as last month, we filed an action to enjoin violation of this rule in a case where the defendant had represented to his broker that he was "long" several thousand shares which he ordered sold, whereas in fact he owned no stock. His object was to drive the market price down by suddenly throwing a large number of shares on the market and then to buy shares at the reduced market level to cover his previous sales. Since he was selling short and since his sales were not being made on the "up-tick" as provided by Rule X-10A-1, he became subject to civil and criminal sanctions.

Another example of our antimanipulative rules is the prohibition against payment by persons engaged in the distribution of a security to other persons in consideration of the solicitation of purchases of securities of the same issues on an exchange except under specified conditions. The Commission has also adopted rules governing the stabilization of prices to facilitate a distribution. These requirements, like the general anti-manipulative standards of the statute, operate to prevent brokers engaged in distributing a security from creating an illusion of active trading and from raising the price artificially in order to facilitate the retailing of the stock. The Rules of the Commission establish requirements of disclosure and other controls which operate to prevent deceptive or unfair advantage being taken of the buying public.

Enforcement and Detection

We have an active force assigned to detect and prevent manipulation on the exchanges. As you know, each registered exchange is required to furnish a large amount of information to the Commission, including the volume and price of transactions, and, in the case of the New York exchanges, the activities of various classes of persons such as floor traders and information with respect to, among other things, margin trading, short selling and odd-lot transactions. All of this information is currently reviewed by our staff. We have a "market surveillance unit" which watches the recorded transactions on the ticker tapes of the New York and American Stock Exchanges. This unit also observes transactions on the other exchanges and checks the quotations in the over-the-counter market as they are published in the daily National Quotation Sheets, for the same purpose of detecting any unusual activity or price movement in any security which might indicate the presence of manipulation. This surveillance covers some 20,000 issues. Whenever a question concerning market activity and price level arises with respect to a particular security, a preliminary inquiry is commenced in which the identities and activities of purchasers and sellers are ascertained and reviewed. The regional offices also investigate complaints received from the brokerage fraternity or the public concerning suspected manipulative activity. The very existence of this surveillance has unquestionably, like a cop on the beat, served as a deterrent to illegal tactics.

Floor Traders' Activities

I do not know whether floor trading constitutes a problem in the Midwest Exchange. Analyses which we have made of their activities on other registered exchanges have indicated that they tend quite noticeably to exaggerate the swings of the market, particularly where there is a relatively small floating supply of a security. In 1945, the staff of the Commission proposed to outlaw all such activity on the New York exchanges. This move was compromised by the adoption of certain restrictive rules by both of the New York exchanges. In the early 1950s, these rules were rescinded. It may be that they ought not to have been so dropped. In any event, we are currently suggesting to the exchanges that more vigorous floor trading rules be placed in effect upon those exchanges, and, if floor trading constitutes a similar problem on the Midwest Exchange, it is possible that your own organization might find it expedient to suggest similar rules.

There are substantial grounds for belief, indeed, that many of the current gyrations of market prices may be linked up with a thin floating supply of stock. Out of the $276.7 billion aggregate value of equity securities, listed as of Jan. 1, 1959 on the New York Stock Exchange, about $45 billion were reported as held by institutional investors, the activities of many of whom are, in the main, acquisitive and who sell from their portfolios relatively seldom. The average turnover of the portfolios of open-end investment companies in 1958 was reported at only about 18%. The investments in equities by these purchasers have grown tremendously in recent years, and they are tending constantly to increase as more institutions are turning from debt securities to equities in order to protect their market position. It is only necessary to point out as an example that there is a noticeable tendency for pension funds to turn to equity investments, and that it has been estimated that such funds may total as much as $80 billion within a relatively few years. I have never seen any statistics as to what percentage of equity securities is tied up due to the influence of the capital gains tax and the sometimes peculiar application of the Internal Revenue Service of the tax laws to securities transactions, but it is unquestionably a very sizable amount. Also, there have always been other substantial blocks of stock which are off the market since they are held for purposes of control. When all of these influences come up against an apparently insatiable public interest, the result is, very naturally, to create a far greater demand than can be satisfied by the supply at hand. It requires no Ricardo or, even a Keynes, to see that prices would tend to rise sharply in such a situation.

New Anti-Manipulation Techniques

If the present market activity continues and prices generally continue to rise, and if these phenomena are accompanied, as I am certain they will be in many issues, by erratic moves in the market, we will continue to be faced with situations in which the problem will arise as to whether manipulative activities are present. However, since it is always easier to manipulate in the general direction of the market, it is difficult to distinguish innocent buying from artificial and unlawful activities. In order to cope with this situation now and in the future, the staff and the Commission are considering new techniques to supplement those already in use in our market surveillance and anti-manipulation programs.

The topics I have discussed are only a few of the maze of problems which face us under the Securities Acts. This legislation was 25 years old last July, and while I have no personal knowledge of what problems there were a quarter of a century ago, I am very certain that they were no more perplexing than those we face today. There is no branch of our organization which is not handling far more work today than it was even a year ago. Let me give you a few statistics on which you might chew. During the fiscal year beginning July 1, 1958, up to April 23, 1959, there were 953 registration statements filed with us, covering securities having an aggregate value of $14.5 billion. During the same period ending April, 1958, there were 742 issues filed having a value of $13.7 billion. I might point out that, for workload purposes, the important figure is the number of issues, which represents about a 25% increase in one year. After detailed review in our office, we have referred 34 cases of various types in the nine months since last July for criminal action. This is exactly the number we referred during the two-year period ending last July. You know from personal experience how active the market has been, and how many transactions must be watched by our staff. The number of disciplinary proceedings we have required to institute against brokers has hit a new high. Everywhere I turn, I find the same tendency.

Seeks Better Self-Policing

I am not trying deliberately to court sympathy by citing these figures. I merely ask you to take them into consideration if you encounter delay or error in your dealings with our organization. Perhaps they may also convince you that the Securities and Exchange Commission is far from being a moribund bureaucracy, and that it must stay dynamic and strong if it is properly to carry out the duties assigned to it by law. The securities industry can be of very great help to us in this endeavor. The stock exchanges are, as I can testify from personal knowledge, eager to be of help to us. In fact, were it otherwise, I am very sure that our machinery would break down completely. So, also, the member firms of the exchanges can be equally helpful.

The statistics I have quoted, which I could enlarge on practically endlessly, furnish a very good reason for this appeal for your cooperation. We have all too few personnel to handle the routine work of our organization. I do not think it is asking too much that we be permitted to assume that the responsible element of the securities industry will continue, as is contemplated by the Securities Exchange Act of 1934, to a large extent to police itself and thus free our staff to concentrate on the less reputable group. In these difficult days, I can do little but remind you of this fact and ask you soberly to review your policies and your activities to make sure that they are consistent with the highest ethical standards. As a result of this reappraisal, perhaps we can reaffirm our mutual dedication to the work we have in common, the preservation, no less, of that free and honest capital market which is essential to our national economic welfare.

Exch. Heads Answer Gadsby's Charges

Rebutting S. E. C. Chairman's charges, Mr. Funston states floor traders' rules are still vigorously in effect, and Mr. McCormick replies ASE will adopt any additional rules that S. E. C. may suggest.

Keith Funston, President of the New York Stock Exchange, issued the following statement on Tuesday, May 5, the day Mr. Edward

G. Keith Funston E. T. McCormick

N. Gadsby, Chairman of the SEC, spoke before the Stock Brokers' Associates of Chicago.

"While we have not yet had an opportunity to see a text of Securities and Exchange Commission Chairman Gadsby's remarks, and therefore do not know the extent to which he was directing his comments about floor traders to the New York Stock Exchange, we have no hesitation in making the following three observations:

"(1) We have had floor trading rules continually since 1945. They were not rescinded. And the present rules are enforced with exceptional vigor. They are effective in providing a more liquid market for the public.

"(2) On the basis of our experience and continued study, we see no reason whatsoever to change our present rules.

"(3) We believe that the floor traders on our Exchange perform a valuable service for the marketplace and for the public—and we intend to do everything possible to preserve this vital factor in the marketplace."

ASE Head Replies

American Stock Exchange President, Edward T. McCormick, also reacting to the speech by Securities and Exchange Commission Chairman Edward N. Gadsby, stated "The Securities and Exchange Commission has submitted to the New York exchanges a proposed rule concerning the activities of floor trading and has invited our comments.

"I have discussed the floor trading situation with Securities and Exchange Commission officials in Washington and New York at least three times recently.

"Our Exchange will, without hesitation, adopt and administer any additional rules which the Securities and Exchange Commission and the securities industry feel are necessary to eliminate any actual or potential danger to the investing public."

Potomac Electric Offer Underwritten

Dillon, Read & Co. Inc. and Johnston, Lemon & Co. head an underwriting group which is underwriting an offering by Potomac Electric Power Co. of 1,207,338 shares of common stock to its common stockholders. The company is offering the common stock through warrants expiring on May 27, at $25 per share, on the basis of one share for each five shares held of record May 12, 1959.

Proceeds from the sale of the common stock will be used by the company to pay $6,425,000 of bank loan notes, to reimburse its treasury for a portion of construction expenditures heretofore made, and to pay, in part, for future construction. It is estimated that gross property additions for the years 1959 and 1960 will aggregate about $89,000,000.

The company furnishes electric power to an area of approximately 643 square miles, having a population of about 1,520,000, comprising the entire District of Columbia and portions of adjoining counties in Maryland and Virginia.

Phila. Secs. Assn. Tour

PHILADELPHIA, Pa. — American Cement Corporation has invited members of the Philadelphia Securities Association to visit their Hercules Cement division plant at Stockerton, Pa., on Tuesday, May 26.

Air-conditioned buses will leave the Broad Street entrance of the Union League at 9 a.m. James P. Giles, Jr., President of the Hercules Cement division will address the members at a luncheon meeting following the plant tour.

Gordon L. Keen of R. W. Pressprich & Co. is in charge of arrangements for the tour.

Joins Dean Witter

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Cal.—Frederick A. Moller, Jr. has become affiliated with Dean Witter & Co., 45 Montgomery Street, members of the New York and Pacific Coast Stock Exchanges.

With Dempsey-Tegeler

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Joseph H. Rohs is now with Dempsey-Tegeler & Co., 1000 Locust Street, members of the New York and Midwest Stock Exchanges.

Joins First California

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—John M. Davis has joined the staff of First California Company Incorporated, 300 Montgomery Street, members of the Pacific Coast Stock Exchange.

R. J. Steichen Adds

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn. — Harry W. Malluege has been added to the staff of R. J. Steichen & Company, Baker Building.

Joins State Bond & Mtg.

(Special to THE FINANCIAL CHRONICLE)

NEW ULM, Minn. — James M. Beecher has joined the staff of State Bond & Mortgage Company, 28 North Minnesota Street.

With Salomon Bros.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Warren T. Meyer is now with Salomon Bros. & Hutzler, 231 South La Salle St.

Westheimer Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Leroy C. Shuster has been added to the staff of Westheimer and Company, 134 South La Salle Street.

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The State of Trade and Industry

steel contract that will cause a steel price increase. That effectively leaves little room for steel firms to move around in.

"But steel companies knew after the 1956 contract was signed that the wage-price spiral had to stop. They can be forgiven if they feel disenchanted with the White House. It was side-door pressure from the White House which in 1956 helped David J. McDonald (steel labor chief) get the best steel labor contract in history. It is in the realm of fantasy to believe that the same White House will give such a boost to Mr. McDonald again this year."

"Iron Age" reiterated that steel companies are "dead set" against any wage cost increases: "Their chief negotiator, quiet-speaking R. Conrad Cooper, executive Vice-President—personnel, of U. S. Steel Corp., is the coldest pineapple Dave McDonald has ever come up against."

For steel users, the gloomy outlook for labor peace is discouraging. Some of them don't know which way to turn as they try to build inventories as a hedge against a strike.

Many metalworking companies are trying to make "conversion" deals, where possible. Under this arrangement, ingots or semi-finished steel are bought from one mill and shipped to another for rolling into finished shapes. This runs up the cost for the buyer. The trouble is that few mills have excess steel under present market conditions, so not too many deals have materialized.

"Iron Age" said that one mill is furnishing 10,000 tons of ingots to another mill which will roll them into cold-rolled sheet for an auto company. The arrangement will probably cost the auto builder $20 to $30 per ton over and above the normal market price.

From the Midwest come first reports of mill slowdowns. Mills reporting this say they can't point to an organized effort to cut output. But at the same time they are not getting the production they had expected. Whether this has anything to do with the contract talks is problematical. But steel men are watching the situation closely.

Steel Inventory Buildup Slower Than Expected

The steel inventory buildup is not progressing as rapidly as expected even though steel shipments will exceed consumption by more than a million tons this month, "Steel" magazine reported May 11.

If the United Steelworkers strike on July 1, more than a few consumers will be seriously threatened. If the walkout lasts more than three or four weeks, some may have to close their doors.

Main reason for inventory deficiencies is the suddenness of the business recovery, the metalworking weekly said. Metalworking executives had no idea that their sales would improve so rapidly. Many underestimated second quarter needs and have had to divert steel purchased for stock into immediate use.

Automakers seem apprehensive about their inventories. Ford Motor Co. and American Motors Corp., after repeatedly boosting production schedules, are in the market for extra tonnage. Chrysler Corp. wants a 45 day inventory by the end of May and a 90 day one on July 1. Ford, with a 30 day inventory, has similar aims.

To compound the inventory crisis, steelmakers are behind schedule on shipments of flat-rolled products and heavy plates. Consumers face delays of three or four weeks on cold-rolled, hot-rolled, and galvanized sheets. Shipments may be hindered also by a shortage of trucks and freight cars, plus scattered wildcat strikes.

Steelmakers last week operated their furnaces at 94.5% of capacity, unchanged from the previous week's rate, and produced 2,676,000 net tons of steel. Nine out of 12 steelmaking districts were at or above the national ingot rate.

The third quarter outlook for steelmaking is brightening. It's increasingly apparent that there's more to the steel industry's revival than the artificial stimulus of strike hedge buying. Plates, galvanized sheets, and tin mill products will be in strong demand even if a strike is averted.

The construction industry may set higher records this year than the experts anticipated ($52.3 billion in work put in place), "Steel" reported. Reasons: (1) A lot of momentum was picked up in building during the first four months of the year. (2) Contract awards are maintaining the high level established late in 1958. (3) Housing starts have shown only the slightest signs of declining. (4) Industrial construction is beginning to accelerate from its recession low.

Metalmen agree that there will be a more stable, less hectic market over the rest of the second quarter for copper, lead, zinc, and aluminum. They predict: Fewer price changes, continuation of sales at near present levels with perhaps slightly less hedge buying, more market conservatism as contract negotiations draw near.

"Steel's price composite on steelmaking scrap is off 66 cents to $33.67 a gross ton, lowest since May, 1958.

Steel Output Based on 94.1% of Capacity

The American Iron and Steel Institute announced that the operating rate of the steel companies will average *165.9% of steel capacity for the week beginning May 11, equivalent to 2,655,000 tons of ingot and steel castings (based on average weekly production for 1947-49) as compared with an actual rate of *162.1% of capacity and 2,604,000 tons a week ago.

Actual output for the week beginning May 4, 1959 was equal to 92.0% of the utilization of the Jan. 1, 1959 annual capacity of 147,633,670 net tons. Estimated percentage for this week's forecast is 94.1%.

A month ago the operating rate (based on 1947-1949 weekly production) was *165.4% and production 2,657,000 tons. A year ago the actual weekly production was placed at 1,412,000 tons, or *87.9%.

*Index of production is based on average weekly production for 1947-1949.

March Steel Shipments Near All-Time High

The shipments of finished steel mill products during March totaled 8,117,688 net tons, second only to the monthly shipment

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The State of Trade and Industry

record of more than 8.3 million set during March 1956, American Iron and Steel Institute reported.

A record was set in direct mill shipments to the automotive industry, which totaled 1,761,521 net tons during March 1959. That total was 267,000 tons above the February automotive figure and compares with the former record of 1,679,200 net tons during March 1955.

Manufacturers of electrical machinery and equipment also received record shipments during March 1959, a total of 250,394 net tons, up 28% from the February figure and comparing with the former monthly record of 247,600 tons set in June 1956.

Records were set in the shipments of three major categories of sheet steel: hot rolled sheets—927,506 net tons; cold rolled sheets—1,557,042 net tons; and galvanized sheets—311,961 net tons.

Car Output Attains New 1959 High

The auto industry put 26% of its car assembly plants on an overtime basis in the week ended May 9, sending U. S. production to a new 1959 high, Ward's Automotive Reports said.

The weekly upsurge to 163,766 car and truck assemblies shot 13.5% over the previous week's inventory restricted total of 144.207, eclipsing the earlier 1959 record of 162,374 set in week ended April 18.

The statistical service said the record early-May output followed the best April assembly—578,825 cars—since 1955 and predicted that May operations will again top the 500,000 mark—the third month in a row.

Ward's said production overtime was scheduled this week at 10 Ford Motor and two GM Corp. plants, plus one Chrysler Corp. passenger car plant, being strongest at Ford Division where eight factories planned to work Saturday.

The reporting service said soaring truck output is taking some of the glamor off of car production, stating that 113,000-unit May truck output now scheduled, following 115,197 in April, gives such producers their best January-May program since 1953. The five-month target is 536,000 completions.

Recapping this week's record car assembly, Ward's said the so-called five low-price makes bit off a whopping 70% of the industry total. It said Ford operated at 95% of the Chevrolet level, Chrysler Corp. chewed of 14.6% of industry volume.

Car makes scheduling overtime this week were Chevrolet, Ford, Edsel, Chrysler Corp. in Los Angeles, and Rambler. GM Corp., meanwhile, worked two Buick-Oldsmobile-Pontiac branch plants a short week as did Imperial in Detroit.

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, May 9, was estimated at 12,659,000,000 kwh., according to the Edison Electric Institute.

For the week ended May 9, output increased by 113 million kwh. above that of the previous week and showed a gain of 1,344-000,000 kwh. or 11.9% above that of the comparable 1958 week.

Car Loadings 26.4% Above Corresponding 1958 Week

Loadings of revenue freight for the week ended May 2, totaled 674,123 cars, the Association of American Railroads announced. This was an increase of 140,918 cars or 26.4% above the corresponding week in 1958, but a decrease of 44,863 cars, or 6.2% below the corresponding week in 1957.

Loadings in the week of May 2 were 26,841 cars, or 4.1% above the preceding week.

Lumber Shipments 10.5% Above Production For May 2 Week

Lumber shipments of 467 mills reporting to the National Lumber Trade Barometer were 10.5% above production for the week ended May 2. In the same week new orders of these mills were 14.2% above production. Unfilled orders of reporting mills amounted to 45% of stocks. For reporting softwood mills, unfilled orders were equivalent to 21 days' production at the current rate, and gross stocks were equivalent to 42 days' production.

For the year-to-date, shipments of reporting identical mills were 2.5% above production; new orders were 3.8% above production.

Compared with the previous week ended April 25, production of reporting mills was 1.7% above; shipments were 5.3% above; new orders were 7.8% above. For the latest week, as against the corresponding week in 1958, production of reporting mills was 14.7% above; shipments were 13.7% above; and new orders were 10.9% above.

Business Failures Continue to Decrease

Commercial and industrial failures dipped to 265 in the week ended May 7 from 275 in the preceding week, reported Dun & Bradstreet, Inc. Casualties were the lowest since the first week of this year, but they were only slightly below the 279 in the corresponding week a year ago and the 267 in 1957. Compared with the prewar level, business mortality was down 17% from the total of 321 in 1939.

Most of the week's downturn occurred in small casualties, those with liabilities under $5,000, which declined to 28 from 36 in the previous week and 34 last year. Failures involving liabilities of $5,000 or more dipped to 237 from 239 a week ago and compared with 245 of this size last year. Twenty-six of the failing concerns had liabilities in excess of $100,000, two less than in the preceding week.

The toll among retailers fell to 126 from 139 during the week, among construction contractors to 39 from 47, and among service businesses to 19 from 23. Contrasting increases lifted manufacturing casualties to 53 from 41, and wholesaling to 28 from 25. More construction failures occurred than a year ago, but other industry and trade groups remained below 1958 levels.

Six of the nine major geographic regions reported week-to-week decreases. Casualties in the Pacific States dipped to 59 from 62, in the East North Central to 42 from 48, and in the South Atlantic to 20 from 23. On the other hand, the Middle Atlantic toll held steady at 92, and increases prevailed in both the West North and West South Central States. While five regions had fewer casualties than last year, three suffered heavier tolls, and one remained the same as in 1958.

Wholesale Commodity Price Index Declines Again

The Daily Wholesale Commodity Price Index, compiled by Dun & Bradstreet, Inc. declined steadily during the week to close at 275.89 on May 11. One week ago the index stood at 278.06 and one year ago the figure was 280.05.

Grain trading was rather light during the past week and prices generally declined. Wheat buyers were purchasing only for immediate needs and prices were down slightly from last week. Corn prices fell a little during the week even though demand was good. Rye dropped several points but oats made a modest gain from last week. Soybeans closed higher than a week ago, with strength derived from light marketings.

There was little interest in flour this week, both domestically and for foreign markets, but prices edged up for the fifth straight week. Rice was in only fair demand in the domestic market but there was considerable export activity. Prices were unchanged.

Raw sugar prices rose slightly this week in moderate trading. Trading in coffee was quite on the cash market and prices held steady. Coffee futures dropped with cheaper offerings from Brazil undermining prices for distant delivery. Cocoa prices were unchanged in light trading.

Cattle receipts were about the same this week as last. Monday supplies were the largest in months but receipts dropped off for the rest of the week. Prices of choice live steers dropped moderately. Trading in hogs started brisk but ended dull this week, with a slight week to week increase in prices shown. Lamb prices were unchanged over last week.

Prices for spot cotton rose a little over last week in narrow trading. The United States Department of Agriculture placed the 1958 domestic cotton crop at 11,512,000 bales, which was 69,000 bales less than the December 1 estimate. United States cotton exports for the week ended Tuesday were estimated at 46,000 bales, as compared to 45,000 bales last week and 117,000 bales in the same week last year. For the season through May 5, exports were approximately 2,168,000 bales, compared to 4,371,000 bales for the same period last year.

Wholesale Food Price Index Again Declines

For the second consecutive week, the wholesale food price index, compiled by Dun & Bradstreet, Inc., declined on May 6. The index stood at $6.13, compared with $6.15 a week earlier, for a decline of 0.3%. It was down 6.7% from the $6.57 of the comparable date a year ago.

Higher in price this week were flour, corn, rye, oats, beef, bellies, cottonseed oil, and hogs. Down in price were wheat, hams, lard, milk, coffee, cocoa, peanuts and steers.

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 Sales Slightly Above Previous Week

Unseasonably warm weather in many areas and extensive Mother's Day sales promotions encouraged the buying of Summer apparel this week helping over-all retail volume rise slightly over that of the similar week a year ago. In addition, there were slight year-to-year gains in furniture, floor coverings and draperies and noticeable increases from last year were maintained in sales of new passenger cars, according to scattered reports.

The total dollar volume of retail trade in the week ended May 6 was unchanged to 4% 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: West North Central and South Atlantic +2 to +6; East North Central, Mountain, and Pacific Coast +1 to +5; East South Central and West South Central 0 to +4; New England —1 to +3; Middle Atlantic —6 to —2.

Women shoppers were most interested in Summer cotton dresses and sportswear and considerable year-to-year gains prevailed; volume in fashion accessories, Summer coats, and suits was up appreciably from both the prior week and last year. There were moderate increases from a year ago in purchases of men's wear, with principal gains in lightweight suits, sports coats, and slacks. Interest in men's furnishings remained close to that of the similar 1958 week.

Attracted by sales promotions, shoppers stepped up their purchases of upholstered chairs, outdoor metal furniture, and bedding this week boosting over-all furniture volume slightly over last year. Despite moderate increases from the prior week in air conditioners, radios, and television sets, appliance volume was down slightly from a year ago. The call for linens, draperies, and floor coverings expanded noticeably during the week and was up moderately from last year.

Total food sales were steady this week, with housewives primarily interested in frozen foods, canned goods, and some dairy products. Volume in fresh meat and poultry was steady.

Nationwide Department Stores Sales Up 8% For May 2 Week

Department store sales on a country-wide basis as taken from the Federal Reserve Board's Index for the week ended May 2, increased 8% above the like period last year. In the preceding week, for April 25, an increase of 4% was recorded. For the four weeks ended May 2, a gain of 9% was registered.

According to the Federal Reserve System data on department store sales in New York City for the week ended April 25 and May 2 as compared with like periods last year, are not available. In the preceding week, April 18, an increase of 8% was reported; April 11 an increase of 18% was reported over the 1958 week. The Board likewise reported a lack of data for New York City sales in the five weeks ended May 2 as compared with the like period in 1958.

Airtek Dynamics, Inc. Common Stock Offered

S. D. Fuller & Co. and associates are offering publicly today (May 14) 150,000 shares of common stock of Airtek Dynamics, Inc., at a price of $8 per share.

Approximately $800,000 of the net proceeds of the stock sale will be applied to provide working capital for Airtek to carry into effect its growth program and to provide working capital for Research Welding & Engineering Co., Inc., which was acquired by Airtek in March, 1959.

Airtek, which maintains plants in Los Angeles and Compton, Calif., was organized in June, 1957 for the purpose of acquiring and operating established businesses in the aircraft and missile fields. In July, 1957 it acquired all outstanding common stock of Pachmayr Corp. and in January, 1958 Pachmayr was liquidated and merged into Airtek. The machining of complex three-dimensional and structural parts for aircraft was the major business of Pachmayr and has to date constituted the primary activity of Airtek.

In March, 1959 Airtek acquired all outstanding common stock of Research Welding & Engineering Co., Inc., primarily engaged in the engineering, forming and precision welding of tanks and fuselage sections for missiles. Integrated, the companies are said to complement each other in both the missile and aircraft fields. Customers of Airtek include Convair, Boeing, McDonnell, North American, Northrup and Sperry.

For the year ended Dec. 31, 1958, the company reported net sales of $3,486,792 and net income of $188,004, equal to $1.02 per common share then outstanding.

With Bell & Farrell

(Special to The Financial Chronicle)

MADISON, Wis. — Charles M. Cotter has become connected with Bell & Farrell, Inc., 119 Monona Avenue, members of the Midwest Stock Exchange.

Three With Keller Bros.

(Special to The Financial Chronicle)

BOSTON, Mass.—David W. Delaney, William A. Kilcoyne and Abraham Kramer have become associated with Keller Brothers Securities Company, Inc., Zero Court Street.

With H. Hentz & Co.

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—Morton Harris is now connected with H. Hentz & Co., 9680 Santa Monica Boulevard. Mr. Harris was previously with Sutro & Co.

Daniel Reeves Adds

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—Milton Koenigsberg has been added to the staff of Daniel Reeves & Co., 398 South Beverly Drive, members of the New York and Pacific Coast Stock Exchanges.

With Bateman, Eichler

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Thomas R. Millen has been added to the staff of Bateman, Eichler & Co., 453 South Spring Street, members of the Pacific Coast Stock Exch.

Joins E. F. Hutton Staff

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Joseph G. Bazdarich has been added to the staff of E. F. Hutton & Company, 623 South Spring St.

Kerr & Bell Add

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — Lawrence W. Kennedy has been added to the staff of Kerr & Bell, 210 West Seventh Street, members of the Pacific Coast Stock Exchange.

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 17	§94.1	*92.0	93.8	52.3
Equivalent to—					
Steel ingots and castings (net tons)	May 17	§2,665,000	*2,604,000	2,657,000	1,412,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	May 1	7,112,625	7,132,225	7,128,985	6,256,335
Crude runs to stills—daily average (bbls.)	May 1	†7,702,000	7,705,000	8,199,000	7,708,000
Gasoline output (bbls.)	May 1	27,141,000	27,389,000	28,405,000	24,892,000
Kerosene output (bbls.)	May 1	1,743,000	1,802,000	2,184,000	1,698,000
Distillate fuel oil output (bbls.)	May 1	12,375,000	11,543,000	13,784,000	11,037,000
Residual fuel oil output (bbls.)	May 1	6,552,000	6,401,000	6,798,000	6,298,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	May 1	209,593,000	211,747,000	213,615,000	202,515,000
Kerosene (bbls.) at	May 1	21,076,000	20,639,000	18,616,000	18,703,000
Distillate fuel oil (bbls.) at	May 1	85,584,000	81,487,000	78,951,000	76,266,000
Residual fuel oil (bbls.) at	May 1	54,500,000	55,490,000	58,881,000	58,050,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	May 2	674,123	647,282	590,133	533,205
Revenue freight received from connections (no. of cars)	May 2	588,544	574,828	561,207	491,352
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	May 7	$403,300,000	$410,900,000	$469,800,000	$380,569,000
Private construction	May 7	177,900,000	204,400,000	206,500,000	147,240,000
Public construction	May 7	225,400,000	206,500,000	263,300,000	233,329,000
State and municipal	May 7	178,600,000	149,400,000	119,700,000	181,574,000
Federal	May 7	46,800,000	57,100,000	143,600,000	54,755,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	May 2	8,275,000	*8,095,000	6,980,000	6,413,000
Pennsylvania anthracite (tons)	May 2	330,000	358,000	308,000	357,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	May 2	142	142	117	132
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	May 7	12,659,000	12,546,000	12,604,000	11,315,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	May 7	265	275	337	279
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	May 5	6.196c	6.196c	6.196c	5.967c
Pig iron (per gross ton)	May 5	$66.41	$66.41	$66.41	$66.49
Scrap steel (per gross ton)	May 5	$33.83	$33.83	$36.50	$32.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	May 6	31.125c	31.125c	31.625c	24.175c
Export refinery at	May 6	28.275c	28.650c	30.675c	22.250c
Lead (New York) at	May 6	11.500c	11.500c	11.000c	12.000c
Lead (St. Louis) at	May 6	11.300c	11.300c	10.800c	11.800c
‡Zinc (delivered) at	May 6	11.500c	11.500c	11.500c	10.500c
Zinc (East St. Louis) at	May 6	11.000c	11.000c	11.000c	10.000c
Aluminum (primary pig, 99.5%) at	May 6	24.700c	24.700c	24.700c	24.000c
Straits tin (New York) at	May 6	102.500c	102.875c	103.000c	94.125c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	May 12	83.71	84.02	85.11	95.36
Average corporate	May 12	87.86	88.27	89.78	96.07
Aaa	May 12	90.91	91.34	92.93	102.96
Aa	May 12	89.92	90.06	91.77	99.68
A	May 12	87.99	88.54	90.20	95.62
Baa	May 12	83.03	83.28	84.55	87.18
Railroad Group	May 12	86.91	87.32	88.40	91.62
Public Utilities Group	May 12	86.78	87.32	89.51	97.62
Industrials Group	May 12	89.92	89.92	91.34	99.20
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	May 12	4.10	4.07	3.95	2.90
Average corporate	May 12	4.57	4.54	4.43	4.00
Aaa	May 12	4.35	4.32	4.21	3.57
Aa	May 12	4.42	4.41	4.29	3.77
A	May 12	4.56	4.52	4.40	4.03
Baa	May 12	4.94	4.92	4.82	4.62
Railroad Group	May 12	4.64	4.61	4.53	4.30
Public Utilities Group	May 12	4.65	4.61	4.45	3.90
Industrials Group	May 12	4.42	4.42	4.32	3.80
MOODY'S COMMODITY INDEX	May 12	386.6	390.6	390.5	398.5
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	May 2	374,448	311,340	357,953	286,835
Production (tons)	May 2	320,662	304,464	295,358	246,385
Percentage of activity	May 2	94	93	89	81
Unfilled orders (tons) at end of period	May 2	507,369	455,533	498,653	365,246
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	May 8	110.64	110.84	111.52	109.92
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS					
Transactions of specialists in stocks in which registered—					
Total purchases	April 18	2,568,930	2,396,420	3,291,090	1,537,800
Short sales	April 18	380,890	393,710	572,550	287,810
Other sales	April 18	2,202,400	2,037,930	2,637,930	1,273,340
Total sales	April 18	2,583,290	2,431,640	3,210,480	1,561,150
Other transactions initiated on the floor—					
Total purchases	April 18	370,890	323,430	650,670	438,690
Short sales	April 18	17,300	14,200	61,800	38,700
Other sales	April 18	429,720	341,930	584,430	385,960
Total sales	April 18	447,020	356,130	646,230	424,660
Other transactions initiated off the floor—					
Total purchases	April 18	770,373	666,260	1,030,530	584,915
Short sales	April 18	105,750	63,350	199,700	138,060
Other sales	April 18	935,708	637,206	959,780	561,629
Total sales	April 18	1,041,458	700,556	1,159,480	699,689
Total round-lot transactions for account of members—					
Total purchases	April 18	3,710,193	3,386,110	4,972,290	2,561,405
Short sales	April 18	503,940	471,260	834,050	464,570
Other sales	April 18	3,567,828	3,017,066	4,182,140	2,220,929
Total sales	April 18	4,071,768	3,448,326	5,016,190	2,685,499
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 18	2,084,417	1,780,220	2,223,820	1,201,302
Dollar value	April 18	$123,185,441	$94,095,507	$108,293,867	$51,370,713
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	April 18	1,851,193	1,666,252	2,029,208	992,714
Customers' short sales	April 18	4,413	6,270	6,166	18,837
Customers' other sales	April 18	1,846,780	1,659,982	2,023,042	973,877
Dollar value	April 18	$104,514,177	$85,350,334	$99,449,928	$42,521,298
Round-lot sales by dealers—					
Number of shares—Total sales	April 18	522,970	461,530	567,350	267,160
Short sales	April 18	—	—	—	—
Other sales	April 18	522,970	461,530	567,350	267,160
Round-lot purchases by dealers—Number of shares	April 18	668,420	574,590	758,190	492,670
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 18	575,360	556,580	950,580	805,550
Other sales	April 18	17,858,190	15,990,880	21,798,840	11,871,490
Total sales	April 18	18,433,550	16,547,460	22,749,420	12,677,040
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	May 5	119.6	119.8	119.7	119.3
Farm products	May 5	91.4	*92.1	90.9	97.7
Processed foods	May 5	107.5	107.9	107.1	112.0
Meats	May 5	102.0	102.8	100.4	111.7
All commodities other than farm and foods	May 5	128.0	128.0	128.2	125.4

*Revised figure. †Includes 807,000 barrels of foreign crude runs. §Based on new annual capacity of 147,633,670 tons as of Jan. 1, 1959, as against Jan. 1, 1958 basis of 140,742,570 tons. †Number of orders not reported since introduction of Monthly Investment Plan. ‡Prime Western Zinc sold on delivered basis at centers where freight from East St. Louis exceeds one-half cent a pound.

	Latest Month	Previous Month	Year Ago
ALUMINUM (BUREAU OF MINES):			
Production of primary aluminum in the U. S. (in short tons)—Month of December	152,301	140,962	140,036
Stocks of aluminum (short tons) end of Dec.	145,721	138,545	171,145
AMERICAN ZINC INSTITUTE, INC.—Month of April:			
Slab zinc smelter output all grades (tons of 2,000 pounds)	76,393	79,918	70,214
Shipments (tons of 2,000 pounds)	78,613	74,296	52,684
Stocks at end of period (tons)	203,663	206,083	221,171
CIVIL ENGINEERING CONSTRUCTION—ENGINEERING NEWS-RECORD — Month of April (000's omitted):			
Total U. S. construction	$1,904,600	$1,644,300	$1,583,305
Private construction	841,400	837,400	813,337
Public construction	1,063,200	806,900	769,968
State and municipal	716,200	590,800	588,502
Federal	347,000	216,100	181,466
COAL OUTPUT (BUREAU OF MINES)—Month of April:			
Bituminous coal and lignite (net tons)	34,400,000	34,330,000	30,017,000
Pennsylvania anthracite (net tons)	1,509,000	*1,506,000	1,571,000
COKE (BUREAU OF MINES)—Month of Mar.			
Production (net tons)	6,389,046	5,526,814	4,341,955
Oven coke (net tons)	6,263,013	5,436,617	4,301,831
Beehive coke (net tons)	126,033	90,197	40,124
Oven coke stock at end of month (net tons)	3,587,713	3,709,108	3,478,465
CONSUMER CREDIT OUTSTANDING—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—REVISED SERIES—Estimated short and intermediate term credit in millions as of March 31:			
Total consumer credit	$44,203	$44,071	$42,500
Instalment credit	33,943	33,751	32,940
Automobile	14,375	14,223	14,793
Other consumer goods	8,721	8,767	8,179
Repairs and modernization loans	2,127	2,116	2,019
Personal loans	8,720	8,645	7,949
Noninstalment credit	10,260	10,320	9,560
Single payment loans	3,618	3,563	3,397
Charge accounts	3,883	4,004	3,579
Service credit	2,759	2,753	2,584
DEPARTMENT STORE SALES—FEDERAL RESERVE SYSTEM—1947-49 Average = 100—Month of April:			
Adjusted for seasonal variation	139	*139	130
Without seasonal adjustment	129	*125	123
EDISON ELECTRIC INSTITUTE—			
Kilowatt-hour sales to ultimate customers—Month of January (000's omitted)	52,461,149	50,337,407	48,432,974
Revenue from ultimate customers—month of January	$885,725,000	$848,962,000	$824,465,000
Number of ultimate customers at Jan. 31	56,304,591	56,208,491	55,217,659
FABRICATED STRUCTURAL STEEL (AMERICAN INSTITUTE OF STEEL CONSTRUCTION)—Month of March:			
Contracts closed (tonnage)—estimated	254,773	294,367	195,970
Shipments (tonnage)—estimated	260,490	216,127	336,698
INTERSTATE COMMERCE COMMISSION—			
Index of Railway Employment at middle of April (1947-49 = 100)	64.8	63.9	65.0
LIFE INSURANCE BENEFIT PAYMENTS TO POLICYHOLDERS — INSTITUTE OF LIFE INSURANCE—Month of February:			
Death benefits	$246,900,000	$267,800,000	$239,700,000
Matured endowments	54,900,000	65,900,000	58,200,000
Disability payments	9,800,000	11,400,000	9,800,000
Annuity payments	54,700,000	67,500,000	48,700,000
Surrender values	117,500,000	118,700,000	111,200,000
Policy dividends	111,500,000	134,100,000	100,300,000
Total	$595,300,000	$665,400,000	$567,900,000
MANUFACTURERS' INVENTORIES AND SALES (DEPT. OF COMMERCE) NEW SERIES—Month of February (millions of dollars):			
Inventories—			
Durables	$28,316	*$28,117	$30,266
Nondurables	21,447	*21,386	22,179
Total	$49,763	*$49,503	$52,445
Sales	28,544	*28,143	25,542
METAL PRICES (E. & M. J. QUOTATIONS)—April:			
Copper—			
Domestic refinery (per pound)	31.300c	31.031c	24.253c
Exports refinery (per pound)	29.397c	30.271c	21.631c
††London, prompt (per long ton)	£240.017	£248.513	£175.600
††Three months, London (per long ton)	£240.324	£247.606	£176.925
Lead—			
Common, New York (per pound)	11.189c	11.412c	12.000c
Common, East St. Louis (per pound)	10.983c	11.209c	11.800c
††London, prompt (per long ton)	£69.048	£69.513	£72.869
††Three months, London (per long ton)	£70.418	£71.209	£73.016
Zinc (per pound)—East St. Louis	11.000c	11.000c	10.000c
§§Zinc, prime Western, delivered (per pound)	11.500c	11.500c	10.500c
††Zinc, London, prompt (per long ton)	£72.688	£75.122	£62.375
††Zinc, London, three months (per long ton)	£72.460	£73.931	£62.578
Silver and Sterling Exchange—			
Silver, New York (per ounce)	91.375c	91.351c	88.625c
Silver, London (per ounce)	79.193d	79.281d	76.044d
Sterling Exchange (check)	$2.81653	$2.81271	$2.81706
Tin, New York Straits	102.517c	103.119c	92.957c
Gold (per ounce, U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$240.545	$224.636	$231.077
¶Antimony, New York, boxed	32.590c	32.590c	32.590c
Antimony (per pound), bulk Laredo	29.000c	29.000c	29.000c
Antimony (per pound), boxed Laredo	29.500c	29.500c	29.500c
Platinum, refined (per ounce)	$77.000	$76.727	$72.000
†Cadmium, refined (per pound)	$1.20000	$1.45000	$1.55000
‡Cadmium (per pound)	$1.20000	$1.45000	$1.55000
§Cadmium (per pound)	$1.20000	$1.45000	$1.55000
Cobalt, 97% grade (per pound)	$1.75000	$1.75000	$2.00000
Aluminum 99% grade ingot weighted average (per pound)	$26.800	$26.800	$26.100
Aluminum, 99% grade primary pig	$24.700	$24.700	$24.000
Magnesium ingot (per ound)	35.250c	35.250c	35.250c
**Nickel	74.000c	74.000c	74.000c
Bismuth (per pound)	$2.25	$2.25	$2.25
NEW YORK STOCK EXCHANGE—As of Feb. 28 (000's omitted):			
Member firms carrying margin accounts—			
Total customers' net debit balances	$3,410,000	$3,452,000	$2,681,734
Credit extended to customers	157,000	155,000	101,741
Cash on hand and in banks in U. S.	374,000	374,000	311,811
Total of customers' free credit balances	1,196,000	1,226,000	938,685
Market value of listed shares	282,104,946	280,825,782	201,174,403
Market value of listed bonds	107,215,337	106,400,853	111,805,160
Member borrowings on U. S. Govt. issues	412,000	*468,000	261,069
Member borrowings on other collateral	2,066,000	2,105,000	1,795,648

*Revised figure. †Average based on the producers' quotation. ‡Based on the average of the producers' and platers' quotations. §Average of quotation on special shares to platers. ¶Domestic five tons or more but less than carload lot boxed. §§Delivered where freight from East St. Louis exceeds 0.5c. ***F.o.b. Fort Colburne U. S. duty included. ††Average of daily mean and bid and ask quotation at morning session of London Metal Exchange. ‡‡Increase all stocks.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

● Academy Life Insurance Co. (5/18-22)
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.

★ Accurate Specialties, Inc., Queens, N. Y.
May 12 filed 95,000 shares of common stock. **Price**—$2.50 per share. **Proceeds**—For additional equipment, operating expenses, working capital and payment of notes. **Underwriters**—Milton D. Blauner & Co., Inc. and Stanley Heller & Co., both of New York. **Offering**—Expected in four or five weeks.

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), being 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). The offer expires on May 23. **Office** — 215 Washington Street, Watertown, N. Y. **Underwriter**—None.

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) (5/20-21)
April 29 filed $50,000,000 of 25-year sinking fund debentures due May 15, 1984 (guaranteed 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 Instruments, Inc.
May 4 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—For advertising, inventory, equipment and working capital. **Office**—8238 Travelair Street, International Airport, Houston, Texas. **Underwriter**—None.

Allied Television Film Corp.
April 28 (letter of notification) 150,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—Forworking capital. **Office** — 2700 Wilshire Boulevard, Los Angeles, Calif. **Underwriter**—Alkow & Co., Inc., Beverly Hills, Calif.

Alscope Explorations Ltd.
March 26 filed 1,000,000 shares of capital stock, of which 700,000 shares are to be offered publicly in the United States, and 300,000 shares in Canada. **Price**—Related to the then current market price on the Canadian Stock Exchange (31 cents per share on March 16). **Proceeds**—For properties, drilling costs, working capital and general corporate purposes. **Office** — 303 Alexandra Bldg., Edmonton, Canada. **Underwriter**—None in United States; Forget & Forget in Montreal, Canada.

American Asiatic Oil Corp.
Nov. 24 filed 100,000,000 shares of capital stock. **Price**—Two cents per share. **Proceeds**—To selling stockholders. **Office**—Magsaysay Building. San Luis. Ermita. Manila, Republic of Philippines. **Underwriter** — Gaberman & Hagedorn, Inc., Manila. Republic of Philippines.

American 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 Can Co.
May 12 filed $4,000,000 of participations in the company's 1959 Stock Purchase Plan, together with 91,429 shares of common stock which may be acquired pursuant thereto.

American Commercial Barge Line Co. (5/25-29)
April 30 filed 400,000 shares of common stock (par $3). **Price** — To be supplied by amendment. **Proceeds** — To selling stockholders. **Office**—Jeffersonville, Ind. **Underwriter**—F. Eberstadt & Co., New York.

American Hospital Supply Corp.
April 20 filed 26,610 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 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. (5/15)
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 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.

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 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. (5/18-22)
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.

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 Industy, Inc.
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. **Offering**—Expected momentarily.

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.

Automation Instruments, Inc.
April 27 (letter of notification) 4,584 shares of common stock. **Price**—$6 per share. **Proceeds**—To go to Lester, Ryons & Co. as securities fully and finally paid as an obligation of the company. **Office**—401 E. Green Street, Pasadena, Calif. **Underwriter**—None. No public offering planned.

● Avnet Electronics Corp. (5/25)
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.

● Baltimore Gas & Electric Co.
April 17 filed $19,925,500 of 4¼% convertible debentures due July 1, 1974 being 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**—100% of principal amount (flat). **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 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.

★ Bausch & Lomb Optical Co. (6/2)
May 8 filed $8,750,000 of convertible debentures due 1979, to be offered for subscription by common stockholders on the basis of $100 principal amount of debentures for each 10 shares held on or about June 1, 1959; rights to expire on or about June 17. **Price**—To be supplied by amendment. **Proceeds**—To retire all outstanding bank loans maturing Dec. 31, 1959, for working capital and other corporate purposes. **Underwriter**—Stone & Webster Securities Corp., New York.

★ Bear Creek Oil Co., Inc.
April 27 (letter of notification) 1,000,000 shares of common stock (par 10 cents). **Price**—30 cents per share. **Proceed**—To pay bank loans, notes and accounts payable and for working capital. **Office**—National Transit Building, Oil City, Pa. **Underwriter**—None.

● Benson-Lehner Corp.
May 4 filed 89,620 shares of common stock, of which 76,620 shares are to be offered for subscription by common stockholders of record April 30, 1959, on the basis of three new shares for each 10 shares then held. **Price**—$6.75 per share. The remaining 13,000 shares will be sold for account of selling stockholders at $7 per share. **Proceeds**—For additional working capital and other general corporate purposes, including research and development. **Office**—1860 Franklin St., Santa Monica, Calif. **Underwriter**—Bear, Stearns & Co., New York.

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.

★ Blue Ridge Mutual Fund, Inc.
May 8 filed $10,000,000 of Blue Ridge Monthly Accumulation Programs for the accumulation of shares of Blue Ridge Mutual Fund, Inc. **Proceeds**—For investment. **Sponsor**—Capital Program Corp., New York.

★ Bowser, Inc.
May 7 filed 750 participations in the company's Employee Thrift Plan, together with 15,000 shares of common stock which may be acquired pursuant thereto.

Bridgehampton Road Races Corp.
Oct. 23 (letter of notification) 15,000 shares of common stock (par $1) to be offered for subscription by stockholders of record Nov. 1, 1958 on the basis of one new share for each four shares held; unsubscribed shares will be offered to current creditors in payment of all or part of claims, at the rate of one share for each $4

of claims discharged; rights to expire about two weeks after mailing of offer. **Price**—$4 per share. **Proceeds**—To pay current creditors. **Address** — P. O. Box-506, Bridgehampton, L. I., N. Y. **Underwriter** — None. **Offering**—Has been delayed.

Britalta Petroleums, Ltd.
March 30 filed 1,150,000 shares of capital stock of which 1,000,000 shares are owned by Wilshire Oil Co. of Texas stockholders and 150,000 shares are issuable upon exercise of share purchase warrants, exercisable on or before Dec. 31, 1960 at $5 per share. **Office**—630 Eighth Avenue, S. W., Calgary, Canada.

★ **Brockton Edison Co. (6/23)**
May 7 filed $5,000,000 of first mortgage and collateral trust bonds due April 1, 1989. **Proceeds**—To prepay its short-term bank loans, to purchase $2,014,100 of debenture bonds and $1,665,100 of common stock of Montaup Electric Co. and for construction purposes. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp.; Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Wood Struthers & Co. (jointly); Kidder, Peabody & Co., White Weld & Co. and Shields & Co. (jointly). **Bids**—Expected to be received up to 11 a.m. (EDT) on June 23.

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.

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 99,299 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.

● **Burndy Corp., Norwalk, Conn. (6/2)**
May 5 filed 152,500 shares of common stock (par $1), of which 125,000 share are to be offered for account of the company and 27,500 shares for the account of selling stockholders. **Price** — To be supplied by amendment. **Proceeds**—For repayment of mortgage obligations; short-term bank borrowings; and for various other corporate purposes. **Underwriters** — Dominick & Dominick, New York; and Schwabacher & Co., San Francisco, Calif.

★ **Burndy Corp.**
May 7 filed $1,450,000 of participations in the company's Employees' Stock Purchase Plan, together with an unspecified number of shares of its common stock which may be acquired pursuant thereto.

California Interstate Telephone Co. (5/25-29)
April 30 filed 150,000 shares of common stock (par $5). **Price** — To be supplied by amendment. **Proceeds** — To discharge current short-term bank borrowings and for construction program. **Office**—Victorville, Calif. **Underwriter**—William R. Staats & Co., Los Angeles, Calif.

● **Central Illinois Light Co.**
April 23 filed $10,038,700 of 4¼% convertible debens. due 1974, being 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 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 (5/18-22)**
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.

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.

● **Civic Finance Corp. (6/2)**
May 1 filed 30,000 shares of common stock (par $2). **Price**—To be supplied by amendment. **Proceeds**—To provide additional working capital. **Office**—633 North Water St., Milwaukee, Wis. **Underwriters**—Emch & Co. and The Marshall Co., both of Milwaukee, Wis.

★ **Claussen Bakeries, Inc., Augusta, Ga.**
May 6 (letter of notification) 29,000 shares of common stock (par $1) to be offered to employees under the Employees' Stock Purchase Plan. **Price**—$5 per share. **Proceeds**—For working capital. **Underwriter**—None.

Coastal States Life Insurance Co.
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.**
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. **Offering**—Expected as we go to press.

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NEW ISSUE CALENDAR

May 14 (Thursday)

Chesapeake & Ohio Ry.—Equip. Trust Ctfs.
(Bids to be invited) $2,400,000

Di-Noc Chemical Arts, Inc.—Debentures
(Offering to stockholders—underwritten by Blair & Co., Inc.) $947,200

Potomac Electric Power Co.—Common
(Offering to stockholders—underwritten by Dillon, Read & Co. Inc. and Johnston, Lemon & Co.) 1,182,077 shares

May 15 (Friday)

American M. A. R. C., Inc.—Common
(Auchincloss, Parker & Redpath and Wilson, Johnson & Higgins) 400,000 shares

Florida Power Corp.—Common
(Offering to stockholders—underwritten by Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Smith, Inc.) 703,485 shares

Glide Control Corp.—Common
(Reilly, Hoffman & Co., Inc.) $300,000

General American Oil Co. of Texas—Debentures
(Blyth & Co., Inc.) $20,000,000

May 18 (Monday)

Academy Life Insurance Co.—Common
(Offering to stockholders—underwritten by Boettcher & Co., Inc. and Bosworth, Sullivan & Co., Inc.) 310,000 shares

Atlantic Research Corp.—Common
(Johnston, Lemon & Co.) 110,000 shares

Billups Western Petroleum Co.—Debentures
(The Johnson, Lane, Space Corp.) $5,000,000

Century Brick Corp. of America—Common
(Summit Securities, Inc.) $300,000

Electro-Mechanical Specialties Co., Inc.—Common
(Myron A. Lomasney & Co.) $300,000

Glickman Corp.—Common
(Bache & Co.) $33,577,000

Krupp Manufacturing Co.—Common
(Hallowell, Sulzberger, Jenks, Kirkland & Co. and Woodcock, Hess, Moyer & Co., Inc.) $125,000

Louisville & Nashville RR.—Equip. Tr. Ctfs.
(Bids noon EDT) $7,320,000

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

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

Interstate Power Co.—Preferred
(Kidder, Peabody & Co.) $4,000,000

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

Levine's, Inc.—Common
(Kidder, Peabody & Co.) 110,000 shares

Pioneer Plastics Corp.—Common
(Reynolds & Co., Inc.) 150,000 shares

Telecomputing Corp.—Common
(Blyth & Co., Inc.) 500,000 shares

May 21 (Thursday)

Consolidated Electrodynamics Corp.—Debentures
(Offering to stockholders—underwritten by Blyth & Co., Inc.) $7,616,500

Consolidated Natural Gas Co.—Common
(Offering to stockholders—no underwriting) 821,256 shares

May 25 (Monday)

American Commercial Barge Line Co.—Common
(F. Eberstadt & Co.) 400,000 shares

Avnet Electronics Corp.—Common
(Michael G. Kletz & Co., Inc. and Amos Treat & Co., Inc.) $1,006,250

California Interstate Telephone Co.—Common
(William R. Staats & Co.) 150,000 shares

Continental Tobacco Co., Inc.—Common
(Best Securities, Inc.) $125,000

Crown Self-Service Stores, Inc.—Common
(Charles Plohn & Co.) $1,250,000

Electronics Capital Corp.—Common
(Hayden, Stone & Co.) $12,000,000

Florida-Southern Land Corp.—Common
(Alkow & Co., Inc.) $4,000,000

Great American Realty Corp.—Class A Stock
(Louis L. Rogers Co. and Joseph Mandell Co.) 900,000 shares

Hermes Electronics Co.—Common
(C. E. Unterberg, Towbin & Co., Inc.) 150,000 shares

Investment Corp. of Florida—Common
(Aetna Securities Corp and Roman & Johnson) $1,237,500

Multi-Amp Electronic Corp.—Common
(G. Everett Parks & Co., Inc.) $298,500

New Hampshire Ball Bearings, Inc.—Common
(Kidder, Peabody & Co., Inc.) 126,000 shares

Polarad Electronics Corp.—Common
(Kidder, Peabody & Co.) 100,000 shares

Reon Resistor Corp.—Common
(Charles Plohn & Co.) $300,000

Texfel Petroleum Corp.—Common
(Bache & Co. and Allen & Co.) 550,000 shares

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

Crucible Steel Co. of America—Preferred
(Offering to stockholders—underwritten by The First Boston Corp.) $9,988,500

Fleming Co., Inc.—Common
(White, Weld & Co.) 100,000 shares

May 27 (Wednesday)

Food Fair Properties Development Inc.—Bonds
(Eastman Dillon, Union Securities & Co.) $7,500,000

National Steel Corp.—Bonds
(Kuhn, Loeb & Co.; Harriman Ripley & Co. Inc.; and The First Boston Corp.) $80,000,000

Packard-Bell Electronics Corp.—Common
(White, Weld & Co.) 120,000 shares

United Illuminating Co.—Common
(Offering to stockholders—no underwriting) $9,288,277

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 1 (Monday)

Hirsch (P. N.) & Co.—Common
(Newhard, Cook & Co.) 132,500 shares

Investors Funding Corp. of New York—Debens.
(Offering not underwritten) $500,000

Miami Extruders, Inc.—Common
(Aetna Securities Corp. and Roman & Johnson) $525,000

Narda Ultrasonics Corp.—Common
(Torpie & Saltzman) 20,000 shares

Nuclear Electronics Corp.—Common
(Charles Plohn & Co.) $750,000

Poly Industries, Inc.—Common
(Van Alstyne, Noel & Co.) 200,000 shares

Precon Electronics Corp.—Common
(Charles Plohn & Co. and Netherlands Securities Co., Inc.) $875,000

Telectro Industries Corp.—Common
(Milton D. Blauner & Co., Inc.) $600,000

Teleflex Ltd.—Common
(Drexel & Co.) 75,000 shares

Wellington Electronics, Inc.—Common
(Charles Plohn & Co.) $1,440,000

June 2 (Tuesday)

Bausch & Lomb Optical Co.—Debentures
(Offering to stockholders—underwritten by Stone & Webster Securities Corp.) $8,750,000

Burndy Corp.—Common
(Dominick & Dominick and Schwabacher & Co.) 152,500 shares

Civic Finance Corp.—Common
(Emch & Co. and The Marshall Co.) 30,000 shares

Public Service Electric & Gas Co.—Debentures
(Bids 11 a.m. EDT) $50,000,000

Virginia Electric & Power Co.—Common
(Bids 11 a.m. EDT) 710,000 shares

June 3 (Wednesday)

Florida Power & Light Co.—Bonds
(Bids 11:30 a.m. EDT) $25,000,000

Mansfield Tire & Rubber Co.—Debentures
(Offering to stockholders—underwritten by A. G. Becker & Co.) $5,100,000

Mohawk Rubber Co.—Common
(Kidder, Peabody & Co.) 15,000 shares

Philadelphia Electric Co.—Common
(Offering to stockholders—underwritten by Drexel & Co. and Morgan Stanley & Co.) 640,306 shares

Spiegel, Inc.—Debentures
(Offering to stockholders—underwritten by Wertheim & Co.) $15,417,500

June 5 (Friday)

Spartans Industries, Inc.—Common
(Shearson, Hammill & Co. and J. C. Bradford & Co.) 200,000 shares

June 8 (Monday)

Electronic Engineering Co.—Common
(Kidder, Peabody & Co., Inc.) 100,000 shares

Funds for Business, Inc.—Class A
(Joseph Mandell & Co., Inc. and Robert L. Ferman & Co., Inc.) $750,000

Knox Corp.—Debentures
(Ira Haupt & Co. and Straus, Blosser & McDowell) $1,500,000

June 9 (Tuesday)

Duke Power Co.—Preferred
(Bids 11 a.m. EDT) $25,000,000

June 16 (Tuesday)

United Gas Improvement Co.—Bonds
(Bids to be invited) $10,000,000

June 18 (Thursday)

Worcester Gas Light Co.—Bonds
Bids 11 a.m. EDT) $5,000,000

June 19 (Friday)

Plastic Materials & Polymers, Inc.—Common
(Filor, Bullard & Smyth) 143,750 shares

June 23 (Tuesday)

Brockton Edison Co.—Bonds
(Bids 11:30 a.m. EDT) $5,000,000

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

July 22 (Wednesday)

Northern States Power Co. (Minn.)—Common
(Offering to stockholders—bids to be invited) 714,000 shares

September 10 (Thursday)

Georgia Power Co.—Bonds
(Bids to be invited) $18,000,000

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● Colonial Energy Shares, Inc., Boston, Mass.
May 5 filed 1,100,000 shares of common stock. **Price**—At market. **Proceeds**—For investment. **Underwriters**—White, Weld & Co., New York, and Dean Witter & Co., Los Angeles, Calif. **Offering**—Expected late in June.

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.

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. **Offering**—Postponed indefinitely.

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. (5/21)
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 held as of May 20; rights to expire on June 8. **Price** — To be supplied by amendment. **Proceeds**—To pay bank loans. **Office**—Pasadena, Calif. **Underwriter** — Blyth & Co., Inc., New York and San Francisco.

Consolidated Natural Gas Co. (5/21)
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; rights to expire on June 10. **Price**—To be supplied by amendment. **Proceeds**—Additions to Treasury funds and to finance construction. **Underwriter**—None.

★ Consolidated Petroleum Industries, Inc.
April 30 (letter of notification) 80,000 shares of 6% convertible preferred stock (par $3.50) and 80,000 shares of common stock (par 10 cents) to be offered in units of one share of preferred and one share of common. (Preferred stock may be converted into two shares of common stock at any time.) **Price**—$3.75 per unit. **Proceeds**—For development of gas properties. **Office**—908 Alamo National Bank Building, San Antonio, Texas. **Underwriter**—Frank Lerner Co., New York, N. Y.

● Continental Tobacco Co., Inc. (5/25)
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. (5/25-29)
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.

Crucible Steel Co. of America (5/26)
May 4 filed 99,885 shares of cumulative convertible preferred stock (par $100) to be offered for subscription by common stockholders of record May 26, 1959, on the basis of one share of convertible preferred stock for each 38 shares of common stock held; rights to expire on June 9. **Price**—At $100 per share. (flat). **Proceeds**—For expansion program. **Underwriter**—The First Boston Corp., New York.

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. **Offering**—Expected this week.

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.
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. **Offering**—Expected this week.

● DeJur-Amsco Corp.
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. **Offering**—Expected this week.

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.

● Development Corp. of America
April 30 filed 1,376,716 shares of common stock (par $1) reserved for issuance upon conversion of shares of the company's $1.25 cumulative convertible preferred stock received by DCA common stockholders in connection with the recently consummated merger of Real Estate Equities, Inc., into DCA and the plan of reorganization consummated in connection therewith. **Underwriter**—None.

● Di-Noc Chemical Arts, Inc. (5/14)
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 May 14, 1959; rights to expire on or about June 1. **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.

★ Down East Hotels, Inc., Ellsworth, Me.
May 11 (letter of notification) 500 shares of capital stock. **Price**—At par ($100 per share). **Proceeds**—To be used to purchase hotel. **Underwriter**—None.

★ Duke Power Co. (6/9)
May 6 filed 250,000 shares of preferred stock (par $100). **Proceeds**—To finance cost of construction program. **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 up to 11 a.m. (EDT) on June 9.

★ Eastern States Oil Co.
April 29 (letter of notification) 2,960 shares of preferred stock (par $100) and 14,800 shares of common stock (par 10 cents) to be offered in units of one share of preferred and five shares of common. **Price**—$100.50 per unit. **Proceeds** — For working capital. **Office** — 901 Shell Lane, Cushing, Okla. **Underwriter**—None.

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.
April 16 filed 76,494 shares of common stock (par $5) being 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**—$28 per share. **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-Mechanical Specialties Co., Inc. (5/18-22)
April 27 (letter of notification) 100,000 shares of capital stock (par 20 cents). **Price**—$3 per share. **Proceeds**—To pay in full a current debt of the company to Joseph Goodman and for additional working capital. **Office**—743 W. 39th Street, Banning, Calif. **Underwriter**—Myron A. Lomasney & Co., New York, N. Y.

● Electro Networks, Inc.
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. **Offering**—Expected momentarily.

★ Electronic Engineering Co. of California (6/8-12)
May 13 filed 100,000 shares of common stock, of which 78,750 shares are to be offered for the account of the company (including 10,000 shares initially to employees) and 21,250 shares for account of eight selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—For capital expenditures and working capital. **Underwriter**—Kidder, Peabody & Co. Inc., New York.

● Electronics Capital Corp. (5/25-29)
April 27 filed 1,200,000 shares of common stock (par $1). **Price**—$10 per share. **Proceeds**—For investment. **Office**—San Diego, Calif. **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.

★ Fedders Corp., Long Island, N. Y.
May 12 filed $3,815,000 of sinking fund subordinated debentures, due May 31, 1959, with warrants to purchase 152,632 shares of common stock to be offered for subscription by common stockholders in units of $100 of debentures with warrant for the purchase of four shares of stock at the rate of one unit for each 50 shares held. **Price**—$100 per unit. **Proceeds**—To be used for the most part for the purchasing of products by company's distributors and dealers; and the balance will be used for general corporate purposes. **Underwriter**—Allen & Co., New York.

Federated Corp. of Delaware
Dec. 29 filed $918,000 of 6% convertible subordinated debentures due 1968. The company proposes to offer $210,000 of the debentures to purchase the capital stock of Consumers Time Credit, Inc., a New York company; $442,000 of the debentures in exchange for Consumers debentures; and $226,000 of the debentures in exchange for the outstanding 12% debentures of three subsidiaries of Federated. Office—1 South Main Street, Port Chester, N. Y. Underwriter—None.

Federated Finance Co.
Nov. 17 (letter of notification) $300,000 of 10-year 6% senior subordinated debentures. Price—At par (in denominations of $1,000 each). Proceeds — For working capital, to make loans, etc. Office—2104 "O" St., Lincoln, Neb. Underwriters — J. Cliff Rahel & Co. and Eugene C. Dinsmore, Omaha, Neb

Fidelity Trend Fund, Inc., Boston, Mass.
May 1 filed 50,000 shares of capital stock. **Price**—At net asset value. **Proceeds** — For investment. **Investment-Manager**—Fidelity Management & Research Co., Boston, Mass. **Agent**—Crosley Corp., Boston, Mass. **Offering**—To be made within organization.

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.

Fleming Co., Inc., Topeka, Kan. (5/26)
May 1 filed 100,000 shares of common stock (par $5), of which 75,000 shares are to be offered for the account of the company, and 25,000 shares for the account of certain selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Business**—Distributor of food products. **Underwriter**—White, Weld & Co., New York.

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 Power & Light Co. (6/3)
May 8 filed $25,000,000 of first mortgage bonds due 1989. **Proceeds**—To be used to provide additional electric facilities and for other corporate purposes, including repayment of $7,000,000 of short-term bank loans made in March, 1959, for similar purposes. **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 11:30 a.m. (EDT) on June 3.

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.

Fluorspar Corp. of America
Feb. 5 (letter of notification—as amended) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For mining expenses. **Office**—4334 S. E. 74th Ave., Portland 6, Ore. **Underwriter**—Evergreen Securities, Inc., 4314 N. E. 96th Ave., Portland, Ore.

● Food Fair Properties Development Inc. (5/27)
May 5 filed together with Food Fair Properties Inc. (1) $7,500,000 of 25-year collateral trust bonds, due May 15, 1984 of Food Fair Properties Development, Inc. and (2) 7,500 warrants for the purchase of 750,000 shares of common stock of Food Fair Properties. It is proposed to offer these securities in units each consisting of $1,000 principal amount of the bonds and a warrant to purchase 100 common shares. **Price**—$1,000 per unit. **Proceeds** — To be used for loans to subsidiaries. **Office**—Philadelphia, Pa. **Underwriter**—Eastman Dillon, Union Securities & Co., New York.

Food Fair Properties, Inc.
See Food Fair Properties Development Inc., above.

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.

★ Franklin Electric Co., Inc.
May 12 filed 40,000 shares of common stock, of which 20,000 shares are to be offered for the account of the company, and 20,000 shares for the account of certain selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—To be advanced to a subsidiary for the purpose of constructing an addition to a building now being leased from the subsidiary. **Office** — 400 East Spring Street, Bluffton, Ind. **Underwriter**—Fulton Reid & Co., Inc., Cleveland, Ohio.

★ Funds For Business, Inc. (6/8-12)
May 8 filed 500,000 shares of class A stock. **Price**—$1.50 per share. **Proceeds**—For working capital. **Office**—120 East 41st Street, New York. **Underwriters**—Joseph Mandell & Co., Inc., New York; and Robert L. Ferman & Co., Inc., Miami, Fla.

★ Gem State Consolidated Mines, Inc.
May 1 (letter of notification) 100,461 shares of common stock (par five cents). **Price**—50 cents per share. **Proceeds** — For mining expenses. **Office** — 3620 Sycamore Drive, Boise, Idaho. **Underwriter**—None.

● General American Oil Co. of Texas (5/15)
April 23 filed $20,000,000 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 Dynamics Corp.
May 8 filed 400,445 shares of common stock, to be offered under the company's Restricted Stock Option Plan to officers and employees of the company and its subsidiaries.

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. Statement effective April 24.

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. (5/18-22)
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. (5/15)
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.

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. (5/25-29)
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., Inc., both of New York.

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.

Heliogen Products, Inc.
Oct. 22 (letter of notification) 28,800 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—For payment of past due accounts and loans and general working capital. **Office** — 35-10 Astoria Blvd., L. I. C. 3, N. Y. **Underwriter**—Albion Securities Co., Suite 1512, 11 Broadway, New York 4, N. Y.

Hemisphere Gas & Oil Corp.
April 27 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For development of oil and gas properties. **Office**—702 American Bank Building, Portland 5, Ore. **Underwriter**—D. Earle Hensley Co., Inc., 4444 California Avenue, Seattle, Wash.

Hermes Electronics Co. (5/25-29)
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 of rights of holders of $5 cumulative preferred stock to convert such stock; 20,000 shares issuable upon the exercise of rights of holders of 5% 10-year sinking fund debentures due 1965 to convert such debentures, and 734,374 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. **Office**—Cambridge, Mass. **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.

Hirsch (P. N.) & Co., St. Louis, Mo. (6/1-5)
April 29 filed 132,500 outstanding shares of common stock (par $1). **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 $6). **Price**—$6 per share. **Proceeds**—For working capital and general corporate purposes. **Office** — 2202 Philtower Bldg., Tulsa, Okla. **Underwriter**—None.

Imperial Growth Fund, Inc.
March 2 filed 600,000 shares of common stock. **Price**—At market. **Proceeds** — For investment. **Office** — 60 Marquette Ave., Minneapolis, Minn. **Underwriter** — Minneapolis Associates, Inc., Minneapolis, Minn.

Industrial Minerals Corp., Washington, D. C.
July 24 filed 600,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—To develop and operate graphite and mica properties in Alabama. **Underwriters**—Dearborn & Co. and Carr-Rigdom & Co., both of Washington, D. C., on a best efforts basis. Statement effective Nov. 18.

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.

★ Insurance Securities, Inc., Oakland, Calif.
May 5 filed (by amendment) an additional 27,380 units, $1,000 each, of Single Payment Plans, Series U, and 18,850 units, $1,200 each, of Accumulative Plans, Series E. **Proceeds**—For investment.

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 at Chase Manhattan Bank, 43 Exchange Place, New York, N. Y., up to 11 a.m. (EDT) on May 20.

Interstate Power Co. (5/19)
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 develop-

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ment of land in Florida. **Office** — 1750 East Sunrise Boulevard, Fort Lauderdale, Fla. **Underwriters**—Aetna Securities Corp., New York; and Roman & Johnson, Fort Lauderdale, Fla.

Investors Commercial Corp.
April 6 filed 105,000 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Office** — 180 W. Randolph St., Chicago, Ill. **Underwriter**—Paul C. Kimball & Co., Chicago, Ill.

Investors Funding Corp. of New York (6/1)
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.

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.

★ Kaiser Aluminum & Chemical Corp.
May 11 filed 64,028 shares of 4¾% cumulative convertible (1959 series) preference stock (par $100) and 128,052 shares of common stock, issued in exchange for the outstanding stock of Mexico Refractories Co. through merger. **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriter**—None.

★ Knox Corp., Thompson, Ga. (6/8-12)
May 8 filed $1,500,000 of 6% subordinated sinking fund debentures, with class A common stock purchase warrants attached (for the purchase of 75,000 shares or 25 shares for each $500 of debentures), together with $100,000 shares of class A common stock (par $1). **Price**—For debentures with warrants, at 100% of principal amount; for common stock, to be supplied by amendment. **Proceeds**—To acquire in excess of 80% of the outstanding stock of American Houses, Inc.; for land acquisition and development for home erection; to repay notes to banks and suppliers; and for working capital. **Underwriters** — Ira Haupt & Co., New York; and Straus, Blosser & McDowell, Chicago, Ill.

● Krupp Manufacturing Co. (5/18-22)
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.

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 June 15, 1959; and the remaining 120,000 shares were sold for the account of a selling stockholder during April, 1959. **Underwriter**—None.

● Levine's, Inc., Dallas, Texas (5/20)
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.

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.

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. (5/18-19)
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.

★ M. & S. Oils Ltd.
May 11 filed 390,000 shares of capital stock. **Price**—60 cents per share. **Proceeds** — For exploration, development and acquisitions. **Office**—5 Cobbold Block, Saskatoon, Saskatchewan, Canada. **Underwriter** — Cumberland Securities Ltd., Regina, Saskatchewan, Canada.

★ Magic Circle Theatre, Inc.
May 7 (letter of notification) 6,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To build a theatre or auditorium. **Office**—221 Broadway, Denver 3, Colo. **Underwriter**—None.

● Magma Power Co. (5/18-19)
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 28, 1959; rights to expire on 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.

★ Mansfield Tire & Rubber Co. (6/3)
May 7 filed $5,100,000 of convertible subordinated debentures, due June 1, 1974, to be offered for subscription by common stockholders of record June 2, 1959; rights to expire on June 18. **Price**—To be supplied by amendment. **Proceeds**—To pay short-term bank loans, and to augment working capital. **Office** — 515 Newman St., Mansfield, Ohio. **Underwriter** — A. G. Becker & Co., Chicago, Ill.

● Marine Midland Corp.
April 17 filed 449,704 shares of common stock (par $5) being 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. **Price**—$22 per share. **Proceeds**—To pay an outstanding bank loan due Sept. 30, 1962, and 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.

● Miami Extruders, Inc. (6/1-5)
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 Oil Corp.
April 29 (letter of notification) an undetermined number of shares of common stock (par $10) to be offered by the trustee under the Employee's Thrift Plan and related trust agreement where the company contributes one-half and the particular employee pays one-half of the sums paid to trustee for investment. **Price**—At the market on the New York Stock Exchange. **Proceeds**—For benefit of employees. **Office**—1700 Broadway, Denver 2, Colo. **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.

★ Minit Markets, Inc.
May 6 (letter of notification) 7,000 shares of class A stock (no par). **Price**—$10 per share. **Proceeds**—To acquire leaseholds and for erection of store facilities. **Business**—To establish and operate a chain of drive-in, bamtam supermarkets in the Northern New Jersey area. **Office**—24 Salem St., Hackensack, N. J. **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.

● Mohawk Rubber Co., Akron, Ohio (6/3)
May 4 filed 15,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For working capital and purchase of equipment. **Underwriter**—Kidder, Peabody & Co., New York.

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.

Multi-Amp Electronic Corp. (5/25-29)
May 1 (letter of notification) 99,500 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—To purchase building; for research, development, equipment and machinery, etc.; and for working capital. **Business**—Portable and laboratory instruments for testing etc. **Office**—465 Lehigh Avenue, Union, N. J. **Underwriter**—G. Everett Parks & Co., Inc., 52 Broadway, New York, N. Y.

● Narda Utasonics Corp. (6/1-5)
April 29 filed 20,000 shares of common stock (par 10 cents). **Price**—To be supplied by amendment. **Proceeds**—To retire a $100,000 outstanding bank loan and the balance will be used for general corporate purposes. **Office**—Westbury, Long Island, N. Y. **Underwriter** — Torpie & Saltzman, New York.

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. Statement effective April 28.

National Life & Casualty Insurance Co.
March 25 filed 250,000 shares of common capital stock to be offered to holders of certain of company's life insurance policies issued on or prior to Dec. 31, 1955, and to certain employees. **Price**—$4.44 per share. **Proceeds**—To increase capital and surplus. **Office** — 2300 North Central Ave., Phoenix, Ariz. **Underwriter**—None.

★ National Malleable & Steel Castings Co.
May 11 (letter of notification) 7,535 shares of common stock (no par) to be offered to certain officers and other key employees under stock option plan. **Proceeds**—For working capital.

National Steel Corp. (5/27)
May 5 filed $80,000,000 of first mortgage bonds due June 1, 1989. **Price**—To be supplied by amendment. **Proceeds**—For expansion program. **Underwriters**—Kuhn, Loeb & Co.; Harriman Ripley & Co., Inc., and The First Boston Corp., all of New York.

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. (5/25-29)
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 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.

North American Acceptance Corp.
April 29 (letter of notification) $300,000 of 6% 10-year subordinated debentures to be offered for subscription by stockholders in denominations of $100, $500 and $1,000 each. Rights will expire July 31, 1959. **Price**—At par. **Proceeds**—For working capital. **Office**—Suite 487, 795 Peachtree Street, N. E., Atlanta, Ga. **Underwriter**—None.

★ Northwest Defense Minerals, Inc., Keystone, S. Dak.
May 4 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For exploring and recovering strategic metals and producing same. **Underwriter** — Caldwell Co., 99 Wall Street, New York, N. Y.

Nuclear Electronics Corp. (6/1-5)
April 29 filed 200,000 shares of common stock (par one cent). **Price**—$3.75 per share. **Proceeds**—To be applied to the payment of an indebtedness owed to Wheaton Glass Co.; for payment of bank debt; for research, development, production and marketing; for sales promotion; and the balance for general working capital. **Office**—2925 N. Broad Street, Philadelphia, Pa. **Underwriter**—Charles Plohn & Co., New York.

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**—A 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. **To Amend Statement**—Full registration expected of 132,944 shares of general common stock.

Packard-Bell Electronics Corp. (5/27)
May 4 filed 120,000 shares of capital stock (par 50 cents) of which 100,000 shares are to be offered for the account of the company and 20,000 shares for a selling stockholder. **Price**—To be supplied by amendment. **Proceeds**—To construct and equip a new plant in Newbury Park, Calif. to reduce short-term bank indebtedness; and for working capital. **Underwriter**—White, Weld & Co., New York.

Paddock of California
March 30 filed 51,847 outstanding shares of common stock (par $1) being 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.

★ **Pearce-Uible Co.**
May 11 filed 555,000 shares of common stock, of which 500,000 shares are to be offered publicly, and the remaining 55,000 shares are subject to sale under Stock Purchase Options granted to employees of the company. **Price**—$3.50 per share to public. **Proceeds**—For acquisition and development of land and construction of houses for sale. **Office**—3350 Beach Boulevard, Jacksonville, Fla. **Business**—Construction of single-family dwellings for sale to home owners. **Underwriter**—Pierce, Carrison, Wulbern, Inc., Jacksonville, Fla., and four other firms.

Peckman Plan Fund, Inc., Pasadena, Calif.
May 19 filed 20,000 shares of common stock (par $1) **Price**—At market. **Proceeds**—For investment. **Underwriter**—Investors Investments Corp., Pasadena, Calif.

Pennsylvania Power Co.
Aug. 1 filed $8,000,000 of first mortgage bonds due 1989. **Proceeds**—To redeem a like amount of 5% first mortgage bonds due 1987. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; White Weld & Co. Equitable Securities Corp., and Shields & Co. (jointly) Lehman Brothers, Eastman Dillon, Union Securities & Co., Salomon Bros. & Hutzler and Ladenburg, Thalmann & Co. (jointly); Merrill Lynch, Pierce, Fenner & Smith and Dean Witter & Co. (jointly). **Bids** — Tentatively had been expected to be received up to 11 a.m. (EDT) on Aug. 27 but company on Aug. 22 decided to defer sale pending improvement in market conditions. SEC on Feb. 25, 1959 extended to June 16, 1959 period within which company may consummate financing.

Perfecting Service Co.
Feb. 26 (letter of notification) 28,250 shares of common stock to be offered for subscription by stockholders on a pro rata basis. Rights expire in 15 days. **Price**—At par ($10 per share). **Proceeds**—For accounts receivable and inventories. **Office**—332 Atando Ave., Charlotte, N. C. **Underwriter**—None.

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.

★ **Philadelphia Electric Co. (6/3)**
May 7 filed 640,306 shares of common stock (no par) to be offered for subscription by common stockholders of record June 2, 1959, on the basis of one new share for each 20 shares then held; rights will expire on June 23. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for construction program. **Underwriters**—Drexel & Co. and Morgan Stanley & Co., both of New York.

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.

★ **Piedmont Aviation, Inc.**
May 6 (letter of notification) 72,700 shares of common stock (par $1) to be offered to stockholders at the rate of 1/16 of a share for each share held as of May 4, 1959. **Price**—$3.75 per share. **Proceeds**—For working capital. **Address**—Smith Reynolds Airport, Winston-Salem, N. C. **Underwriter**—None.

★ **Pik-Quik, Inc.**
May 8 (letter of notification) 131,625 shares of common stock (par $1). **Price**—$1.25 per share. **Proceeds**—For equipment, property and working capital. **Office**—620 Roanoke Building, Minneapolis, Minn. **Underwriter**—None.

● **Pioneer Plastics Corp., Sanford, Me. (5/20)**
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.

★ **Plastic Materials & Polymers, Inc. (6/19)**
May 11 filed 143,750 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—For construction of a plant in Rhode Island and for general corporate purposes. **Business** — Primarily engaged in the compounding and coloring of thermoplastic raw materials, and the sale of the resultant product. **Office**—Hicksville, Long Island, N. Y. **Underwriter**—Filor, Bullard & Smyth, New York City.

● **Polarad Electronics Corp. (5/25-29)**
May 1 filed 100,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds** — For working capital and other corporate purposes. **Office**—43-20 34th Street, Long Island City, N. Y. **Underwriter**—Kidder, Peabody & Co., New York.

● **Poly Industries, Inc. (6/1-5)**
May 4 filed 200,000 shares of common stock (par $1), of which 100,000 shares are to be offered for the account of the company and 100,000 shares for certain selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—For working capital and to reduce bank borrowings. **Office** — 12177 Montague Street, Pacoima, Calif. **Underwriter**—Van Alstyne, Noel & Co., New York.

● **Potomac Electric Power Co.**
April 23 filed 1,207,338 shares of common stock (par $10) being offered for subscription by common stockholders of record May 12, 1959, at the rate of one new share for each five shares held; subscription rights to expire on May 27. Unsubscribed shares will be offered first to employees. **Price** — $25 per share. **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. (6/1-5)**
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.

★ **Public Service Electric & Gas Co. (6/2)**
May 7 filed $50,000,000 of first and refunding mortgage bonds due June 1, 1989. **Proceeds** — To be added to the general funds of the company and used for general corporate purposes, including payments of a portion of the cost of its current 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 up to 11 a.m. (EDT) on June 2, at 80 Park Place, Newark, N. J.

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 (par 50 cents). **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., 26 Broadway, New York. **Offering**—Expected in about three weeks.

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.

Raytheon Manufacturing Co.
May 1 filed 350,602 shares of common stock (par $5) and 100,000 shares of 5½% series (cumulative), serial preferred stock (par $50). These shares were or may be issued as a result of the merger, of Machlett Laboratories, Inc., into Raytheon Co. (formerly Raytheon Manufacturing Co.).

Reeves Soundcraft Corp., Danbury, Conn.
April 30 filed 22,000 shares of common stock (par five cents) to be sold to Lewis Cowan Merrill upon exercise of option. **Price**—$3 per share. **Proceeds**—To Hazard E. Reeves, the selling stockholder. **Underwriter**—None. No public offering is planned.

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. (5/25-29)**
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

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(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.

Roosevelt-Consolidated Building Associates
May 4 filed $5,580,000 of Participations in Partnership Interests, to be offered for sale in units. **Price**—$10,000 per unit. **Proceeds**—For general corporate purposes. **Office**—60 East 42nd Street, New York. **Underwriter**—None.

Routh Robbins Investment Corp.
Jan. 29 filed 475,000 shares of common stock. **Price**—$1 per share. **Proceeds** — For investments and working capital. **Business** — Real estate investments. **Office** — Alexandria, Va. **Underwriter**—None.

Rowland Products, Inc., Kensington, Conn.
April 17 (letter of notification) 11,538 shares of common stock (par $12.50) being 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 May 19. **Price**—$23.50 per share. **Proceeds**—For working capital. **Underwriters**—Cooley & Co., Putnam & Co., both of Hartford, Conn. and Eddy & Co., New Britain, Conn.

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.

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.

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.

★ **Securities Fund, Inc.**
May 7 filed (by amendment) an additional 350,000 shares of common capital stock. **Price**—At market. **Proceeds** — For investment. **Name Changed** — Formerly known as Templeton & Liddill Fund, Inc. **Office**—Englewood, N. J.

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.

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.

★ **Shoreham Motor Hotel, Inc., Hartford, Conn.**
May 11 (letter of notification) 25,000 shares of common stock (par $1). **Price**—$12 per share. **Proceeds**—For expenses of construction and operation of luxury motels. **Underwriter**—Charles E. Thenebe & Associates, Hartford, Conn.

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.

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.; Equitable Securities Corp. and Drexel & Co. (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.

★ **Spartans Industries, Inc. (6/5)**
May 12 filed 200,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Business**—A major producer and distributor of a diversified line of popular price, basic style apparel for men, women and children. **Office**—1 West 34th St., New York 1, N. Y. **Underwriters** — Shearson, Hammill & Co., New York; and J. C. Bradford & Co., Nashville, Tenn.

★ **Spiegel, Inc. (6/3)**
May 8 filed $15,417,500 of convertible subordinated debentures due June 1, 1984, to be offered for subscription by common stockholders of record on or about June 3, 1959, on the basis of $100 principal amount of debentures for each 12 shares held. **Price**—To be supplied by amendment. **Proceeds**—To be added to the general funds of the company to be available principally to finance its increasing accounts receivable. **Underwriter**—Wertheim & Co., New York.

Sports Arenas (Delaware) Inc.
Nov. 18 filed $2,000,000 of 6% 10-year convertible debentures (subordinated), due Jan. 1, 1969. **Price**—To be supplied by amendment. **Proceeds**—$750,000 to pay AMF Pinspotters, Inc. for bowling alley beds; $350,000 to pay for other installations, fixtures and equipment; $85,000 to expand two present establishments by increasing the number of alley beds by eight at Yorktown Heights and by six at Wilton Manor Lanes, Fort Lauderdale; $300,000 for deposits on leaseholds, telephones and utilities; and $395,000 for working capital. **Underwriter**—None.

Sports Arenas (Delaware) Inc.
Nov. 18 filed 461,950 shares of common stock (par one cent). **Price**—At the market (but in no event less than $6 per share). **Proceeds**—To selling stockholders. **Office**—33 Great Neck Rd., Great Neck, N. Y. **Underwriter**—None.

Standard 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.

★ **Stanley Works**
April 28 (letter of notification) an undetermined number of shares of common stock (par $25) to be offered to employees of the company and subsidiaries other than directors, through payroll deductions. **Price**—At the higher of average bid price during the month of April, 1959 or the highest bid price April 24, 1959. **Proceeds**—For working capital. **Office** — 195 Lake Street, New Britain, Conn. **Underwriter**—None.

Sterling Television Co., Inc.
March 31 (letter of notification) 200,000 shares of Class A stock (par 25 cents). **Price**—$1 per share. **Proceeds**—For general corporate purposes, and to acquire television film series for distribution. **Office**—6 East 39th St., New York 16, N. Y. **Underwriter**—R. A. Holman & Co., Inc., New York 5, N. Y.

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.

Telecomputing Corp. (5/20)
April 29 filed 500,000 shares of common stock (par $1), of which 250,000 shares are to be offered for the account of the company and 250,000 shares for selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—To be applied against the company's short-term bank loans incurred to finance the performance of the company's contracts. **Office**—915 North Citrus Avenue, Los Angeles, Calif. **Underwriter**—Blyth & Co., Inc., Los Angeles, Calif.

★ **Telectro Industries Corp. (6/1-5)**
May 6 filed 200,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—For additional machinery and equipment; to retire outstanding balances of a V-loan to a bank and to a commercial credit company; and the balance will be added to working capital and used for general corporate purposes. **Office**—35-16 37th St., Long Island City, N. Y. **Underwriter**—Milton D. Blauner & Co., Inc., New York.

★ **Teleflex Ltd. (6/1-5)**
May 6 filed 75,000 shares of common stock (no par), of which 50,000 shares are to be sold for the account of the company and 25,000 shares for Teleflex Products Ltd. **Price**—To be supplied by amendment. **Proceeds**—For additional equipment and working capital. **Office**—461 King St., W., Toronto, Canada. **Underwriter**—Drexel & Co., New York.

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. (5/25-29)**
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.

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.

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.

★ **Tyce Engineering Corp.**
May 6 (letter of notification) 100,000 shares of common stock (no par). **Price** — $3 per share. **Proceeds** — For working capital. **Office** — 809 G. Street, Chula Vista, Calif. **Underwriter**—Pacific Coast Securities Co., San Francisco, Calif.

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 Gas Improvement Co. (6/16)**
May 12 filed $10,000,000 of first mortgage bonds due 1984. **Proceeds**—To be used to reimburse, in part, the treasury of the company for property additions and improvements and to meet, in part, the cost of the continuing construction program, including the retirement of bank loans incurred in connection with such program. **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.

★ **United Illuminating Co. of New Haven (5/27)**
May 7 filed 350,501 shares of common stock (no par) to be offered for subscription by common stockholders on the basis of one new share for each eight shares held of record May 26, 1959; rights to expire on or about June 18. **Price**—$26.50 per share. **Proceeds**—To finance in part the company's 1960-1961 construction program, including the payment of current bank loans incurred in connection with this program. **Underwriter**—None.

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.
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.

Virginia Electric & Power Co. (6/2)
April 28 filed 710,000 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 (with an oversubscription privilege); 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 up to 11 a.m. (EDT) on June 2 at Room 238, 43 Exchange Place, New York, N. Y.

★ Vulcan Materials Co., Mountain Brook, Ala.
May 7 filed 252,526 shares of common stock, of which 142,526 shares represent the balance of 250,000 shares issuable upon the exercise of options granted key employees under the company's Employees Stock Option Plan. The remaining 110,000 shares are to be issued to stockholders of Greystone Granite Quarries, Inc., and Pioneer Quarries Co., both North Carolina corporations, and to certain other parties in exchange for all the outstanding capital stock of Greystone and Pioneer and certain real and personal properties operated under lease by Pioneer.

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. Underwriter—None.

★ Wellington Electronics, Inc. (6/1-4)
May 6 filed 240,000 shares of common stock (par 75 cents. Price—$6 per share. Proceeds—For repayment of a bank note; to complete the automation of the etched foil production plant at Englewood, N. J.; for manufacture of machines to be leased to capacitor manufacturers; and for working capital. Office — Englewood, N. J. Underwriter—Charles Plohn & Co., New York.

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 Wood Fiber Co.
March 5 filed 100,000 shares of common stock (par $10) and 40,000 shares of preferred stock (par $25). Price—At par. Proceeds—For construction and equipment of company's plant and for working capital. Office—300 Montgomery St., San Francisco, Calif. Underwriter—None.

Wilmington Country Club, Wilmington, Del.
Oct. 27 filed $500,000 of debentures due 1991 (non interest bearing) and 800 shares of common stock (par $25) to be offered to members of this club and of Concord Ltd. Price—$375 per common share and $1,000 per debenture. Proceeds — To develop property and build certain facilities. Underwriter—None.

★ Worcester Gas Light Co. (6/18)
May 8 filed $5,000,000 of first mortgage sinking fund bonds, series C, due June 1, 1979. Proceeds—To be applied to the cost of the company's construction program, including $4,350,000 of advances for construction purposes by Worcester's parent, New England Gas & Electric Association. Underwriter—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blair & Co. Inc.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Coffin & Burr, Inc. and Estabrook & Co. (jointly). Bids—To be received up to 11:30 a.m. (EDT) on June 18 at 10 Temple St., Cambridge, Mass.

★ Worthington Products, Inc.
May 8 (letter of notification) $150,000 of 7% convertible subordinated debentures due May 15, 1964 and 15,000 shares of common stock (par 25 cents) to be offered in units of $500 of debentures and 50 shares of stock. Price—$500 per unit. Proceeds—For advances to Nautilus, a subsidiary, for equipment and working capital; also for working capital of parent and molds and dies for new accessories. Business—To design and sell marine products and boating accessories. Office—441 Lexington Ave., New York, N. Y. Underwriter—B. Fennekohl & Co., New York, N. Y.

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
May 1, it was announced Bank is offering 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.

Buckingham Transportation, Inc.
May 4 it was reported that the company is seeking early ICC approval for the issuance of 250,000 shares of class A common stock. Underwriter—Cruttenden, Podesta & Co., Chicago, Ill. Offering—Expected towards the end of June.

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.

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.

★ First National Life Insurance Co.
May 12 it was reported that the company plans early registration of about 75,000 shares of common stock (par $4). Proceeds—To increase capital and surplus. Underwriter—Blair & Co., Inc., New York. Registration—Expected in about two weeks.

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.

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.

Giant Foods Co. Inc.
May 4 it was reported that the company plans an offering of additional common stock, part of which will be sold for the account of selling stockholders and part for the account of the company. Proceeds — For working capital. Underwriters—Auchincloss, Parker & Redpath, Washington, D. C.; and Kidder, Peabody & Co., New York.

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.

★ Louisville & Nashville RR. (5/18)
Bids will be received by the company up to noon (EDT) on May 18 for the purchase from it of $7,320,000 of 15-year equipment trust certificates dated June 15, 1959, and will mature annually from June 15, 1960 to June 15, 1974. Probable bidders: Halsey, Stuart & Co., Inc.; Salomon Bros. & Hutzler.

Mississippi Power Co. (6/25)
Dec. 10 it was announced that this company plans to issue and sell $5,000,000 of 30-year first mortgage bonds. Proceeds—For construction program. Underwriter—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co. and Equitable Securities Corp. (jointly); Merrill Lynch, Pierce, Fenner & Smith; Kidder, Peabody & Co. and White, Weld & Co. (jointly). Registration—Planned for May 29. Bids—Expected to be received on June 25.

North American Equitable Life Assurance Co.
Dec. 1 it was announced that the company plans an offering of 950,000 shares of capital stock. Price — $10 per share. Proceeds—To increase capital and surplus. Underwriter—John M. Tait & Associates, Cincinnati, Ohio.

Northern Illinois Gas Co. (6/23)
March 25, Marvin Chandler, President, announced company plans issue and sale of $20,000,000 25-year first mortgage bonds. Proceeds — For capital expenditures. Underwriter—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Blyth & Co. Inc. Bids—Tentatively planned to be received on June 23. Registration—Expected at end of May.

Northern States Power Co. (Minn.)
March 31 it was reported that the company has revised its financing plans, and is considering the offering and sale of $10,000,000 of new preferred stock. Proceeds—To be used to repay bank loans and for construction program. Underwriter—To be determined by competitive bidding: Blyth & Co., Inc. and The First Boston Corp. (jointly); Lehman Brothers and Riter & Co. (jointly); Merrill Lynch, Pierce, Fenner & Smith, Inc.; Harriman Ripley & Co. Inc., and Eastman Dillon, Union Securities & Co. (jointly); Kuhn, Loeb & Co.; Smith, Barney & Co.

Northern States Power Co. (Minn.) (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.

● Pan American World Airways, Inc.
May 4 it was announced that the stockholders will vote on May 26 to authorize the company to offer up to $50,000,000 of convertible debentures. Stockholders would have pre-emptive rights to subscribe for these securities. Proceeds—For purchase of equipment, etc. Underwriters — May be Lehman Brothers and Hornblower & Weeks, both of New York.

Pennsylvania Electric Co.
Feb. 10 it was announced that the company is planning the sale of $15,000,000 of first mortgage bonds. Underwriter — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Kidder, Peabody & Co.; Eastman Dillon, Union Securities & Co., Merrill Lnych, Pierce, Fenner & Smith Inc. and White, Weld & Co. (jointly); The First Boston Corp. and Harriman Ripley & Co. Inc. (jointly). Offering—Expected about mid-year.

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.

● San Diego Imperial Corp.
March 16 it was reported that the company plans to offer an additional 1,400,000 shares of common stock. Proceeds — For further acquisitions. Underwriters—White, Weld & Co., New York; and J. A. Hogle & Co., Salt Lake City and New York.

Thriftimart, Inc.
May 4 it was reported that the company plans to offer $7,000,000 to $8,000,000 of convertible debentures. Underwriters — Reynolds & Co., New York; and Lester, Ryons & Co., Los Angeles, Calif. Offering—Expected in the latter part of June.

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.

Now With White, Weld

(Special to The Financial Chronicle)

CHICAGO, Ill. — Michael P. Cherry has become associated with White, Weld & Co., 30 West Monroe Street. He was formerly with the Harris Trust & Savings Bank.

Stone & Youngberg Adds

(Special to The Financial Chronicle)

SAN FRANCISCO, Cal.—Joseph L. Yong is now with Stone & Youngberg, Russ Building, members of the Pacific Coast Stock Exchange.

Mutual Funds

By ROBERT R. RICH

First Quarter Purchases of Mutual Funds Up

"Figures for the first quarter of 1959 provide further evidence of investor acceptance of investment company shares for the equity portion of their financial plans," George A. Mooney, Executive Director of the National Association of Investment Companies said on May 4 in releasing composite data on the industry.

Investor purchases of open-end investment company (mutual fund) shares for the quarter totaled $599,558,000 compared with $333,713,000 for the same quarter of last year and $482,429,000 for the final quarter of 1958, the data showed.

Total shareholder accounts in both types of investment companies (closed-ends and mutual funds) exceeded four million at the close of the quarter. They were close to 3.9 million at the close of 1958 and roughly 3.5 million on March 31, 1958.

Open-End Companies

Total net assets of the Association's 156 member open-end companies, were $14,132,828,000 at the end of the quarter with NYSE listed equities held representing approximately 3.5% of the value of such equities listed on the NYSE. This compared with $13,242,388,000 at the close of 1958 when 151 open-end companies were Association members and $9,462,830,000 on March 31, 1958 when 144 companies were members.

Accumulation plans started by investors — for the regular monthly or quarterly acquisition of mutual fund shares—totaled 83,996 for the quarter. A total of 935,172 such plans with an estimated value of $1,445,000,000 were in force at the end of March. In the final quarter of 1958, 70,319 accumulation plans were opened and, in the first quarter of last year, the figure was 56,184.

Repurchases of shares — redemptions by investors — were valued at $198,377,000 during the first quarter, the Association reported, compared with $174,773,000 for the last quarter of 1958 and $91,795,000 for the initial quarter of last year.

Purchases of portfolio securities by the 156 mutual funds during the first quarter totaled $939,744,000. Sales of portfolio securities came to $579,123,000 during the fourth quarter of 1958. In the first quarter of last year purchases came to $525,857,000 and sales were $362,745,000.

Payment of investment income dividends to shareholders totaled $91,705,000 during the quarter, compared with $104,351,000 for the last quarter of 1958 and $85,523,000 for the initial 1958 quarter.

Distributions of net realized capital gains amounted to $55,502,000 during the first quarter of this year. For the fourth quarter of 1958—traditionally the time of heaviest capital gains distributions—the figure was $187,027,000 and in the first three months of 1958, $40,437,000 was distributed from this source.

Closed-End Companies

Total net assets of the 24 closed-end investment company members of the Association were $1,683,780,000 up from the $1,632,860,000 year-end 1958 figure and $1,281,372,000 at the close of March, 1958.

Holders of common stock of closed-end investment companies received dividends from investment income during the quarter totaling $6,344,000. During the fourth quarter of 1958 the figure —reflecting, in part, year-end payments—was $15,722,000. A year ago, on March 31, 1958, the quarterly figure totaled $7,365,000.

Capital gains distributions for the quarter amounted to $9,184,000, compared with $36,177,000 for the fourth quarter of 1958 and $5,014,000 for the first quarter of 1958.

CORRECTION

On Quarterly Mutual Fund Survey

We wish to call attention to an error that appeared in the article "Some Sail-Trimming by the Funds" in our issue of May 7. Reference here is made to the commentary on page 31 concerning the investment policy followed by the funds in the March quarter with respect to securities of the finance companies. Although, as was correctly stated in the paragraph bearing the sub-head "Selling Hits the Finance Companies", seven managements sold shares of C.I.T., with three buying; nevertheless the citation of M.I.T. (40,000), Loomis-Sayles Diversified Investment Fund along with its "sister" Fundamental Investors, as sellers was erroneous. Actually these funds were buyers. — EDITOR.

"National" Assets Up $157 Million in Past Fiscal Year

"Combined net assets of the National Securities Series of mutual funds were at an all-time high of $465,610,064 on April 30, the fiscal year end," reports Henry J. Simonson, Jr., President of National Securities & Research Corporation which sponsors and manages the funds.

"This represents a 51% increase over the April 30, 1958 figure of $308,083,066," he stated, "and is attributable to both market appreciation and new purchases by investors."

Per share net asset value for each of the National Securities Series funds on April 30, 1959 and April 30, 1958 are shown below adjusted for capital gain distributions where applicable:

Series	April 30, 1959	April 30, 1958	% Increase
Growth Stocks	$8.50*	$5.43	57
Dividend	4.56*	3.26	40
Stock	9.27*	6.69	39
Income	6.69*	5.17	29
Preferred Stock	8.31	7.35	13
Balanced	11.36*	10.12	12
Bond	6.11	5.45	12

*Adjusted for capital gain distributions paid in 1959.

Transatlantic Fd.—A Closed-End Unit

Transatlantic Fund Ltd., a new closed-end trust fund, has been incorporated in Canada to provide a medium for diversified investments in Europe, the United Kingdom and the Commonwealth countries. Initially, over $5,000,000 of the Fund's shares are being placed privately, primarily with American investors and, to a limited extent, with English and European investors. At a later date, a market may be established for the shares with a view to widening the ownership.

The enterprise is sponsored by Kleinwort, Sons & Co. Ltd., and the private placing of the shares is being handled by Goldman, Sachs & Co., New York. Kleinworts, who are being appointed investment advisers to the Fund, have formed an Investment Advisory Panel to assist them with the European part of the portfolio. At present, the Panel consists of Kredietbank of Brussels, R. Mees & Zoonen of Rotterdam and de Neuflize Schlumberger of Paris. The affairs of the company will be managed in Toronto from an office at The National Trust Company.

The distinctive feature of this Fund is that, with about half the portfolio to be invested in European Common Market countries and their affiliates and half in the United Kingdom and Commonwealth, it offers an opportunity to combine investment in both of these large and promising trading areas of the world.

Axe Funds Report Sharp Increases In Assets, Sales

Total net assets of the five Axe-sponsored mutual funds reached a new high of $195,381,111 at the end of the first quarter of 1959, it was reported by Axe Securities Corporation. This was 40% higher than the total of $139,212,365 at the end of the same quarter in 1958. All five funds participated in the advance.

Shares of the funds also showed an increase in net asset value over the first quarter of 1958, as follows:

The balanced funds — Axe-Houghton Fund A, from $4.97 to $6, a growth of 26% after adding distributions to shareholders of 25.9 cents a share from net security profits; Axe-Houghton Fund B, from $7.13 to $8.76, a growth of 27% after adding a distribution of 29 cents a share.

The growth funds—Axe-Houghton Stock Fund, from $3.45 to $4.63, a growth of 38% after adding distributions of 13.6 cents a share; Axe Science & Electronics Corporation, from $9.45 to $13.44, a growth of 45% after adding a distribution of 25 cents a share; Axe-Templeton Growth Fund of Canada, $20.82 to $31.12, a growth of 49%.

Sales for the first quarter of 1959 ran 51% higher than a year ago—$8,761,046 as against $5,810,444 in 1958. Shareholders also increased from 90,588 to 106,400 on March 31, 1959.

Another Sales High By Broad St. Group

For the second successive month, sales of shares of the Broad Street Group of Mutual Funds set a record high, according to Milton Fox-Martin, President of Board Street Sales Corporation, national distributor of shares of Broad Street Investing Corporation, National Investors Corporation and Whitehall Fund, Inc.

April gross sales of $4,874,000 topped March's $4,586,000 and were more than 270% larger than sales of April a year ago.

Mr. Fox-Martin said that total sales for the first four months of 1959 stood at $18,105,000, which is 290% greater than the $6,293,000 for the like period of 1958.

For the four-month period, redemptions of shares of Broad Street Investing, National Investors and Whitehall Fund totaled $3,502,000, as compared with $2.229.000 in the first four months of last year.

T. Rowe Price Fd. Had 32% Share Rise

T. Rowe Price Growth Stock Fund, Inc. reported that as of March 31, 1959, the total assets increased to $19,391,500 from $10,731,650 the year previous. Net asset value per share increased to $38.02 from $29.91 on March 31, 1958. After adjusting for the $1.55 per share distribution in December from realized gain on the sale of securities, this represented a gain of 32.2% during the 12-month period. During the first quarter of 1959 net asset value per share increased from $36.45 to $38.02, a gain of 4.3%.

In his letter to stockholders Mr. Price noted that the increased net asset value of the Fund during the first quarter had more than kept pace with leading stock averages even though a sizable reserve had been maintained.

He said, "We continue to be of the opinion that Growth Stocks afford the best hedge against the inevitability of long-term inflation, but when bond yields so greatly exceed common stock yields we believe that it is more prudent to continue to carry substantial reserves in bonds, particularly short-term governments, because of the much higher yield afforded; and the greater protection against an unpredictable decline in over-inflated prices of Growth Stocks.

"There appears to be no limit to the prices investors are willing to pay for Growth Stocks. Several times in recent years we have directed your attention to excessive price-earnings ratios and low dividend yields of many of our favorite stocks. These are even more extreme today."

Long Group's Assets $700 Million

Hugh W. Long and Company, Inc. today reported that the total net assets of the mutual funds it sponsors reached $711,141,309 on April 30, making the Long Company the nation's fourth largest mutual fund sponsor. Net assets of the individual funds were as follows:

Fundamental Investors, $563,358,074; Diversifed Investment Fund, $98,573,871; Diversified Growth Stock Fund, $49,209,364.

Investments of these funds are supervised by the Long Company's affiliate, Investors Management Company, Inc., one of the oldest investment advisory organizations in the mutual fund field, established in 1924.

The fund's total assets have more than doubled in the past five years. Shareholders of the funds supervised by Investors Management Company have grown in number from 334 in 1925 to more than 145,000 today, or 20% greater than the estimated population of Elizabeth, N. J., where the offices of the funds are located. These shareholders reside in every State of the Union and in 33 foreign countries.

Keystone of Canada Adds European Issues

Keystone Fund of Canada is taking advantage of investment opportunities in the European Common Market, according to the annual report for the fiscal year ending March 31. President S. L. Shelley points out that 23% of the Fund's assets are invested in securities of 11 companies deriving most of their profits from outside North America.

The Fund hopes to benefit directly from the European Common Market with such holdings as N. V. Philips and Siemens & Halske in the electric products field, Farbenfabriken Bayer in chemicals and Unilever in household products.

Indirect benefit is expected as production in Western Europe expands and requires more and more of Canada's natural resources. Recent moves by those countries to make their currencies freely convertible will make it possible for Canadian exporting companies to bring their earnings back to Canada whenever and to what extent they wish.

Net asset value per share moved up steadily throughout the fiscal year, reaching a record high of $13.32 on March 25, more than 50% higher than the recession low in the Fall of 1957. Since the end of the fiscal year, net asset value per share increased to another new high of $13.44.

Total net assets climbed to a record high of $16,701,248, up 38% from last year. The portfolio has 60 issues in 20 different fields. Assets are about equally divided between the cyclical natural resources and capital goods manufacturing industries and the relatively steady service industries. Over 75% of the assets are in eight industries: 15.3 in utilities; 15.2 in oil and gas; 12.1 in banks, insurance and finance; 10.9 in metals and mining; 7.8 in iron, steel; 5.7 in lumber, pulp and paper; 6.5 in retail trade, and 5.4 in electrical products.

Says Stock Levels Reflect Generous Profit Expectations

Milan D. Popovic, President of Blue Ridge Mutual Fund, Inc., stated that growth of the Fund continued during the first quarter of 1959. In the 12 months ended March 31, 1959, the assets grew from $25,237,000 to $32,608,000.

Mr. Popovic stated that the progressive character of our economy is undeniable. There is also reassuring evidence that recessions, when they periodically occur as necessary correctives in a self-regulating free enterprise system, can be reversed before they assume serious proportions. Also, the proponents of spending as a constructive force are increasingly on the defensive since there is a rising realization that government credit is not a bottomless well. This reassures us that our present prosperity will not become an insubstantial mirage by prolonged living on printing press money.

The stock market is characterized by generous expectations as to the future growth of industry profits. The record shows that the long-range rate of expansion is quite modest. The general level of stock prices discounts the actual rate of expansion for many years ahead. It is obvious that great patience will be necessary to realize profits from securities purchased at such high prices. This is particularly true in the industries and certain stocks which are currently receiving an excessive share of the attention of investors. Their buying is reaching proportions of a speculative fever which may end in disaster for buyers of stocks who are not informed of the values but are only interested whether a stock is going up. Informed authorities have expressed their concern at this development by warnings to the public to be careful and not to act on the freely-offered advice on how to get rich quick in the stock market.

The informed expectation of growth of an industry or an individual company is the only proper basis for buying stocks. The ill-defined and, let us hope, ill-founded fear of inflation or starry-eyed but uninformed optimism can be disastrous.

April Sales by IPC Set New Record

Business written by the 3,000 mutual fund representatives of Investors Planning Corporation of America hit an all-time monthly high of close to $13,000,000 in April, Walter Benedick, President of the firm, announced.

It totalled $12,983,277, nearly 10% higher than the March, 1959 previous record of $11,815,382, and almost 162% above the $4,958,452 of April of last year.

Face amounts of exclusive I.P.C. monthly - payment contractual plans sold in April constituted the major factor in the new high, Mr. Benedick said.

The number of such plans in force increased by 2,261, bringing the total on April 30 to 66,203 or 41.4% more than the 46,810 on the same date a year ago.

All told, the big mutual fund retail organization now has over 70,000 active accounts on its books, covering shares of virtually all funds as well as a number of systematic payment plans other than those it sponsors.

Our Reporter's Report

The investment world remains in a state of turmoil with no real inkling of when conditions will begin levelling off on a sound new base. Investors, and that naturally means the informed institutional people, remain highly nervous and inclined to shy at shadows.

The markets, new issue and secondary, have been fading steadily, taking their direction from the U. S. Treasury list where the trend has been downward in slow but persistent erosion of prices.

Even where recently offerings have been cut loose from syndicate support and slipped sufficiently to add as much as ten basis points to original yields, buyers have reluctant to say the least.

The trend of attrition now appears to have caught up with the tax exempt market. Alabama and Detroit road way bonds settled sharply upon release from syndicate this week.

And to cap the climax the N. Y. State Thruway Authority, through the State Comptroller rejected bids made for $50 million of its bonds, comprising $12.5 million of serials and the balance in term bonds.

The best of two bids, fixing a net interest cost to the issuer of 4.3029%, was rejected on the contention that the "costs were excessive." The rejection was termed no reflection on the bidders, but rather was ascribed to the change in market conditions since plans for the issue were announced some weeks back.

Green Light for ConEd

The way was cleared this week for Consolidated Edison Co. of New York's large-scale funding operation when the Public Service Commission authorized the big utility to call for bids to be opened May 26 or 27 on a new bond issue.

A fortnight ago it registered with the Securities and Exchange Commission for the sale of $75 million of 30-year, refunding mortgage bonds. Proceeds would be used to reimburse the treasury for funds already expended for expansion.

In actuality, the net receipts would be used to pay off bank indebtedness incurred on a revolving basis for temporarily financing such construction.

Quiet Week Ahead

The new week promises a comparatively quiet period from the standpoint of corporate new issues on tap. Once the big Glickman Corp. stock offering 3,357,700 shares of common is out of the way on Monday things will slow down.

On Tuesday, El Paso Electric Co. has $3.5 million bonds and $2 million of preferred stock up for bids, Gulf States Utilities is slated to sell 250,000 shares of common, and Interstate Power Co., will open tenders for $4 million preferred.

Wednesday the Alberta Municipal Financing Corp. has $50 million of debentures up for sale in this and the Canadian markets. And, on Thursday, Interstate Power is back with $6 million bonds, while Consolidated Natural Gas Co. has 821,256 shares of common being offered on "rights."

5% Coupon Back

The 5% coupon rate was definitely back in vogue in the public utility new issue field as a result of bidding for two so-called "Street-sized" deals.

The first of these, Southwestern Electric Power Co.'s $16 million of new 30-year bonds drew a top bid of 100.051 for a 5⅛% coupon rate. Reoffering here was fixed at a price of 101 to yield 5.06%.

Yesterday, an offering of $15 million of similar bonds drew a top bid of 99.7799 for a 5% coupon. Reoffering this instance was expected to be made at 100.777 to yield the buyer 4.95%.

With Fin. Securities

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Henry A. Nikkel has become associated with Financial Securities Corporation, Farmers Union Building.

With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Gerald T. Julkowski is with Merrill Lynch, Pierce, Fenner & Smith Incorporated, Rand Tower.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — The question of the nation's investor-owned power versus public power has been debated thick and heavy in Congress recently, and more is coming up. When the political smoke has cleared, both sides may have won one contest and lost one.

One thing clearly has emerged thus far out of the political battles that have been waged both backstage and down on the floor of both the House and Senate. The privately owned power companies are going to have to be alert constantly in the years ahead to keep public power from invading their natural territories.

For years and years the Socialists and the extreme liberals in this country have had a goal for the Federal Government to dominate the power industry in this country. It is pretty obvious that they still cherish that goal.

In a clear-cut political maneuver, some of the Democratic leaders in Congress gave their all-out backing to the so-called anti-Benson measure. This is the bill that would have stripped the Secretary of Agriculture of his power over Rural Electrification Administration (REA) loans.

A Spite Bill

This whole thing obviously was political legislation. Secretary of Agriculture Ezra Taft Benson and REA Administrator David A. Hamil had never been at loggerheads. Mr. Hamil even testified that Mr. Benson had never reversed him in a single major loan.

Nevertheless, the Democratic leadership in the Senate and House was anxious to let the more than 980 active public electric borrowers over the country know that they, and not the Republicans, are battling for them and subsidized loans. Republicans charged that it was a spite bill.

The facts are that the legislation itself is of little importance, but the political aspects were big. Although the Senate voted to override President Eisenhower's veto, the Democrats failed by only four votes to get a two-thirds majority to override the Chief Executive in the House.

The cumulative total loans by REA in its history of more than 23 years amounts to over $4,000,000,000. It is being said on good authority that three out of every four new REA customers now are non-farm customers. In other words, the cooperatives are expanding in territories where investor-owned utilities should be spreading out. Substantial loans are being made to small telephone companies and have been for several years.

The TVA Measure

A few days ago, close on the heels of the REA scrap, the House for the first time passed and sent to the Senate a bill authorizing the Tennessee Valley Authority to finance new power facilities by issuing up to $750,000,000 of revenue bonds.

Twice the Senate has approved similar legislation, but the House action (the vote on final passage was 245 to 179) was the first time it had been approved by that body. As of now the measure appears reasonably certain of Senate passage this year.

A few days after the House approved the controversial TVA bill some Republicans were predicting President Eisenhower will veto the bill, unless the Senate tacks on some restraining amendments.

Under terms of the House-passed bill, TVA is authorized to charge rates to pay off the bonds as well as to repay the United States Treasury $46,000,000 a year for repayment of past appropriations.

As of now, it would appear that TVA is going to have to increase its rates more in line with the higher private power costs, if it is going to meet its increased obligations. However, the agency should not run into any difficulty with their customers, because all TVA would have to do is to publish its own cheap rates as compared with what the private power industry has to charge to meet its obligations and provide a fair and reasonable return to stockholders.

President Eisenhower in his budget messages to Congress the past three years recommended the TVA bond issue proposal. In his 1960 fiscal year message he suggested that Congress should retain budgetary control over the TVA financing program. The Democratic leadership in the House insists that sufficient controls are provided in the bill that went to the Senate.

Some of the other provisions in the bill include:

The bonds would not be exempt from Federal income taxes; the principal and interest on the bonds would be secured solely by the sale of power, and that they would not be obligations of the United States Government. Neither would the amount of bonds outstanding be included as part of the nation's already staggering debt. (The House directed that TVA charge rates high enough to pay into the United States Treasury at least $10,000,000 a year until it has repaid $1,200,000,000 previously appropriated by Congress, and to pay a 3% annual interest rate on the outstanding debt to the government.)

The $750,000,000 of bonds means that TVA cannot have more than that sum outstanding at any one time. The revenue bonds to be issued, which will be sold in "relatively small amounts," will have to compete with the going interest rate. Presumably, they will not have any more effect on Treasury Department operations than the issuance of bonds in similar amounts by any publicly owned power system.

The Tennessee River watershed has a 41,000-square mile area in Tennessee, North Carolina, Virginia, Alabama, Georgia, Mississippi and Kentucky. Under the House bill TVA, which has spread out far beyond the river's watershed, is held to approximately 80,000 square miles.

The Tennessee River from Knoxville to Paducah, Ky., with its confluence with the Ohio River is about 650 miles long. The fall of the river over this route is about 500 feet, of which about 135 feet is concentrated in Northwest Alabama's Muscle Shoals area.

The TVA area, despite some of the socialistic tendencies that have marked its past operations, today is one of America's finest recreational areas. Some TVA area congressmen describe it as a land of milk and honey and roses, whereas not too many years ago some areas were marked with some poor hillside and mountain farms and moonshine stills.

In 1933 there were fewer than 300,000 electricity consumers in the basin of the blue, cool waters of the Tennessee. Today there are 1,500,000 in the area served by TVA. Testimony showed that the demand for power is increasing rapidly.

Woven in the story of the public power versus the private or investor owned issue, is a tremendous story of the electrical growth in this country. The ever-rising standard of living calls for more electricity.

The generation of electricity in 1958 increased by 2%. At the same time profits of the companies rose last year, while profits of many other major industries slumped.

Industry's Bright Future

J. E. Corette, the retiring President of the Edison Electric Institute, in his recent farewell address, made some pertinent observations. Mr. Corette forecast that customers will increase 25% from 56,200,000 in 1958 to 70,000,000 in 1968, representing a 135% over the 10-year period.

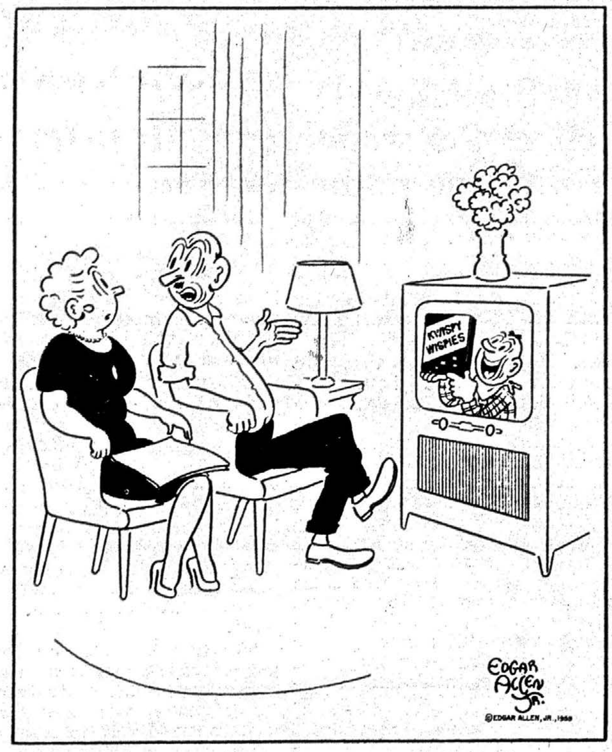
He asserted that revenues should increase from $8,500,000,000 to about $20,000,000,000 by 1968.

The Federal Power Commission estimates that by 1980, the present enormous power generating capacity now available in the United States will have to be nearly tripled. These government officials declare that to provide for such an increase more than $100,000,000,000 will have to be invested in generating, transmission and distribution facilities. Power expansion in 1959 alone is expected to amount to $4,600,000,000.

For the past few years there have been reports circulated that Russia has been out-developing the United States in the power field. Mr. Corette says flatly this isn't true. He said that in 1957 the United States per capita production of electricity was 4,166 kilowatt hours which he maintains is about four times that of Russia. In terms of generating capacity, he says that the United States is not only holding its own, but is increasing its superiority over Russia.

[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



"Trouble with these T. V. westerns is that they never shoot the right man—the guy who does the commercials!"

Business Man's Bookshelf

Air Transport Facts and Figures, 20th Edition — Air Transport Association of America, 1000 Connecticut Avenue, N. W., Washington 6, D. C. (paper).

Executive At Work: A Guide to Successful Performance — Fred De Armond — Prentice-Hall, Inc., 70 Fifth Avenue, New York 11, N. Y. (cloth), $4.95.

Failure of the "New Economics": An Analysis of the Keynesian Fallacies — Henry Hazlitt — D. Van Nostrand & Company, 120 Alexander, Princeton, N. J., (cloth), $7.75.

Financial Security and Independence Through a Small Business Franchise — Pilot Publications, 42 West 33rd Street, New York 1, N. Y., $2.

Freeman, May 1959 — Containing articles on How Labor Unions Cause Inflation; What Russian Trade?; Reflections on Foreign Aid; Corruption of Union Leadership; etc.—The Foundation for Economic Education, Inc., Irvington-on-Hudson, N. Y. (paper), 50c.

Germany: The Magazine of the Federal Republic—Issued quarterly — Current issue on West Berlin — Germany, 93 Breite Strausse, Neuss-Rhine, $4.80 per year; $1.40 per copy.

Looking Toward That First Job— Booklet directed to students who will soon be looking for employment, with advice on evaluating aptitudes and abilities, etc.—Enterprise Publications, 11 North Wacker Drive, Chicago 6, Ill., 20¢ per copy (minimum order 25 copies).

Review of Railway Operations in 1958—J. Elmer Monroe—Association of American Railroads, Transportation Building, Washington 6, D. C. (paper).

Savings and Home Financing Chart Book — Federal Home Loan Bank Board, Washington, D. C. (paper).

Secondary Boycotts and Picketing Under the Taft-Hartley Act—A bibliography—Selected References, Industrial Relations Section, Princeton University, Princeton, N. J. (paper), 30c.

Statistical Year Book for the Province of Quebec, 1958 — Ministry of Trade and Commerce, Quebec, Que., Canada (cloth).

Use of Social Security in Retirement Planning — Kalb, Voorhis & Co., 25 Broad Street, New York 4, N. Y.

Wages and Related Benefits, 19 Labor Markets, 1957-58—U. S. Department of Labor, Bureau of Labor Statistics, 341 Ninth Avenue, New York 1, N. Y., 50c.

Rotan, Mosle & Co. Opens Dallas Branch

DALLAS, Texas—Rotan, Mosle & Co., members of the New York Stock Exchange, have opened a branch office at 2911 Southland Center, under the management of John L. Mosle, Jr. and H. Eiband Wilshusen, resident partners.