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EDITORIAL

As We See It

Under date of May 13 last, the President sent a message to Congress which read in part as follows:

"I have frequently requested legislation to deliver our farmers and taxpayers everywhere from the mounting failures and staggering excesses of the mandatory farm price support and production control program. Unless this pressing issue is squarely met and resolutely dealt with, the next few years will see the surplus problem, because of its staggering cost to increasingly frustrated and impatient taxpayers, crash of its own weight, carrying with it all that is sound and good in the support of agriculture by the Federal Government."

One may well ask what there is in the program that is sound and good. Since there is nothing that can rightly be so described, one could well not get very much disturbed by what the President has to say on the subject. Much more is involved, however, and it is well to look once more into this incredably naive, costly and grossly political program or set of programs.

The President on May 13 continued with this account of the wheat program:

"The most dramatic failure of all — and the problem requiring the most urgent attention—is the wheat program. Surplus wheat stocks are already two and one-half times our annual domestic consumption for food. By July 1 of next year these stocks are expected to reach 1,500,000,000 bushels and to involve an investment of three and one-half billion dollars in the next fiscal year. Final proof of the present program's utter failure

Continued on page 30

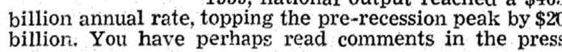
Business Outlook: 1959-60

By DR. GORDON W. McKINLEY*
Director of Economic and Investment Research
Prudential Insurance Company of America, Newark, N. J.

Offering a prognosis of excellent business health for 1959 and 1960, and reappearance of price inflation problem, Prudential's economist opines year-end 1959 rate will be $485 billion—close to our high annual 4% average growth trend — and fourth quarter 1960 GNP will be at an annual rate of $508 billion. The changes between 1959's first and fourth quarter are expected to be: $1 billion inventory decline, $3.5 billion increase in capital expenditures primarily going for replacement, no change in exports, total government spending increase of $4 billion and $15 billion rise in consumer purchases. Compared to end of 1959, the projection for the end of 1960 postulates a $7 billion rise in capital spending and a $15 billion drop in housing.

My remarks on the business outlook will be divided into two parts. First, I want to discuss the probable course of business during the remainder of 1959, with particular emphasis on the rate of national output which we can expect in the fourth quarter of this year. Second, I want to look ahead to next year, and attempt to draw up a preliminary estimate of business conditions as they may appear toward the end of 1960. The bottom of the 1958 business recession was reached in April. Thereafter, the recovery was very rapid, so that total national output rose from a $427 billion annual rate in the first quarter of 1958 to a $453 billion rate in the fourth quarter. In the first quarter of 1959, national output reached a $465 billion annual rate, topping the pre-recession peak by $20 billion. You have perhaps read comments in the press

Gordon W. McKinley



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*An address by Dr. McKinley before the 11th Annual Business Conference sponsored by Rutgers University and the Sales Executives Club of New Jersey, New Brunswick, N. J., May 14, 1959.

Now Is Always the Most Difficult Time to Invest

By CHARLES W. BUEK*
Executive Vice-President
United States Trust Company of New York

Trustmen and other investors are advised to prefer the most promising to the highest yielding equities with selection bias favoring management. Also, to utilize fixed-income securities with maturities just long enough to enhance current income, and to leave some common stock buying power in reserve as may be allowed in equity-bond ratio for each individual account. Convinced that a chronically high stock market level lies ahead, though downward correction fluctuation is long overdue, and that the high D-J index and former indicators are unreliable, trust banker avers oncoming plethora of scientific breakthrough will fully justify today's high price-low yield investments.

In October of 1957, we ran an advertisement in newspapers and the select magazines which trust companies choose for their purposes. Its punchline was "NOW Is Always the Most Difficult Time to Invest."

Those were dark days. The stock market had already declined more than 100 points, and business was heading more rapidly downward. Steel mills were closing, unemployment was rising, and the automobile industry was praying for better luck in 1958. Many observers saw in our economic situation the ingredients which in former years had led us into depressions. It was indeed a difficult time to invest.

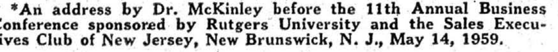
Now all those clouds have passed away. Business is booming, and the trend continues upward. The shallow recession did not snowball into a depression, and we are all very pleased with the way our economic

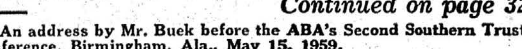
Charles W. Buek

Continued on page 32

*An address by Mr. Buek before the ABA's Second Southern Trust Conference, Birmingham, Ala., May 15, 1959.

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





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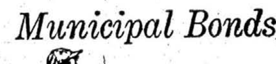

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The Security I Like Best

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

Standard Uranium Corp.—Charles E. Jank, President, Frank Knowlton & Co., Oakland, Cal. (Page 2)

Plough, Inc.—Lynn L. McCormick, Research Dept., Dallas Rupe & Son, Inc., Dallas, Texas (Page 2)

CHARLES E. JANK

President, Frank Knowlton & Co., Oakland, Calif.

Standard Uranium Corp.

From the some five to six hundred uranium company securities marketed during the "boom" of 1954-55, there are emerging four or five companies which will be leaders in this basic industry. Among these companies, the security I like best is Standard Uranium Corporation of Moab, Utah. Standard becomes my choice because of the following basic reasons: Nationally recognized management, readily available financial information, no long-term debt, no convertible debentures or preferred stock, no stock options, substantial cash position, proven earnings, proven ore reserves and a broad diversification program.

Charles E. Jank

Standard Uranium Corporation (a Delaware corporation) is engaged in the development and production of uranium, vanadium, gold, silver, copper, lead and zinc, gas and oil. The principal uranium property is the Big Buck Mine in San Juan County, Utah. In addition, the company owns and operates a lead-zinc mine and mill at Crested Butte, Colorado; a copper mine at Payson, Arizona, and producing natural gas wells at Garmesa, Colorado. Recently, the company has leased a number of base metals claims in the Silverton, Colorado area and will be mining and milling ore in a joint venture known as Shenandoah Limited. Standard owns 50% of this partnership and has an option on the remaining 50%. This base metals mining and milling venture at Silverton is expected to show a cash flow equal to the company's uranium operation at Big Buck (estimated by management to be between $1.5 to $2 million for 1959 first quarter earnings reported to be $411,000 net) when the development work has been completed, in approximately two and one-half years. With a strong financial position and a solid foundation in uranium production, the company is well along the way toward a balanced, diversified operation in base metals, oil and natural gas.

Standard Uranium Corporation was incorporated in 1954, during the highly speculative uranium "boom," to acquire a group of proven claims in the San Juan district of Moab, Utah. The company acquired options to purchase these properties for $2,050,000 and substantial concessions in stock. Standard now has 6,248,942 shares outstanding. The initial indebtedness has been retired and the company has an excellent mine with $30 million of proven high grade, low lime ore averaging over .32% uranium content. In 1957, in a joint venture with Col-U-Mex Uranium Corporation, on Col-U-Mex's claim south of the initial Big Buck area, Standard as the venture operator, developed a major ore reserve. In 1958, an extension of the Col-U-Mex reserve was blocked out on ground wholly owned by Standard. The proven reserves of 845,000 tons appear to be quite conservatively estimated, since drifting and exploration indicate a minimum of one million tons of .35% uranium oxide content ore. As Standard's ore has a low lime content, it is much desired by the four mills in Standard's market area. As sale of uranium developed prior to November, 1958, is generally guaranteed through 1966 by the Atomic Energy Commission, Standard anticipates no market problem for this ore. Standard's excellent mine plant is also well adapted to any speed-up of production which might become necessary. The tonnage used for estimating profit is the optimum 10,000 tons monthly but this rate for total production has been exceeded in each of the past four months.

In Silverton, Colorado, geological surveys indicate at least 480,000 tons of ore in place with a value of $32.75 a ton. It is estimated this will net approximately $10 a ton before taxes and depletion. Initially, production at Silverton could begin within nine months. However, full production will not be reached for approximately two and one-half years. This would seem an excellent time to enter the base metals market, as it is currently in a depressed state and there is much to be said for entering an industry in its decline rather than at its peak. Standard's management feels it is capable of operating profitably at current metal prices. Obviously, a higher price would be highly profitable to Standard.

Standard owns a lease on 50,000 acres in the Pieance Creek Basin of northern Colorado, which has shown production since the late 1920s. Since 1949, the area has been opened to most of the major companies, with General Petroleum having major gas production here. As the Pieance area is a highly favorable wildcat district, it is likely that a farm-out to a major will be made in the near future. No market problem for gas or oil should be encountered in the event of discovery, since large gas pipelines are adjacent to the company holdings.

The company also has several leases in the San Juan Basin of New Mexico with El Paso Natural Gas and Pacific Northwest Pipeline. Modest income is derived from two gas wells in the Garmesa area of Colorado, where Standard produces in a joint venture for sale to Pacific Northwest.

A prime factor in considering any investment is the quality of its management. The President and General Manager, William R. McCormick, has been best described as "a hard rock miner with ideas." Standard's costs of mining (1958 average $4.66 per ton) are $2 to $3 per ton less than those of other mines in the district and Standard is generally conceded to be the lowest cost domestic underground producer of uranium. The success of Standard's management in overcoming many of the initial difficulties, discovering new ore reserves and, at the same time, cutting mining costs in half, is proof of its ability. In addition, Mr. McCormick brings to the company a keen financial sense, as he is President of the Dove Creek State Bank, Dove Creek, Colo., and McCormick Mercantile Company of Moab, Utah, as well as a director of Utex Exploration.

The other officers and directors are prominent mining, milling and financial men with broad diversified backgrounds which materially aid the company in its diversification program.

Careful analysis of Standard Uranium Corporation has convinced me that the growth potential of this leading company in one of America's basic industries certainly qualifies it for the security I like best.

LYNN L. McCORMICK

Research Department

Dallas Rupe & Son, Inc., Dallas, Tex.

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Plough, Inc.

Plough, Inc. is one of the leaders in the proprietary drug industry and has achieved a record of exceptional growth which can be envied even in the dynamic drug industry. (See table below.) This record has been accomplished primarily as a result of exceptionally capable management who possess a keen understanding of what it takes to build a company, through greater consumer acceptance of present products, the ability to make kindred acquisitions and the knowledge to transfer these ideas into increased sales, earnings and earnings per share. At the helm of Plough, Inc. is its founder, Abe Plough, who has guided the company since its organization to where it is a leader in its field with a list of America's most popular drug products. The company in 1958 celebrated its 50th Anniversary. Events which have been significant to Plough's growth, and are indicative of Plough's ability to foresee new areas for development and to capitalize on these ideas include:

Lynn L. McCormick

(1) Pioneered in Aspirin Research and Development: Plough, Inc. introduced its St. Joseph Aspirin in 1921, and it ranks second today in adult aspirin sales.

(2) St. Joseph Aspirin for Children: For several years prior to 1947, research work had been conducted to develop and perfect a specialized aspirin tablet for children. The goal was achieved in that year and St. Joseph Aspirin for Children won interest and acclaim from both the medical profession and the public. It quickly became the leader in its field and now accounts for approximately 70% of the entire children's aspirin sales.

(3) Recognized Potentials in Foreign Sales: Foreign operations have been expanded to include 82 countries. With the emergence of "backward" or undeveloped countries as new marketing areas, and with Plough's established foothold in these areas, Plough's foreign sales should become an even more important contributor to future earnings.

(4) Diversified Operations Include Broadcasting Field: With the purchase of Radio Station WMPS in 1944, Plough, Inc. took a forward step with its entry into the radio station field. Plough now owns and operates WMPS, Memphis; WJJD, Chicago; WCAO,

Continued on page 36

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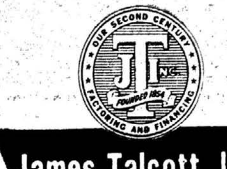

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What Many Bankers Do Not Know About Improving Their Earnings

By HARRY W. LUSSEY*
Vice-President, Wm. E. Pollock & Co., Inc.
New York City

Appealing to bank auditors and comptrollers to bring about better bond portfolio management, government bond dealer terms it "criminal" when bankers fail to maximize portfolio earnings involving no increase in credit or money market risks than those currently being taken. He explains why he deplores: (1) excessive accumulation of short-term position; (2) poor knowledge of liberal yields possible from so-called premium issues and the failure to discern compatibility of bond-investments to direct reduction loans; (3) routinized maturity spacing which prevents refunding when Fed makes money tight, and *vice-versa*, causing a "spread-trap" and a heavy short position; (4) poor tax consideration regarding possible greater profits from lower interest income bonds, use of profit and loss in alternate years, and coordination of bad debt reserve with portfolio operation; (5) abuse in Treasury Tax and Loan Account, and (6) failure to use economic and mathematical approach to portfolio management.

A bank operates for profit and in order to show maximum earnings, it must be fully invested at all times. Accordingly, after the loaning officers have put out all the money they can on loans and mortgages, there will be funds left over and these should be gainfully employed.

Harry W. Lussey

Now this brings up a very important problem. The investment officer will usually have funds turned over to him for investment **only when the loan demand is poor.** At such times, bond prices will be high reflecting the competition between institutions seeking an outlet for their surplus funds in the bond market. Remember, the **investment officer does not buy high and sell low because he wants to.** As a general rule, he has very little choice and he is frequently influenced to buy longer term bonds than he may consider wise simply because **he is told very bluntly that earnings must be maintained or even increased.**

Thus we come to the liquidity problem. You must maintain an adequate degree of liquidity irrespective of the desire to build earning power. You must be able to take care of any deposit withdrawals, or new loan demands, which may develop in the future through liquidating securities without any important loss. Therefore, some part of the investment account must be a supplement to the cash position, and while the contribution to earnings is by no means unimportant, it must be subordinated to the primary objective—liquidity.

No two banks will ever have identical liquidity requirements and anyone who thinks this phase of the investment problem can be solved through any **fixed** allocation of deposits to specific assets will probably suffer a rather rude awakening. No rule of thumb can be applied to a bank anywhere in the country. Demand deposits are probably more volatile than those in the time category. However, if for example, your own month-to-month and year-to-year figures regarding demand deposit fluctuation shows them to be a great deal more stable than one might anticipate, then you should be guided accordingly. Remember, in Florida, as an example, you do not have a decadent economy that is losing population and industry to other sections of the country—most of the formula thinking originates in less favorably situated parts of the country.

Opposes Strong Short Position

Accordingly, you must be sure your anticipated liquidity needs, based on a careful analysis of your own experience in recent years, are fully provided for and then perhaps a little safety margin of another 20% to 25% or so may be added. However, **never under any circumstances** allow your very short-term position to become excessive. I have no hesitation whatsoever in stating that **the most costly major errors in portfolio management may be attributed directly to the seemingly conservative procedure of building up a very strong short position.** If you do accumulate excessive liquidity, you will very probably make the grave error of adjusting the position through extending maturity during a period in which prices are high and yields are low.

It is the very low yield on bills in a strong market versus a **relatively** high yield on bonds that snaps the trap on the unwary. It calls to your attention "how much more you could earn if you were to extend," and that sets you to studying the list to see if you have accumulated an excessive short-term position. The answer will almost always be yes, because low yields on short-term investments go hand in hand with

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*An address by Mr. Lussey before the 24th Eastern Regional Conference of the National Association of Bank Auditors & Comptrollers, Miami Beach, Fla.

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Investment Aspects Of Insurance Stocks

By EDNA M. THOMPSON*
Investment Officer, Girard Trust Corn Exchange Bank of Philadelphia

Difficulties in the path of analyzing insurance stocks are probed by Miss Thompson who concludes the field most likely will be relatively restricted to the more sophisticated type of stock buyer. The bank investment analyst notes the recent unfavorable property insurance state of affairs, and the opposite for the life insurance; examines the possibility of a trend-reversal; points out troublesome handicaps in making a short-run analysis; and offers a guide to assist long range investment selection.

What is the investor likely to be most concerned with? First of all: **Availability.** To what extent is the insurance industry available to the investor? The insurance business is usually divided into two main classes — insurance on **persons**, primarily life, and insurance on **property**, further subdivided into fire and casualty. Fire and related insurance protection is usually against some accident or act of God loss while casualty insurance protects against suits brought by a third party, generally because of some act of negligence on the part of the insured. There is some overlap in the casualty division, but these groupings will serve to outline the scope of the business. A measure of the size of the business is **premium volume** which compares with "sales" as reported by an ordinary industrial company.

Edna M. Thompson

We are told that all life insurance premium volume was approximately $15.8 billion in 1958, while total fire and casualty premiums were around $12.5 billion. But all this business is not available to the buyer of insurance stocks. The great bulk of the life insurance business is done by mutual companies, who are not represented in the stock market. The best available figures show that stock companies handle only about 30% of total life insurance business, although they do somewhat better in casualty lines with about two-thirds, while in fire lines they largely predominate with something like 85%. Therefore, of total insurance industry premium volume of about $28 billion, stock companies do about $14 billion, or 50%, and only one-third of that total is in life insurance. Then too, some of these stock companies are "captive companies," those owned, for example, by installment finance companies or such a company as Allstate Insurance, wholly owned by Sears, Roebuck & Co. This further whittles down the $14 billion which, while impressive sounding in itself, is a relatively small part of the Gross National Product of $453 billion. General Motors and Ford combined do about $14 billion of sales even in a relatively poor year.

*A talk by Miss Thompson before the Investment Women's Club of Philadelphia, April 27, 1959.

Marketability

Next, the stock buyer is concerned with **marketability.** How easy is it to buy or sell insurance stocks? If listing on a recognized stock exchange it a test, then insurance stocks must be given a relatively low grading in this respect. Very few insurance company stocks are listed. Those which come to mind are Continental Insurance and Fidelity-Phenix on the New York Stock Exchange and Insurance Company of North America and Reliance on the American Exchange. Outside of these few, all insurance stocks are traded over-the-counter and markets are made by insurance stock specialists. Furthermore, the number of shares available for trading is somewhat limited. The largest stock insurance company, Travelers Insurance, has 10 million shares outstanding, a figure which may be compared with 200 to 300 million shares for companies like Standard Oil of Jersey, General Motors, the new American Telephone, and indeed would be only a minimum respectable size for the average industrial company. Coming down the list, we find Continental Insurance with 6,653,000 shares, Insurance Company of North America with 5,400,000 shares, several other with three to four million shares, and quite a few with under one million shares. Thus the picture on marketability is limited.

Judging Desirability

Now, what about the most important investment characteristic of all—**desirability?** First, what makes an investment desirable? Perhaps it will be agreed that a combination of **growth in earning power and stability of earning power** is the answer. Rising volume plus good control of costs is what we all seek. How do insurance companies rate in this respect? Those who feel they know insurance companies best wax positively lyrical in their description of the industry under those headings. Here is what they say:

As to **growth:** (1) Insurance is an indispensable factor in modern economic life. Business complexities demand constantly growing new forms of insurance as well as ordinary increases in established forms. (2) The insurance business is possessed of an inherent compound element of growth. Regular investment of insurance reserves automatically creates earning assets. Moreover, insurance companies pay out in dividends only a small part of their total normal income. Generally speaking, dividends are restricted to that part of income represented by interest earned on senior securities, which may be only half total investment income and an even smaller part of total earnings. All the rest is plowed back into the business. In addition, to the extent that the company is invested in common stocks, capital funds enjoy the normally expected growth in value of these holdings.

As to **stability:** (1) Insurance companies are regulated in the same manner as public utilities. This assures the policyholder and in turn the stockholder that the business will be conducted in a proper manner and moreover that a fair profit will be earned over a normal period of time. (2) Underwriting operations are protected by operation of the law of averages and a broad spread of risks. (3) Investment income offsets any possible adverse underwriting results. (4) By its nature, the insurance business is protected from the type of risk associated with an ordinary industrial company—decline in inventory value or an unfortunate overinvestment in fixed assets. All the insurance company's assets are in cash or investments which can be converted relatively quickly into cash.

These arguments are most impressive, and it will certainly be expected that the operation of these factors will find reflection in a superior earnings and market price performance of insurance stocks relative to other groups. What has actually been the case? Standard & Poor's Investment Service runs a price index on representative groups of stocks taking the years 1941-3 as a base of 10. On that base, here are the scores on current prices (as of April 22, 1959):

425 industrial stocks	61.67
16 fire insur. stocks	34.54
8 casualty ins. stocks	52.64
9 life insurance stocks	154.97

While life insurance stocks, which as we have noted above, represent only a small fraction of the entire life insurance industry, have soared, casualty companies have lagged, and fire companies, which are the class most readily available to the insurance stock buyer, have fallen way behind. Why? Don't the favorable factors just mentioned above have any validity? You would hardly think so were you to examine the following comparative earnings table also published by Standard & Poor: From a base of 1947-49, a group of 18 representative fire insurance companies reported a decline in earnings to a 1957 level of only 39.4% of the base figure; eight casualty insurance compa-

Continued on page 28

Observations . . .

By A. WILFRED MAY

THE FUNDS IN BULL AND BEAR MARKETS

As the bull market rolls along, expressions of worry connected with the role of the investment companies recur. These forebodings usually center on the redemption privilege given the holder, envisaging an accentuation of market trouble, even panic, through mass cash-ins of fund shares by the public. This fear is not shared by this observer. The past record of the holders' behavior during major market breaks, as in the 1929-32 and 1937-38 periods, shows fundholders as intelligently resisting, not following, the liquidating trend. Moreover, the present ownership by mutual funds of all New York Stock Exchange listed stocks aggregates but 3.4%.

A. Wilfred May

A possible broader effect of the widespread fund holdings, affecting the economy in the event of a bear market occurs to us. If the 1.9 million holders should see the publicized daily "score-keeping" of their fund's asset value showing declines instead of gains, might their consequent feeling of growing poorer instead of richer perhaps put a brake on consumer business?

Bull Market Role

We are more concerned with some immediate impacts of the funds' role during bull markets. As has occurred previously, this market boom is accompanied by sharp "deviations" in the investment company area. Now again, as in the bubbling 1920's, some sectors of the "investment trust" community seem to be functioning in a manner that is far removed from the twin aims of capital conservation and income production established in Britain and here at the turn of the century.

They fan the flames of speculation in several ways. The inflation of the Blue Chips is promoted by them, directly and indirectly, as previously spelled out in this column.

Beating-the-Market Aims

Now the funds are increasingly catering, to and furthering, the public's aims concentrated on beating-the-market. One leading fund president proclaims as one of its cardinal portfolio policies, confinement of purchases to issues wherein an early gain of a minimum of 20% is expected. Also in line with the present emphasis on appreciation and capital gains (a nice synonym for market profits), is the growing practice of basing management's compensation on periodic computation of the portfolio's market value. In some cases management fee is even related to the fund's outperformance of the averages (with no provision for a reverse arrangement calling for a contribution *by* management in the event of its "deficit" performance).

Also manifesting the extreme departure from the erstwhile Scottish-British investing "purity" to market-playing in the syndicate manner, is the current formation of a fund (not the first one) whose stated "investing" policy includes short-selling, to take advantage of market swings.

Illusions About Yield

In the area of dividends the lay fund-holder is, without realizing it, whole-hoggedly immersed in speculation. The fund managements in their dividend payments differentiate as clearly as they can between the portions derived from ordinary investment income and capital gains. Nevertheless, the run of shareholders have come to regard the capital gains' sweetening of the real recurring net income, which is now down in the 2-to-3% range, as part of their annual investment yield.

In a bear market, the funds will still be able to add a capital gain to the investment income segment in their dividend payment. But this will come from capital appreciation accumulated over past years. Although this would constitute a return of his capital (taxed), the unknowing shareholder will still be happy with his "high dividend yield."

Further prostituting real investment income with market speculation is the bunching in a single payment of the proceeds of short-term market profits (i.e., gained during a less than six-month holding) with the investment income gained from the dividends and interest earned by the portfolio. Here, even more strongly than in the case of the usual long-term capital gains as described above, does the fund-holder believe he is getting a unit of ordinary investment income—not realizing that it is in part fortuitous and non-recurring.

Will not particularly drastic investor disillusionment in the fund community accompany the advent of a bear market?

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The State of Trade and Industry

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

The Gross National Product in the first quarter of this year reached $467 billion at an annual rate, an increase of $14 billion over the final quarter of 1958, the U. S. Department of Commerce, Office of Business Economics said May 18.

Since the first quarter of 1958, Gross National Product has risen $40 billion, or nearly 10%. The overall price rise during the past year was limited, and most of the increase reflected a higher volume of goods and services produced. This is apparent from the Department's new quarterly measure of real GNP, which has advanced 8% from the first quarter of 1958—about matching the gains reported for the initial year of recovery following the lows of 1949 and 1954.

The improvement in the nation's markets since the turn of the year has followed the basic pattern set in the latter part of 1958, according to OBE's analysis prepared for its May "Survey of Current Business." Of the first quarter rise in GNP, consumer buying and a buildup of inventories each accounted for around $5 billion. Housing construction expenditures registered an increase on the order of $1½ billion, as did purchases by State and local governments. The rise of Federal buying, in contrast, was checked in the early months of 1959, and net exports continued to decline.

Accompanying the upswing of market demand have been gains in payrolls and profits, and to some extent in other types of current earnings. National income moved up $10 billion in each of the last two quarters of 1958, and a roughly similar rise apparently took place in the opening quarter of 1959 though information on income is still incomplete.

Consumer income and expenditures continued upward. Disposable income rose $5 billion from the fourth quarter to a $321 billion annual rate, and the bulk of the increase was reflected in personal consumption expenditures, which exceeded $300 billion to make this quarter the highest on record. Improved demand for autos, clothing, and a wide range of other goods and services contributed to the advance.

Investment demand rose with the need for larger inventories associated with expanding sales, and in reflection of the further step-up in residential construction activity.

Inventory holdings of nonfarm business registered an increase amounting to $5 billion, at annual rates. The upturn followed a substantial though orderly liquidation which had begun late in 1957 and continued into the final quarter of 1958. Uncertainty in the outlook for steel supplies has been a factor in the recent expansion. OBE's analysis shows a widespread move toward restocking among other commodity lines as well, however, and accumulation seems in general to have followed increases in current operating needs as the pace of business activity increased.

The $21½ billion seasonally adjusted annual rate of residential construction outlays for the first quarter compares with $20 billion in the closing months of last year and $19 billion in the peak second and third quarters of 1955.

Business investment in producers' durable equipment and construction registered a modest rise, as outlays moved up in durable and nondurable goods manufacturing and in air and rail transportation. At a $43 billion annual rate, the total was $5 billion below the prerecession peak and $2 billion above last year's low.

Government purchases of GNP rose $1½ billion in the first quarter. The advance centered in state and local payrolls, which reflected increased employment, and in highway construction. Federal purchases held about even with the preceding quarter, as nondefense expenditures dipped.

Nationwide Bank Clearings Up 3.2% From 1958 Week

Bank clearings this week show an increase compared with a year ago. Preliminary figures compiled by the "Chronicle," based on telegraphic advices from the chief cities of the country, indicate that for the week ended Saturday, May 16, clearings from all cities of the United States from which it is possible to obtain weekly

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Economic Growth, Inflation And Stabilizing Policies

By M. S. SZYMCZAK*
Member, Board of Governors, Federal Reserve System

Dealing with facts and not theory, Mr. Szymczak's case by case empirical study of France, Japan, United Kingdom and Western Germany confounds current assertions that inflation is a necessary price for economic growth and that monetary-fiscal policies are ineffectual stabilizers. The central banker's analysis of contemporary economic events abroad concludes that measures taken and results achieved are applicable to our country even though, admittedly, circumstances vary as do economic and political goals and methods.

The relation between economic growth, inflation, and stabilizing monetary and fiscal policies has become a central topic for argument. in matters politic as well as economic. Until comparatively recently, few persons questioned that inflation was harmful to sustainable economic growth over the long run, and that stabilizing monetary and fiscal policies could render a distinct service to economic growth by helping to contain inflationary pressures. Nowadays, however, both these statements are being challenged. The challengers assert that economic growth is not likely to occur without at least some degree of so-called creeping inflation, and that stabilizing monetary and fiscal policies either are unable to halt such inflation or are able to do so only at the cost of stunting economic growth.

M. S. Szymczak

It is not my purpose to discuss this problem on the basis of theoretical reasoning. Neither do I intend to illustrate it by referring to experiences in the United States. The Federal Reserve has been deeply concerned with these experiences, and it would be impossible for me to talk about them without trying to evaluate the policies of the Federal Reserve. For obvious reasons I might not be considered an unbiased judge of these policies, and therefore I shall avoid this subject altogether.

In recent years, however, the relation between economic growth, inflation, and stabilizing monetary and fiscal policies has played just as important a role in the economy of other nations as in the United States. In fact, I believe that the basic problems concerning that relation can be brought out more clearly if the problems are illustrated by some recent examples of foreign experiences than if they are discussed in the framework of present United States policies. We can look at happenings abroad and in particular at the relative role of government policies and of accidental changes in economic circumstances with greater detachment and objectivity than at similar events nearer home.

I shall thus select four such examples, which concern countries that are comparable to the United States in terms of economic strength and economic institutions: Germany, the United Kingdom, France, and Japan. Each of these countries has been confronted with the problems of sustaining economic growth and at the same time combatting inflationary pressures. Each of them has tried to solve this problem by applying stabilizing monetary and fiscal policies (as well as other government actions) in different ways and in different degrees, and while it will be evident that each country has its own peculiar conditions, situations and problems, their experiences nevertheless may give us some aid as we face a similar problem in the United States.

It is obvious that time will not permit the detail that the subject matter may suggest.

Developments in Germany

After the currency reform in June, 1948 the German economy expanded at a very rapid rate, and during most of the period 1948-58 prices rose more slowly than in most other European countries. Between 1950 and 1958, the national product increased by 62%, measured at constant prices, while the cost of living rose by 18%. Germany gradually and steadily removed most of its restrictions on trade and payments after recovering from its balance of payments crisis in 1950-51; and it also increased its net gold and foreign exchange reserves from $90 million at the end of 1949 to more than $6 billion at the end of 1958.

These developments were accompanied by a flexible and well-timed monetary policy, and, during the years of most rapid growth between 1952 and 1956, by substantial budget surpluses. The German monetary and fiscal authorities adopted the view that policies favoring price stability and the rebuilding of foreign exchange reserves would in the long run best serve the other economic goals of economic growth, a rising standard of living, and full employment.

This approach to monetary and fiscal policy was severely tested on several occasions in the first few years following the currency reform, particularly during the Korean War boom of 1950-51. Between 1948 and 1952, when their money and capital markets were —so to speak—in their infancy, it was found necessary to supplement the traditional monetary techniques with certain direct controls. Since that time, the traditional techniques have proved sufficient to handle the stresses generated in the economy.

By 1952, Germany had weathered the severe crisis stemming from the Korean War boom, and its economy was back on an even keel. It had recovered from the war-time devastation, and the monetary reform was consolidated. Germany was ready for a new phase of economic development and expansion, as a full-fledged member of the international economic community.

Between 1952 and 1955 the economy grew at a very high rate. Industrial production increased by over 40%, unemployment was sharply reduced, and most industrial plants were working at near-full capacity by mid-1955. Prices remained fairly stable in 1953 and 1954, but began to move up in 1955. With these signs of what in Germany was called "overheating" in the economy, the central bank raised the discount rate in several steps from 3% in August, 1955 to 5½% in May of 1956; rediscount quotas (amount of credit banks may receive from the central bank) were tightened and large-scale open market sales were undertaken. (Thus reducing the reserves the banks might otherwise use for lending). Moreover, the Federal Government kept the budget regularly in substantial surplus between 1952 and mid-1956.

These actions, collectively, were successful in checking the excesses of the boom, although the central bank still had to contend with an influx of speculative funds from abroad — particularly as a result of the Hungarian and Suez crises toward the end of 1956—which threatened the stability achieved during the summer of that year. Open market sales of government securities by the central bank and an increase in bank reserve requirements were successful in absorbing a substantial part of this unwanted growth in monetary resources.

Owing to the policies followed, as well as to the fact that the world-wide boom had about run its course, demand pressures continued to ease. Beginning in September of 1956, therefore, the discount rate was gradually lowered; and interest rates in the money and capital markets started the downward trend which today has brought them to a level approximating those in other major financial centers. Between mid-1956 and the first quarter of 1958 the budget was permitted to show a deficit.

During 1958, when world-wide recessionary tendencies began to be felt in Germany, the monetary authorities continued to reduce

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*Remarks by Mr. Szymczak before the Eleventh Annual New Jersey Business Conference at Rutgers University, New Brunswick, New Jersey, May 14, 1959.

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We're going to require a million barrels a day more oil production throughout the world this year than in 1958; and despite certain inroads made by natural gas, the basic position of petroleum as the principal fuel of mankind remains undisturbed. Demand for oil in the United States is expected to grow at a rate of between 4% and 5% a year for the next decade; and elsewhere in the Free World at over 7%. So we shouldn't give up on oil—nor on oil stocks. While the more fashionable equities in electronics and rocketry have been enjoying a field day in the market, oils have been (you'll pardon the expression) treading water. So much so that a search for bargains, or for issues still selling at some plausible relationship to per share earnings, is likely to wind up among the oil stocks; and our topic for today is a company that has, for two generations demonstrated a notable nose for oil—Amerada Petroleum Corporation.

Ira U. Cobleigh

Now in its 40th year of business, Amerada has shown a profit in every year. That's quite a record for a company that confines itself to the search for, and production of, oil and gas. With a less talented management there might have been debit years of dusters and dry holes. Instead there has been a steady majestic forward march in oil discovery, production, reserves and earnings so that today Amerada is the largest exclusively producing petroleum enterprise in America.

The progress of Amerada has been a series of "firsts." Amerada was first to use geophysical exploration techniques. It did the early probing and drilling for Louisiana Land and Exploration and was rewarded by very low-cost acquisition of 213,000 shares of Louisiana Land common. Amerada was first in the Williston Basin in 1951 (at Beaver Lodge) and Madison Zone discoveries there led, in due course, to 16 oil fields in the area and, for Amerada, over 600 producing wells. In 1937 Amerada was the pioneer producer in the Eola field in Louisiana; was an early major producer in West Texas and, in 1952, made the major field discovery at Sturgeon Lake, Alberta. In the unremitting search for oil Amerada has proved a magnificent and early bird-dog. On the record it has been finding 1½ barrels in new reserves for each barrel it produces and it's been hitting a dry hole less than 30% of the time which is considerably below par for the course.

For those who like a geographic spread in their investments Amerada should prove most satisfactory. ARC has important interests in 15 of the United States, with gross acreage totalling above 5 million acres. ARC has approximately 2 million gross acres in Canada and an interest, which it shares three ways (with Continental and Ohio Oil) in 62 million acres in Libya; a one-third interest in 23 million acres in British Somaliland with the same partners; a one-sixth interest in 42 million acres in Somalia; and a one-third interest in 2 million acres in Guatemala. Quite a spread of real estate—but the production is still in North America. In Somalia exploratory efforts have disclosed large structures and sedimentary geologic formations favorable to oil; but the first three holes were dry and at least four more holes must be drilled to get a proper reading of the probability and extent of the oil potential. Two wells have already been drilled in Libya, the structures are favorable and any big strike here could, of course, have a romantic effect on the price of Amerada common. The French are setting great store on these North African desert sands hoping not only to produce oil there in quantity and cheaply, but to get away from present reliance on Middle Eastern production.

Amerada has not been one to publicize its oil reserves, but informed estimates have placed these at above 700 million barrels of oil and probably 3¼ trillion feet of gas. If you were to divide these figures by 6,313,310 the number of Amerada common shares outstanding—you'd get an inventory in the ground, on a per share basis that would easily justify present price around 93½ for Amerada.

Unlike most corporations Amerada has never needed to go to the public or its stockholders for new financing. Operating uniquely, with no funded debt or preferred stock, capitalization consists solely of the 6,313,310 common shares aforementioned listed on N.Y.S.E. The dividend rate is only $2 per share, but there have been a number of stock dividends in the past —2-for-1 in 1946; 2-for-1 in 1951; and again 2-for-1 in 1955.

In looking at a producing oil company, share earnings are usually viewed from two standpoints — actual reported figures, and cash flow. For 1958, Amerada reported $3.56 a share against $4.74 (an all-time high) for 1957. These figures are most conservatively arrived at since the company charges off all intangibles to current income. Actual cash flow per share was $11.02 in 1957 and $9.30 in 1958.

In making projections for Amerada for 1959 three elements are of particular importance: (1) the price of oil; (2) the extent and effects of proration; (3) the limitation on foreign imports. About the price of oil, it seems to have become fairly stabilized with some price rise posted for refined products. Proration this year should not greatly change from 1958—122 allowable producing days in Texas (against 171 in 1957 and 191 in 1956). The mandatory limitation on foreign oil entry are expected to reduce the record 1958 import total by around 15%. This should tend to strengthen U. S. crude prices and, accordingly, be somewhat favorable to Amerada. Based on these general assumptions we would expect Amerada to do better this year, but not to reach the peak net earnings of 1957. A fair guess for 1959 might be $4.40 per share reported and a cash flow of $10.40. On this projection (which is pure conjecture) the present price of Amerada is 21 times indicated per share net and 9 times the cash flow. Compare these ratios to some of the giddy electronics selling at 40 times earnings and it's hard to regard Amerada as overpriced. As a matter of fact, Amerada sold at a high of 147½ in 1957, and as low as 81 in 1958—so it doesn't look particularly dear at 93½.

Amerada is held today by 137 investment institutions. It has about $65 million in current assets against about $10 in current liabilities; so if it wants to drill a new well in Saskatchewan or Somaliland it doesn't have to look around for so-makers! Amerada has paid continuous dividends since 1922. Many knowledgeable people think that its President (since 1929), Mr. Alfred Jacobsen, is little short of a genius when it comes to sniffing oil, staking out large low-cost acreage blocks in unexplored areas, and making them pay off in millions.

For those who regard oil today as a tired commodity, beset by higher drilling and land costs, plus proration, at home; and by greedy Sheiks and tax hungry Venezuelans abroad; and by the potential threat of atomic energy as a competitive power source — for such Cassandras it's hard to make a case for any oil stock, even so elite a one as Amerada. But for those with a more temperate and balanced viewpoint the oils may seem to have lagged too far behind in this Dow Derby we're running now. Royal Dutch, Sinclair, Phillips, Continental, Shamrock, all, no doubt, deserve another look at this juncture. And so indeed, does Amerada selling some 35% below its 1957 high, loaded with a vast store of oil production with what the radio announcers might call "that locked-in goodness." Oil in the ground is a pretty respectable hedge against inflation, and Amerada has plenty of it. What is known and proven in the way of reserves gives ample support for the price of Amerada today. Can you imagine what would happen marketwise if Amerada's Libyan desert sands turned out to be another Iraq or Iran?

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FIC Banks Sell Debs.

The Federal Intermediate Credit Banks offered yesterday (May 20) a new issue of approximately $170,000,000 of 4½% nine-months debentures, at par. Dated June 1, 1959 and maturing March 1, 1960, the debentures are being offered through John T. Knox, fiscal agent for the banks, and a nationwide selling group of securities dealers.

It was also announced that a total of $25,000,000 of outstanding debentures maturing Oct. 1 and Nov. 2, 1959 were sold for delivery June 1, 1959.

Net proceeds from the financing will be used to refund $115,000,000 of 2.30% debentures maturing June 1, 1959, and for lending operations of the banks.

The Cult of Equities

By PAUL EINZIG

The anomalous position of Government trust funds finding it expedient to shift its portfolio into equities weakens arguments advanced as to why private investors should hold on to Government issues. This point is made in passing by Dr. Einzig in his column devoted to the revival of popular interest in equities once again in his country following the past six months' comeback of Government loans. The columnist attributes this to: progress toward recovery, resumption of wage pressure and inflationary character of the British budget.

LONDON, Eng. — The stability of the cost of living index in Britain during the past six months resulted in a temporary revival of demand for Government loans earlier in the spring. It was accompanied by a decline in equities well below the record level reached at the beginning of the year. For a month or two it looked as though it would be the turn of Government loans to attract the investor. It was argued that, after all, there was no justification for assuming that we are doomed to uninterrupted inflation. Recessions are liable to occur, and they mean lower profits and dividends. They may also mean stabilization of the purchasing power of fixed interest bearing securities. Indeed, optimists even envisaged the possibility of a fall in the price level with a resulting increase in the real value of Government loans, apart altogether from any rise in their Stock Exchange quotations.

Paul Einzig

The recovery of Government loans and the setback in equities did not last, however. With the progress of the spring, equities recovered their former popularity and rose to new record levels, while Government loans declined once more. Today, the cult of equities is as widespread as ever in Britain. This change was due to a large degree to the progress towards business recovery and to the reflationary character of this year's Budget.

The revival of pressure for higher wages also had some share in bringing about the change. With the improvement in business conditions, it is now widely assumed that a large proportion of the increase demanded by miners, engineers and transport workers would be conceded, and that this would lead to another round of wage increases. Should this happen, the rise in prices would be resumed. Producers would be once more in a position to pass on to the consumer any wage increase, so that it would not affect their profit margins. Hence the revival of the popularity of equities.

The resumption of the upward movement of prices would, of course cause a revival of pessimism bordering on defeatism about the ultimate fate of Government loans. It is true, the investing public now realizes that equities are exposed to wide fluctuations; that they can go down as well as up. The recent business recession and its effect on the Stock Exchange has somewhat undermined the formerly implicit faith of investors in the infallibility of investing in equities. The experience of recent months had the result of slowing down the flow of funds from loans into equities. For a short while the flow was even reversed. But taking a long view that trend was bound to resume its course.

The Government has now promised legislation for the next Parliamentary session to authorize charitable trusts and trusts in general, to depart from the traditional types of trustee securities and invest at least part of their funds in equities. Until recently such a change was considered inconceivable. After all, it is against the interests of the State to encourage the diversion of trustee funds from Government loans to equities. The amounts involved are very large indeed. Had trustees of every kind been at liberty to invest their trust funds in equities during the last few years it is certain that their operations in switching their funds from gilt-edged stocks to industrials would have greatly accentuated the prevailing trend. Equities would have risen much higher, and Government loans would have declined even lower. Their mainstay was until now the inability of trustees to realize their holdings of Government loans.

The reason why in spite of this the Government feels impelled to extend the list of permissible trustee investments is that the immorality of exploiting those not in a position to defend themselves by hedging against inflation has come to be realized. Beneficiaries from charity trusts are the most defenseless section of the community. If the funds of such trusts lose their purchasing power both through the depreciation of the monetary unit and through the continued fall in the Stock Exchange values of Government loans, the benefits distributed by such trusts might well decline below subsistence level, or the number of beneficiaries might have to be reduced. Other trust arrangements, too, are supposed to protect minors and others who are unable to fend for themselves. It is utterly unethical to tie them down to a type of investment which is bound to lose much of its value in the course of time, merely for the sake of slowing down the process of depreciation for the benefit of the rest of the community, consisting mostly of investors quite capable of hedging against the depreciation.

Once the proposed change is carried out it is bound to increase selling pressure in the Gilt-edged market and buying pressure in the markets for equities. But the extent of such pressure will be moderate in comparison with the pressure that would develop under a Socialist Government. It is the declared intention of the Labor Party to use the accumulated reserves of the National Insurance Fund, and the funds of the proposed additional Superannuation Scheme, for the acquisition of equities on a large scale. Once a stage is reached when even the State finds it inexpedient to invest in its own securities the funds under its control and prefers to invest in equities, it would be difficult to argue convincingly in favor of holding Government loans by private investors, except as purely temporary investments.

Should there be effective resistance to wage demands during the autumn, the increase in the output might well bring about some price cuts. It would then be interesting to observe how even a moderate decline in prices would affect profit margins and dividends in existing circumstances. There might then be another revival in the demand for Government loans. But the view is now widely taken that the odds are heavily against such developments, and that wage inflation will resume its course in the autumn.

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U.S. Gold Outflow Confronts Challenge of International Poverty

By EUGENE R. BLACK*
President, International Bank for Reconstruction & Development
Washington, D. C.

Our gold loss hurts no one including ourselves, Mr. Black points out in averring it would be tragic if our pre-occupation with short-term domestic movements prompts us to undo the success we obtained for the international economy. The world's investment banker: (1) discusses gap between our performance and precepts; (2) declares our euphemistic usage of the term "foreign aid" and failure to lay as much stress on quality as on quantity discredits our most constructive idea in our whole foreign policy; and (3) refers to India as an example of what can be done to help a poor country overcome a difficult hurdle. Pleased with the encouraging sale of Bank's bonds to financially strengthened Europe, Mr. Black quails at the thought we might short-sightedly jeopardize Free World's growing response to challenge of international poverty.

I want to discuss briefly three recent events in the affairs of the World Bank which I hope will suggest that there is more order in this turbulent world than appears on the surface.

Eugene R. Black

The World Bank lends money mainly for very expensive things like power plants and railroads, road systems and port facilities. We get our money almost exclusively now from private investors in the Free World who either buy our bonds or participate in our lending operations in one way or another. Most of our borrowers are governments who are new to the business of governing and are trying to govern in an orderly fashion populations which are becoming increasingly aroused against a life of poverty. This may seem an improbable set of conditions under which to do much business in these chaotic times.

Yet we are getting so large a volume of promising proposals from our borrowers that we are asking our 68 member governments to double our authorized capital. Congress, as you probably know, has been considering this request and it is one of the events I want to refer to here. At the same time we have just announced our first public sale of bonds in Germany, the largest issue we have yet tried to market outside of the United States. This event I mention because it is the result of a new order in Europe's finances which has implications far beyond the operations of the Bank. Then recently the Bank sponsored meetings with the representatives of five nations to work out ways and means of helping India over a difficult hurdle in its Second Five-Year Plan. Here again an instance of order in the world which provides hopeful implications for the future.

Let me consider each of these events briefly, starting with our bond issue in Germany.

Recent Bond Sale in Europe

For a long time now our bonds have been well received in the market here and in Switzerland. We have also raised money in Canada, Holland and the United Kingdom. But we have always felt that we could sell a lot more bonds outside the United States, particularly in Europe, when the price was right. Now market conditions in Germany—and in other European countries — offer good prospects. To us this is a very encouraging turn of events.

The good prospects are not just the result of the World Bank's achievements; more important, they are the result of the success of Free World policy, and particularly American policy, over the past ten years or so. Financially speaking, our first object in the postwar decade was to restore the competitive position of the industrial nations of Western Europe and Japan after the ravages of World War II. From every point of view financial independence is preferable to being more or less poor relations of the United States, as was the case in some degree with all of these nations ten years ago.

Over and over again during these years it was said that this objective would be deemed achieved when two things had happened: First, when the gold and dollar reserves of the Atlantic Community had been so increased and redistributed that currency convertibility could be restored; and second, when conditions in the industrial countries and their dependencies were such as to attract a sizable annual flow of private American investment to help meet their capital requirements.

Financially speaking, these things are what the Marshall Plan and its successor were designed to do. We can say today that to a large extent our objective has been won and that "phenomenal" is not too strong a word to express the success of the past ten years. Last year the stamp of success was clearly marked on the record. In 1958 alone more than $3 billion net of U. S. private capital was invested abroad, a substantial part in the industrial nations of the Free World. In the same year more European Governments came to the American capital market with bond issues and found buyers there than at any time since the war. This year Japan followed suit. And in 1958 it became possible for any trader who could earn Sterling or Guilders or Deutsche marks or almost any West European currency with his merchandise to change those currencies into dollars at will.

Undoing What We Had Built-Up

It would be tragic, I think, if controversy over the recession here last year and its after-effects eclipsed the fact that we have achieved our long-sought goal of restoring the financial strength of the Atlantic Community. It would be particularly tragic if, in our pre-occupation with short-term movements in our own economy, we adopted policies which had the effect of undoing what we have built up so painstakingly in the international economy. I ask, for example, those of you who are concerned over the fact that last year the United States shipped abroad some $3 billion in gold out of Fort Knox to think a moment before jumping to conclusions. The United States still has about a third of the Free World's gold reserves. What was lost last year was more than matched by what was gained in private investment abroad. If we traded some liquidity, which we did not need, for the acquisition of real wealth abroad, isn't it really a pretty good trade—the kind of trade, in fact, we've been trying to make for 10 years now?

I do not say that all the business of the postwar decade has been completed. For one thing there are still restrictions on dollar imports into Western Europe —and, for that matter, restrictions against European imports into the United States. But these exceptions do not dent the degree of success achieved in the postwar decade. We can say now that financial relations among the industrial nations of the non-communist world have become something like normal, if anything is normal in this changing world.

* * *

Our bond issue in Germany, and our hope of being able to follow suit in other European countries soon, are but symbols of the restored financial strength of the Free World's industrial nations. At the same time we have had considerable evidence that these same nations are now willing and able to bring a measure of their restored strength to bear on the outstanding economic problem of this day—the problem of proverty in the countries of the Free World which have yet to achieve their industrial revolution.

More and more so-called underdeveloped countries are building up the organizations and adopting the administrative practices necessary to invest money in a way that promises to lead to higher living standards. One proof of this progress came last year when the Bank's volume of lending increased 75% over the average of the previous three years. We are now lending over $700 million equivalent a year.

In the face of this substantial increase we had to look to our own sources of capital. Since we raise virtually all our money in the private markets, we naturally looked to strengthening our links with those markets. Our major link, particularly with the American market, is the guarantee which stands behind our bonds in the form of that portion—80%—of our authorized capital which is subscribed by our member governments but which may only be called to meet the service of our own bonded debt. Our directors recommended doubling our authorized capital — increasing it from $10 billion equivalent to about $20 billion — but leaving all of the increase uncalled, and thereby more than doubling the amount of the guarantee behind our bonds. We believe that this action will help assure our ability to raise the funds we will need for a good many years to come.

I am pleased to say that this proposal has had a very kind reception in Congress as well as in the British Parliament and elsewhere in Europe. Here is further evidence, I think, that the Free World's industrial nations are ready and willing to divert a measure of their restored financial strength to helping overcome poverty where poverty is so much the root cause of disorder in the world.

The Big Challenge in India

The momentum of development in some of our member countries has carried them to the point where they cannot prudently borrow further funds abroad on conventional terms of interest and repayment. This is probably the most difficult fact of economic life facing the Free World's industrialized nations today for it involves each one deciding how much it is in its national interest to give further financial help in the form of what is loosely called "foreign aid." I do not intend to plunge into this complicated matter now, but I will cite one instance which suggests that there is growing order here, too.

The country concerned is India, which perhaps presents the greatest challenge of all. In India under-nourishment and mass unemployment are living realities for more than 350 million people. At the same time India has taken economic development into the center of its life, with all the radical changes economic development inevitably entails. No one privileged to play even a small part in India's great adventure today can help but feel that the destiny of free institutions in the 20th Century will be profoundly influenced by the extent of India's success in absorbing these changes without sacrificing respect for individual liberty.

India is the World Bank's biggest borrower; we have invested in India more than half a billion dollars, almost all to help finance projects in the current Second Five-Year Plan. It was natural, then, that when signs of a foreign exchange crisis appeared in India last summer, the Bank should take the lead in convening a meeting of interested nations to see what could be done. The Plan had already been cut back to the core; the Indians faced a stark choice: either more foreign exchange had to be found somewhere or still further cutbacks, some which might involve abandoning projects already started, would have to be made.

Last August and again this March the Bank sat down with representatives of Canada, the United States, Britain, Germany and Japan to see what could be done. We hoped that by bringing several nations together at one time we could obtain a broad measure of agreement on what India's needs were, and how they should be met in the light of the measures which India herself was prepared to take to bring matters under control. As it was, both meetings were successful; the foreign exchange will be forthcoming and the momentum of India's development effort will not have to be slowed further at this time because of a foreign exchange shortage. The response encourages me to think that a community of interest exists in the Free World which could support more permanent, collective arrangements for meeting these emergencies.

Biggest Challenge Is Poverty

The financial strength of the Free World has been restored.

Continued on page 22

*An address by Mr. Black before the Economic Club of Detroit, Detroit, Michigan.

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Dealer-Broker Investment Recommendations & Literature

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

Air Transport Industry—Analysis—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y. Also available is a report on **Allied Paper Corporation.**

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

Catholic Church Bonds — Descriptive Circular — Keenan & Clarey, Inc., Pillsbury Building, Minneapolis 2, Minn.

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.

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.

Portfolios for various objectives—A. M. Kidder & Co., Inc., 1 Wall Street, New York 5, N. Y.

Recreation—Study of companies engaged in supplying products and services needed—Edwards & Hanly, 100 North Franklin Street, Hempstead, N. Y.

Yields From Tax Exempts—Review—Park, Ryan, Inc., 70 Pine Street, New York 5, N. Y.

* * *

AMP Incorporated — Report — The Milwaukee Company, 207 East Michigan Street, Milwaukee 2, Wis. Also available are reports on **Johnson Service Company, Koehring Co., Lake Superior District Power Company, Philips' Lamp, Stepan Chemical Company,** and **Transcontinental Gas Pipeline Corporation.**

Aida Industries, Inc.—Review—Darius Incorporated, 90 Broad Street, New York 4, N. Y.

American Box Board Company—Analysis—H. Hentz & Co., 72 Wall Street, New York 5, N. Y. Also available is a memorandum on **Industrial Rayon Corp.**

American Express Company—Analysis—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y. Also available is a study of AEG (General Electric Company of Germany).

American Machine & Foundry — Memorandum — Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.

American Monorail Co. — Memorandum — Fulton Reid & Co., Union Commerce Building, Cleveland 14, Ohio.

American Steel Foundries — Analysis — Reynolds & Co., 120 Broadway, New York 5, N. Y. Also available are reviews of **Stewart Warner Corporation** and **El Paso Natural Gas Company.**

American Title Insurance Co.—Memorandum—Atwill & Co., 605 Lincoln Road, Miami Beach 39, Fla.

Analogue Controls — Bulletin — Bear, Stearns & Co., 1 Wall Street, New York 5, N. Y.

Armstrong Cork Company — Report — Thomson & McKinnon, 2 Broadway, New York 4, N. Y. Also available is a report on **Convertible Bonds.**

Audio Devices, Inc.—Report—Adams & Peck, 120 Broadway, New York 5, N. Y.

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

Blossman Hydratane Gas Inc.—Memorandum—Howard, Weil, Labouisse, Friedrichs & Co., 222 Carondelet Street, New Orleans 12, La.

L. E. Carpenter & Company—Analysis—Boenning & Co., 1529 Walnut Street, Philadelphia 2, Pa.

Clayton Mark & Co.—Memorandum—A. C. Allyn & Co., 122 South La Salle Street, Chicago 3, Ill.

Endicott Johnson — Data — Herbert E. Stern & Co., 52 Wall Street, New York 5, N. Y. Also in the same circular are data on **Baldwin Lima Hamilton.**

Erie Resistor Corporation—Analysis—Daniel F. Rice & Company, 141 West Jackson Boulevard, Chicago 4, Ill.

Federal Paper Board—Review—Hardy & Co., 30 Broad Street, New York 4, N. Y.

Federal Paper Board Company—Analysis—Schweickart & Co., 29 Broadway, New York 6, N. Y.

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

Fruehauf Trailer Co.—Appraisal—Halle & Stieglitz, 52 Wall Street, New York 5, N. Y.

General Cable—Review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

General Time—Data—du Pont, Homsey & Company, 31 Milk Street, Boston 9, Mass. Also in the same circular are data on **Chicago Milwaukee St. Paul & Pacific,** and a review of the **Dow Jones Industrial Averages.**

Gestetner, Ltd.—Review—Alfred L. Vanden Broeck & Co., 55 Liberty Street, New York 5, N. Y.

Jewel Tea Company, Inc.—Analysis—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y. Also available are bulletins on **Werlitzer Co., American Metal Climax, Wyandotte Chemicals Corporation, Raytheon, Poor & Company, Travelers Insurance, R. H. Macy** and **Schenley Industries, Inc.**

Kansas City Southern Railway Co.—Analysis—Purcell & Co., 50 Broadway, New York 4, N. Y. Also in the same circular is a review of **A. O. Smith Corporation.**

Koehring Company—Report—Loewi & Co. Incorporated, 225 East Mason Street, Milwaukee 2, Wis.

Lakey Foundry Corporation—Bulletin—De Witt Conklin Organization, 120 Broadway, New York 5, N. Y. Also available are bulletins on **Republic Industrial Corporation, Continental Aviation and Engineering Corporation** and **Continental Motors Corporation.**

North American Refractories—Card Memorandum——Strauss, Ginberg & Co., Inc., 115 Broadway, New York 6, N. Y.

Papercraft Corporation—Analysis—Singer, Deane & Scribner, Union Trust Building, Pittsburgh 19, Pa.

Portsmouth Corporation—Analysis—Murch & Co., Inc., Hann Building, Cleveland 15, Ohio.

State Life Insurance Company of Colorado—Survey—Life Insurance Stocks, Inc., First National Bank Building, Denver 2, Colo. Also available is a review of **Life Insurance Stocks** as investments.

Western Gas Services Company—Analysis—Underwood, Neuhaus & Co., Incorporated, 724 Travis St., at Rusk Avenue, Houston 2, Texas.

COMING EVENTS
In Investment Field

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 19, 1959 (New York City)
Investment Association of New York annual outing at the Tuxedo Club, Tuxedo Park, N. Y.

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

June 26, 1959 (Columbus, Ohio)
Columbus Stock & Bond Club outing at the Columbus Country 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.

June 27, 1959 (Chicago, Ill.)
Chicago Traders Association summer outing at the Woodridge Country Club.

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 Waionda 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.

Harry W. Crockett Joins Draper, Sears & Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Harry W. Crockett has become associated with Draper, Sears & Co., 50 Congress Street, members of the New York and Boston Stock Exchanges. Mr. Crockett was formerly in charge of the utilities stock trading department of Coffin & Burr, Inc., with which he had been associated for many years.

Harry W. Crockett

Personalized Planning

ARDEN, Del. — Personalized Planning Co. of America has been formed with offices at 2301 Hillside Road to engage in a securities business. Partners are Shaul Gladstone, Beverly Gladstone and Richard Seidler.

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Future of Small Business Under "Fourth Banking System"

By DR. NEIL H. JACOBY*
Dean, Graduate School of Business Administration
University of California, Los Angeles, Calif.

Familiar with RFC experience with small business financing, Dr. Jacoby offers several ground rules to help assure success of small business investment companies—hailed as a new era in American business finance. The well known economist refers to the generally overlooked and unknown extent to which larger businesses finance smaller ones; finds business concentration has not increased and that the ratio of self-employed to total gainfully employed is about 1 to 4; outlines the forces favoring new and small firms; and refers to RFC voluminous files in describing lead indicators in business defaults or weaknesses.

Our country is on the point of launching what has been called a "fourth banking system" to serve small business enterprises. This system will follow the Farm Credit Administration created to serve farmers, the Housing and Home Finance Administration which helps to finance home-owners, and the commercial banking system which provides a broad range of financial services to nearly all groups in the community. I refer, of course, to the Small Business Administration and the new Small Business Investment companies which it is now engaged in licensing in order to meet the long-term credit and capital requirements of American small businesses. I predict that this new system of financial institutions will, in time, become as important in its field of operation as the previous system have become in their segments of our economy.

Neil H. Jacoby

Finance and Management

Small business management and principles and methods of small business **finance** may appear inconsistent, yet a little reflection makes us realize that the two subjects are really inseparable. The successful financing of a small business—or any business for that matter—is predicated on competent management of the financed enterprise. In fact, it seems to me that the business of financing small businesses on a medium or long term basis should be allied inseparably to that of providing management services. The small enterprise, by virtue of the fact that it is small, is usually lacking in some type of management skills, whether it is marketing, production, personnel, or research and development. Unless all of the gaps in the small firm's management skills are closed, financial aid to it will be of no avail.

I wish to discuss three subjects: **first**, about the position small business now occupies in the American economy and its probable future; **second**, about an aspect of financing small business which I think has been rather generally overlooked, namely, the extent to which larger businesses now finance small businesses; **thirdly**, about a chapter in the history of small business financing in our country that many people have not read, or have forgotten the rich experience of the Reconstruction Finance Corporation in financing smaller businesses not many years ago.

I shall not spend much time on the definition of small business. I think business executives all understand what a "small" business is. A small business is any business with a larger competitor! Consequently, small business forms a large segment of the total business population of our country. I am not facetious in offering this definition. The congressmen who wrote the Small Business Act of 1958 were very wise in refraining from defining small business, and in allowing the administrator of the Small Business Administration freedom to establish whatever definition he thought appropriate. Congress simply asserted that a small business could not be "dominant in its field." Many definitions will be appropriate, depending on what our purpose may be.

*An address by Dr. Jacoby before the Small Business Management Conference, University of California Conference Center, Lake Arrowhead, Calif.

Position of Small Business in the U. S. Economy

Small business is important in the U. S. economy. It is important because it helps to make our economy more progressive and more efficient. It helps to make our economy more competitive and more stable than it would be if we did not have many small businesses along with large ones. It is important because small firms open gates of opportunity to tens of thousands of ambitious men and women every year who want to experiment with new ideas, methods, products or formulae. In 1951, which is the last year for which we have good figures, business firms employing fewer than 100 employees—for the moment let us take that as our definition of small business — accounted for about 40% of all non-agricultural jobs in the U. S. economy. This one statistic gives an impressive indication of the high importance of small business in our country.

Now, many people will tell you that American small business is declining as an institution, or at least it is threatening to decline. Politicians, in particular, often express the view that small business is fighting a losing battle. They assert that technological changes in our economy are making large-scale operations more efficient, as time goes on, and it is harder for the little firm with its limited capital, facilities, and personnel to survive. It is also said by some of our sociologists that social attitudes are making Americans more and more a society of employees getting a weekly or monthly pay envelope. American society, they aver, is fast becoming a society of "organization men". People are becoming less entrepreneurial, less enterprising, less willing to strike out—each individual for himself—to make his fortune.

The facts do not provide support for these assertions. On the contrary, they show that small business in the U. S., is holding its position very well. The business population of the United States, according to the Department of Commerce, is now composed of about 4 and 1/3 million different, independent enterprises. This enterprise population has been growing by a net addition of about 50,000 firms per year ever since World War II — through recessions, through boom, through all kinds of economic conditions. The number of new business formations in the U. S. every year is around 380,000; and the number of business discontinuances, either because of merger into larger business, death or retirement of the owner, bankruptcy or insolvency, has averaged about 330,000 a year. Even though about 1 in 8 businesses goes out of existence every year, an even larger number of new firms goes into operation, and the population goes up by 50,000 every year. This is a persistent and strong infusion of new enterprises into our country. As a matter of fact, the ratio of the business population of the U. S., to the human population is now about 1 to 45, and that ratio has not changed much for half a century. Neither has American business become more concentrated. The percentages of business done by the largest four or eight firms in leading industries are about the same today as they were in the Thirties.

I have referred to the number of independent business enterprises that the Department of Commerce of the U. S. recognizes. In thinking about the accuracy of these figures, it occurred to me that one way of checking their accuracy would be to go to Statistics of Income compiled by the Department of Internal Revenue and to find out how many individual income tax returns report income from self-employment in businesses or professions. The most recent available figure is for the fiscal year 1954, in which nearly **8 million people reported an income from self-employment in business or profession!** If one adds to these 8 million people the additional number that have entered a business or profession during the past five years, and also adds another 5 million farm businesses, about 15 million Americans apparently are engaged in entrepreneurial activities! When you recall that there are about 70 million people in the labor force, the ratio of self-employed persons to the total number of gainfully employed may be not far from 1 to 4. This suggests that entrepreneurship and small business are vital forces in the contemporary United States economy.

Forces Favoring New and Small Enterprises

There are many reasons why small and new businesses continue to form a vital part of the American economy. In the first place, many technological developments are of the kind that call for higher and higher degree of specialization in skills and facilities. The highly specialized enterprise is, **par excellence**, the small enterprise. For example, the rapidly growing hi-fidelity reproduction sound industry is composed primarily of small businesses. At the cutting edge of technological development, a high degree of specialization and much experimentation and change occurs. Mass production it not feasible, until the product is standardized and a mass market is created. The small firm can exploit the immense number of relatively small opportunities that the big firm with its big research laboratories and massive equipment can't afford to touch. New inventions multiply day by day. We are living in an era in which the accumulation of technological knowledge is increasing not arithmetically but geometrically. Many of these new inventions and ideas will be the basis for new enterprises.

Another factor that is creating opportunities for small enterprises in our country is the new emphasis on "custom" goods and services by American consumers. We have all seen that the American automobile industry is having to adjust itself to this desire of Americans for something "different." Many Americans do not want another Buick; they prefer a Renault, a Toyapet or some esoteric brand. The desire for a differentiated product has permeated the consciousness of our people very widely, and created numerous opportunities for the smaller business. Studebaker-Packard and American Motors sales are relatively good because they cater to this desire—and they are smal businesses in their industry.

Economic growth creates new business opportunities. As long as we have a growing economy—and I believe our economy will grow and should grow faster—an immense number of opportunities will emerge for the little firm. The small firm is free of many of the costs that the big firm must incur. Being flexible and capable of rapid movement, it can seize these opportunities.

Another reason why the position of small business in the U. S. economy of the future is bright is the force of our anti-trust laws. They protect the small firm from unfair tactics that the larger firm may employ to drive it out of existence.

Still another factor favors the smaller firm—our tax laws which are almost perfectly designed to assure a high rate of formation of small businesses, although they hamper the growth of business after a certain size has been reached. The only way in which an ambitious and able man can accumulate a fortune today is by realizing a capital gain on equity investments. Of course, equity investments may be made in land or stocks of large corporations, but the largest potential capital gains lie in investment in small businesses which grow. By limiting the rate of tax on capital gains to 25%, the tax laws offer powerful incentives to people to invest in small businesses. Apart from this, the tax laws offer the small businessman many opportunities to reduce his tax burdens not open to professors or other persons who have to live on a salary.

A final reason why small businessses are going to continue to be a vital part of the American economy is the creation of a "fourth banking system" to help finance their growth. I shall return to this subject in a moment.

Financing of Smaller Firms by Larger Firms

I turn now to another aspect of small business financing, namely, the enormous extent of "inter-business financing" in the U. S. economy. It would be a great mistake to believe that small businesses in America get their financing only from commercial banks or from other

Continued on page 28

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NEW ISSUE May 15, 1959

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Inflation's Growing Unpopularity Makes the Future Look Brighter

By WILLIAM F. BUTLER*
Vice-President, The Chase Manhattan Bank, New York City
Former Chief Economist of War Production Board
During World War II

A top bank economist warns price rise decisions, such as those indicated for the shoe industry, based on belief U. S. economy will continue to have an inflationary bias, may turn out to be misguided. This is explained in terms of, one, growing political unpopularity of inflation by a public which sees the results of wage-spiral and, two, declining share of consumer dollar received. Dr. Butler explains fundamental causes, consequences, and cures for inflation; is heartened by progress we are making in adopting sound policies, which he admits requires hard and resolute action; admonishes labor to choose between pricing themselves out of the market and more employment with a non-shrinking dollar; and forecasts a year of rapid expansion, a $500 billion GNP somewhere between end of 1959 and early 1960 and a tremendous growth ahead of inflation.

There has been an increasing concern recently about the problem of inflation—the press has been full of talk about the inflationary impact of the deficit in the Federal budget and the wage-price spiral. Stock and bond markets are beset by fears on the part of investors that creeping inflation has become a way of life in the U.S.

William F. Butler

At the same time, many economists have been arguing that a rise in prices of up to 3% per annum on the average is inevitable. What is more, they argue that this sort of inflation is a small price to pay for avoiding the much greater problems of unemployment and a slow-down in our rate of economic growth.

It is my considered judgment that these pronouncements are not only misguided, but positively dangerous. I believe this nation has the potential to move ahead economically in a literally fabulous fashion. Our total production of goods and services will be half a trillion dollars sometime early next year. We have the technical ability to lift that total to $750 billion—three-quarters of a trillion—by 1970. This would make possible a level of living in this country—a horizon of opportunity for each individual—that is completely unprecedented in history.

However, I believe we can wreck our chances of achieving this most attractive objective if we succumb to the siren call of inflation. I'll put this even more strongly—I believe inflation is the one thing on the domestic scene that can prevent us from enjoying great prosperity and growth in the years ahead.

*An address by Dr. Butler before the shoe industry leaders, New York City, May 4, 1959.

Consequently, I think we must work to so re-arrange our affairs as to avoid inflation. Moreover, it seems to me that we can contain inflation, and I will argue that we have been moving in that direction and that our prospects of achieving growth and stable prices are better than is generally appreciated.

Reasons We've Had Inflation

To spell out some of the reasons for these conclusions, it is necessary to consider briefly three basic questions:

(1) What is inflation?
(2) What causes inflation? and;
(3) What can be done about it?

The simplest and most meaningful definition of inflation is that it amounts to a rise in the general price level. This does not mean that any rise in a specific price is inflationary. At any point in time some prices are rising, some are stable and some are falling. But when the general trend of prices is upwards—when the number of individual prices that are rising exceeds the number that are stable or declining—we have inflation.

It is a bit ironical that the current concern about inflation comes at a time when we haven't had any for a year or so. The official indexes of overall consumer prices and wholesale prices have been stable for the past year. Moreover, these indexes may overstate the degree of actual price increases since, for one thing, there is no way to make adequate allowance for improvements in quality—I am told that children's shoes with synthetic soles last far longer than those made ten years ago, but it is difficult to put this into a price index.

In any case, there is no denying the fact that we have had inflation during the postwar period—the consumer price index is 30% higher than in 1947, and the index rose 8% in the two years from early 1956 to early 1958. Thus, there is no question but what inflation is a serious problem.

Why have we had inflation? Now economists are adept at making this a very complicated and technical matter, and the actual process is far from simple. But when you cut through the underbrush, you find that there are two basic reasons for inflation:

(1) Wages have risen more rapidly than the economy's technical efficiency—that is, the economy's ability to pay higher wages without raising prices; and

(2) Enough money and credit has been available to finance the rise in prices resulting from the increase in unit labor costs.

Now the U. S. economy has, with the sole exception of the decade of the 1930s, always been a growth economy. We have managed to produce more for each man-hour of work. We have done this not by working harder, but by investing in machinery and equipment that has made possible a greater output. This steady growth in our technical efficiency made possible by investment has enabled us to raise wages and salaries, and to pay increased dividends to investors.

Our problem in recent years is not that wages have increased—they should rise as the economy grows. It is, rather, that they have increased too rapidly. We can, and should, raise wages as the technical efficiency—the productivity—of the economy advances. This is the way in which we create a mass market for the products turned out by our factories. And this is the way we raise living standards and offer greater opportunities to individuals.

In the past decade, however, wages have increased at a faster pace than the economy's ability to pay them with stable prices. For the nation as a whole, wages (including fringes) have gone up at an annual rate of about 5% per annum whereas the economy's technical efficiency has advanced no more than 3% per year. The result has been an increase in unit labor costs—the wages and salaries that have to be paid to produce a pair of shoes or a ton of steel or an automobile. When unit labor costs rise, prices must be increased if profit margins are to be maintained. And profits must be maintained if business is to invest in the new plant and equipment necessary to support the nation's economic growth.

The other side of the inflationary coin is that enough money and credit has been provided to support the price rise resulting from increased labor costs. If this were not the case, a too-rapid rise in wages and prices would result in lower sales and increased unemployment. That is why we need tight money and a surplus in the federal budget when inflation threatens to break out.

Average wages in the footwear industry have not risen quite as fast as those for manufacturing industry generally. Nevertheless, they have increased about 50% since 1947, an average annual advance of about 4%. As is the case in industry generally, this has pushed up unit labor costs and led to price advances. Thus, the Government indexes show increases of about 30% in wholesale shoe prices and 40% in retail prices since 1947. This is about in line with the rise in the overall consumer price index.

I understand that your industry faces a new problem in that hide prices have soared, pushing costs up still further. The public prints resound with news of price advances in shoes, and hints of still more to come.

Warns of Misguided Pricing Decisions

I do not pretend to know enough to pass judgment on the necessity and wisdom of these particular actions. Yet I would issue this warning: To the extent that these decisions are influenced by a feeling that the U. S. economy will continue to have an inflationary bias, they may turn out to be misguided.

The shoe industry's share of the consumer dollar has declined steadily in recent years—consumers spend one-third less of their income on shoes now than they did a decade ago. Such a decline would be in line with the traditional view of consumer spending patterns. It has long been believed that as incomes rose, the share going for the so-called necessities of food, clothing and shelter would decline. I think it was Adam Smith who pointed out that the desire of food is limited by the narrow capacity of the human stomach.

But when you look at what has happened in our economy, you find that expenditures for food and shelter have not followed the rules—the share of the consumer dollar spent on these items is greater today than ten years ago or 30 years ago. Only clothing and shoes have lost ground, and the relative decline has been greatest in shoes. It would seem clear to me that the upgrading in purchases which has featured most consumer markets in recent years has not extended to shoes.

I have no pat remedy to offer, if, indeed, one exists, But what I am sure of is that shoe sales will suffer if the industry raises its price more than prices generally go up. And I think it is possible that shoe firms suffer from a general inflation more than, say, the food industry suffers. People may shift more readily into lower-priced lines in shoes than in steaks. Thus, the shoe industry may have special reasons for concern about the problems of avoiding inflation.

What Can Be Done?

This brings me to the third question I raised at the outset: What can be done about inflation? To achieve price stability, two conditions must be met:

(1) The increase in average hourly earnings must be kept in line with the advance in the economy's efficiency—which means wage increases averaging 3% per annum;

(2) The increase in the money supply must be kept in line with the potential growth in physical production—which means tight money and budget surplus in time of business expansion and high employment.

While it may take time to measure up fully to these requirements, I would argue that we have been making progress in these directions. The Federal Reserve moved from a policy of credit ease to one of moderate credit restraint six months ago. Never before in history has the Fed moved so swiftly to exercise control over money and credit in a business recovery.

I applaud the Administration's decision to press for a balanced budget in fiscal 1960. Moreover, Congress has thus far exercised greater responsibility than many observers believed possible. With business continuing to improve, I believe receipts will rise fast enough to give us a balanced budget, at least for the calendar year 1960.

These actions are significant—they serve notice that the money supply will not be enlarged to support a general price rise. If wages are increased more rapidly than productivity, the result will be lower sales and higher unemployment. Yet this does not mean any prolonged period of unemployment—it means only that all parties concerned will have to moderate their behavior in such manner as to halt the wage-price spiral. Recent experience in Europe—in Western Germany, the United Kingdom, France and other nations — shows that this lesson can be learned amazingly fast.

Inflation's Growing Unpopularity

Moreover, there is a growing amount of evidence that inflation is becoming quite unpopular politically, and that the public believes the wage-price spiral does no one ny good. Even more significant is the widespread understanding of industry's fantastic success in substituting machinery for manpower during the recent recession. This has brought home the lesson that it is possible to price labor out of the market, just as some domestic products are being priced out of international markets. To put it another way, there is a growing feeling that more employment, and steadier employment, is a better deal than a wage increase that is largely eaten away by higher prices.

All this is to the good, but it will take hard and resolute action to secure adoption of policies that will prevent inflation. On this score, the business community has grave responsibilities for exercising firmer leadership. If businessmen decide that we are going to have creeping inflation and begin to rearrange their affairs to cope with it, we'll have a gallop in prices rather than a creep. And the most probable result would be a speculative boom followed by a resounding tumble. By working to contain inflation, however, business can make a notable contribution to our future growth and prosperity.

In these terms, the period ahead—say the next two years — may well witness the climax of the battle against inflation. I share the growing optimism of forecasters about the business outlook, and, in fact, I go a bit farther than most. It is my personal view that this will be a year of rapid expansion, even if a steel strike intervenes in the third quarter. By the end of the year or early next year, we should be back to a high level of employment and full capacity operations throughout most of industry. At that point we'll pass an important milestone—the half trillion dollar mark for total production of goods and services. Then 1960 could be a year of great prosperity and advance.

If we can, as I believe we must, demonstrate in this period that we possess the wisdom and the maturity to deal effectively with the problem of inflation, I am sure that my optimistic views about our long-term growth potential will turn out to be no more than modest understatements. America and American business have an admirable tradition of rising to the occasion, often a little late and frequently with a reluctance that stems from the very individuality of thought that is so important in our way of life. I trust that the reaction to the challenge in the critical period ahead will measure up fully to the tradition.

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Sharing Increased Productivity The Best Inflation Control

By DR. JOHN J. QUIGLEY
Staff Member, New York Regional Renegotiation Board
Former Chief Economist, New York Regional Office of the Office of Price Administration

Renegotiation economist proposes triparted division of increased productivity as best way to control inflation. The author applies his proposal to data for past five years, based on certain assumptions which he specifies, and approves of the results. He finds that management, labor and consumers can benefit from increased future productivity if they are willing to agree what is desirable and possible in order to share the gains so as not to lapse into the continuous see-saw struggle of the past.

President Eisenhower's recent message to Congress stressing the need for preventing, or at least controlling, further inflation is the most recent in a whole series of pronouncements by political, business and scientific leaders who are concerned over the nearly continuous rise in the cost of living which has been going on ever since 1940. Nearly every person in the country is injured to some degree by rising prices. Those most harmed are the people who live entirely on fixed dollar incomes, millions who depend on pensions, others who receive all or most of their incomes from bond interest, dividends on preferred stocks or the proceeds of insurance policies. Educational and charitable institutions have seen the buying power of their endowment incomes shrink enormously as the prices of the things they have been buying increased. In this same group are those with incomes fixed for considerable periods by law or custom, to whom increases always come long after the cost of living has risen, and the increase at least enables them to catch up for a short time. Even the member of a powerful union which is able to stay ahead, or abreast of, the rise in living costs, through increases in wage rates and fringe benefits, has much of the increase offset by rising prices, and would probably progress further and faster if he could have some increase in wages, with stable, or even decreasing prices.

Dr. John J. Quigley

The only beneficiary of ever-rising prices is that business owner (not all owners by any means) whose sales prices go up more rapidly than do his purchase prices, wages and other costs. Even here the benefit is limited to the period during which the business volume stays at or near a constant level. Sooner or later, in almost every business, a point is reached beyond which sales are considerably smaller as prices continue to rise, enough smaller to squeeze total profits below their former levels. Indeed, more than once in the past, a continued rise in prices has led to a "buyers' strike," and this may well happen again.

Three Groups Can Benefit

To put the problem briefly—each party to production and sale would like increased income, but would prefer to avoid rising prices of the things he wants to buy. The business owner would like higher profits, but he cannot continue to get them if the wages, raw material costs, and other prices he pays continue steadily to rise; the wage-earner wants ever-increasing wages, but he would prefer to avoid a rising cost of living; the consumer wants the same or better products, if possible, but he does not want to pay ever rising prices for them.

It is possible for all three of these groups to receive increased benefits from more efficient manufacturing operations over a long period of time? It is, if we continue to obtain increased productivity, *and are willing to share*, its benefits.

Increased productivity is the combining of management and labor and money in such a way that the joint product is larger in quantity than before, in relation to the quantity of productive factors that went into the creation of the product. We have been securing increased productivity in the United States in most manufacturing businesses, and in many other industries, such as mining, transportation and distribution, throughout the Twentieth Century, and during a good part of the previous century.

GNP Productivity Rate

Although, strictly speaking, this increase in production is a physical amount, and is measurable, it is difficult to circumscribe because unit costs and selling prices keep changing, and much of the summarized data regarding production sales and costs is measured in dollars. Those who wish to use measurements of productivity attempt to make allowance for these changes. For example, the January *Letter* of the First National City Bank, in discussing increased productivity, states that the average annual rate of increase in gross national product for 1909-1957, measured in constant dollars, was 2.9% per year.[1] Even this does not give us an accurate picture of increased productivity, for the work force employed increased substantially in that period, and a greatly increased quantity of plant, machinery and equipment was employed in helping to secure these results.

Methods of measuring the amount of increased productivity that occurs during a period of time, such as a year, vary somewhat, depending on who does the measuring. Many economists, and most labor unions, customarily measure it as a percentage of the amount of labor that is required to produce the quantity of product in question. This is a perfectly usable method, but to omits mention of the machinery and equipment (paid for with owners' money or with money borrowed by owners) which also contribute to the increased output. The use of this method tends to create the impression that the wage-earner alone has caused the increased productivity. In some cases it may have occurred entirely from other causes, and sometimes despite his best efforts to prevent it. In almost no case is the wage-earner alone responsible. A better way to measure increased productivity is to relate output of all costs of production, either units of output to dollars of labor and dollar amounts of all other costs, or dollar value of output to dollar amount of all costs.

1 p. 5.

Recent Real Upswing

That increased productivity has been real, and substantial in amount, in recent months has been amply demonstrated. The *Bank Letter* just quoted has called attention to this in several issues[2] during 1958. In October, for example, it was stated that, on a seasonally adjusted basis, factories increased production 9% between April and August with only 3% increase in man-hours. This indicates an increase of about 5% in productivity as usually measured. This particular increase was attributed to a combination of new equipment, improved methods, and elimination of wasteful practices.

In the 14 months beginning in September, 1957, increased productivity was secured rather steadily, whether in recession, which continued through April 1958, or in recovery, which occurred in the next seven months. During the winter of 1957-1958 man-hours declined faster than did production; after April, production increased faster than man-hours.

During a good part of the last 13 years, owners and organized labor have alternated in seeking to appropriate for themselves all or most of the gains from increased productivity.[3] Typically, such gains flow entirely to owners for a few months to a year, then a new wage bargain brings a part, or all, or sometimes more than all, of such gains to organized workers, until a further period of production improvement has witnessed a further increase in productivity, with consequent gains to owners, then workers, etc.

Suggests Equal Tri-Partite Sharing

What if, instead of continuing the see-saw struggle of the past, owners and organized workers were to agree to share increased productivity, as it occurs, not only between themselves, but with consumers (in the form of lower prices)? What if increased productivity were to be divided equally between these three parties to the production and sales process?

In order to get an idea of what would be likely to happen in such a case, let us make a few fairly realistic assumptions:

(1) That for an appreciable period of time, say five years, productivity throughout manufacturing, and in some areas of mining, transportation and distribution continues to increase steadily at something like the rate which has been secured in recent years.

(2) That this increase in productivity consists partly in average increase in physical volume of output, and partly in absolute reductions in dollars of direct and indirect labor production costs.

(3) That benefits are received almost immediately after the increased productivity occurs, that is during the same year. For example, a labor contract at the beginning of the year might be based on the agreed estimate of the increased productivity to be secured during the year, with the workers getting one-third of the estimated amount. Owners would, of course, benefit quarterly as higher profits were recorded, and consumers would benefit when prices were lowered.

On the basis of these assumptions, we can calculate approximately how much increased productivity would occur each year. In the first year the labor cost of the quantity produced the previous year is reduced 3%. Since total labor cost before the saving was about 50% (35% direct labor and about 15% as the labor part of factory overhead) of cost of sales, that total labor cost was 35% of sales. Total labor cost now becomes about 34% of sales (2.9% reduction of labor cost). So here is 1% of sales as an increase in productivity to be divided.

2 *Op. cit.* October, November and December. See also Staff Study of Federal Reserve Board, summarized by the *New York Times*, Feb. 8, 1959.

3 The author is aware that much of the gains divided [illegible] labor have arisen entirely from increased prices of products and services. In this article he ignores this type of gain, in order to concentrate on the gains which consist of increased productivity and the way such gains my be distributed.

But total production has increased 2% in this first year, which means that the nonlabor part of factory overhead (formerly at least 10% of sales) is now 10/102 or 9.8% of sales. Here is additional increased productivity of .2% of sales.

In estimating total increased productivity (1.2% of sales), we have not counted small decreases in materials costs and in general and administrative expense which many producers obtain.

If the total increase in productivity is divided equally between the three groups directly concerned, profits (which seldom exceed 10% of sales) will increase 4%, wages will increase 1.2%, and yet prices can fall .4% to the benefit of all consumers. Thus wage earners and the several millions of small stockholders will receive benefits from two directions.

Submits Results

If the same plan were followed for five years the results would be approximately as follows:

Year—	Owners' Profits	Wages	Prices
1958	100.0	100.0	100.0
1959	104.0	101.2	99.6
1960	108.0	102.4	99.2
1961	112.3	103.6	98.8
1962	116.0	104.8	98.4
1963	120.6	106.0	98.1

These estimates are approximate, and the results of the calculation are used as an example of what might be accomplished. Actual savings from increased productivity would vary from year to year, and the fractions to be received by each group might well be different.[4] But enough has been shown to indicate that rising wages and increasing profits can be continued, not only without further increase in prices, but actually with small and repeated decreases in the prices of most commodities. All that is necessary is that the majority of those most concerned understand what is possible and desirable, and agree to share the increased productivity of industry in the future.

4 The rate of increase in profits as shown in the table might be reduced, to the benefit of workers or consumers, or both. However, the major role played by added plant and equipment in increasing productivity and the consequent need for large plowback of profits is extremely important.

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KOLOA, Kauai, Hawaii — Norman James & Dorothy M. Saxby have formed a partnership to engage in a securities business. Mail address of the firm is Box 427.

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D. C. Rothman Opens

David C. Rothman is engaging in a securities business from offices at 100 William Street, New York City, under the firm name of David C. Rothman Co.

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Municipal Bond Financing

By HON. ARTHUR LEVITT*

Comptroller, State of New York

New York State finance official announces initiation of a financial advisory service to aid school districts contemplating bond sales, to implement law providing subsidies to reduce excessive interest charges. Urges underwriters and dealers to raise efforts to promote individual bond issues. Links slowdown in public construction to taxpayers' revolt over rising costs of local government. Discloses appointment of investment advisory committee, with Sidney J. Weinberg, Chairman.

I should like to discuss a number of matters related to the issuance and sale of Municipal bonds. As Chief Fiscal Officer, the Comptroller is responsible for supervising the fiscal affairs of all of the units of local government in the State with the exception of the cities of New York, Buffalo and Rochester. In this endeavor, I am made constantly aware of the financial difficulties experienced by community after community in attempting to meet the still heavy demand for new schools, water supply systems, sewage disposal plants, hospitals and other essential public facilities.

Hon. Arthur Levitt

In recent years we have witnessed a steady increase in Municipal bond issues as communities build to meet this backlog. In 1946 some $1.2 million in Municipal obligations were placed on the market by communities throughout the country. By 1958 this amount had grown to $7.4 billion and this year the figure may well go above $8 billion.

I am concerned that the growth in investor demand may fail to keep pace with the increase in new offerings causing interest rates to rise even further. This would be an unfortunate development since current rates are high and indeed costly to Municipalities. Frankly, I feel that today's rates bear little relationship to the intrinsic value of the securities. They reflect the excess of supply over demand and to a degree, the continuance of the Federal Reserve tight money policy and Treasury long-term borrowing operations. If rates continue to rise, they may well reach prohibitive levels.

*An address by Mr. Levitt before New York Society of Security Analysts, New York City, May 13, 1959.

Prospective Construction Slow Down

The possibility of a slow down in our construction of vitally needed public facilities is not an idle fear. Already concern is being voiced over the ability of New York State communities to build new facilities and replace obsolete plants from existing revenue sources. One significant factor is the cost of financing. In just the last eight years, debt service on school districts borrowing alone has increased by 253%. And, as you know, school expenditures constitute the largest single item in the budgets of State and local governments. Almost 40 cents of every State dollar goes to pay for education.

This problem cannot be minimized. Recently we have been experiencing a taxpayers revolt. In School District after School District in the State, bond proposals have been rejected by the voters. During the three years, 1956 through 1958, such rejections have increased from 22% to nearly 40%, and indeed, the first three months of this year, 44% of all bond issues submitted to the voters were rejected. Yet, schools must be built and means must be found to do so at reasonable cost.

This problem must be met by cooperative effort of State and local officials. A first step, in my judgment, is a complete understanding by a community of its specific requirements. Not just its immediate needs, but a knowledge of what will be required 5, 10 and 15 years hence.

Local Planning Inadequate

Present financial planning at the local level is generally too short-ranged and too piecemeal in approach. Most communities have little idea of the magnitude of their task in supplying the necessary capital and the best method of doing so. Few understand the role the State plays in school construction. Such a community by community survey will prove invaluable in determining the adequacy of existing State and local revenue formulae and in ascertaining what action must be taken at the State and local level to meet future requirements. It will also provide the financial community with an indication of the magnitude of its task in supplying the necessary capital.

Consideration in the survey must also be given to the extent to which capital programs can be financed on a pay-a-you-go basis. Most business organizations make provision for current earnings for future construction. To some extent, local governments should also adopt such a procedure in their fiscal system.

Proper planning of this nature can serve to limit, to a degree, the magnitude of the demand for capital funds and thus bring supply and demand into better balance.

In a letter to the Governor several weeks ago, I proposed a school district by school district analysis of present and future financial needs. The Governor has recently announced that a survey of this nature is to be undertaken. I am pleased and I trust that this effort will, in time, be broadened to include the capital needs of our cities, counties, towns and villages.

Because the supply of municipal bonds is a major factor in cost of financing, it is important to consider means of equating supply with demand.

The major municipal obligation is the school bond. A recent survey showed that about one-third of all State and local bonds issued nationally are for educational purposes. In the last eight years, the volume of bonds and notes issued by New York State school districts has increased by 378% and the trend is upward.

One method of reducing the supply and bringing a better balance to the market is, as I have mentioned before, meeting part of the capital costs from current revenue. Another would be by outright grants by the State and Federal Government to reduce borrowing requirements. One plan has been advanced by the New York State Board of Regents. The plan would provide an annual cash payment to each school district of $36 per pupil for construction purpose. I favor the principle behind this proposal and I believe it can be financed by the State from current revenues. Studies conducted in my office point to a cash surplus of at least $100 million this year as a result of the recent increase in State taxes. With the present economic boom, the next fiscal year should produce an even higher surplus.

A New Bill

A number of measures are now pending in Congress. One measure which I think is of particular importance is a Bill approved by the Sub-Committee of the Education Committee of the House of Representatives. It would distribute $4.4 billion for school construction aid and teachers salaries over a period of years. For construction aid, the amount to be distributed annually would be $25 a pupil. I favor a measure of this nature but I would urge that any formula include local effort. With both local effort and population as factors, New York State would receive a fair share of the aid.

Although programs of school aid will help, there will still exist the problem of market absorption of the large number of school bond issues at reasonable interest rates.

In 1956, when the tight money policy of the Federal Reserve System accentuated the problem of high interest costs, I proposed the creation of a State Authority to provide a modern method of marketing school bonds. As you know, my proposal was never voted upon by the Legislature. Nevertheless, some of the Authority's objectives can be achieved through the adoption of a proposal that accompanied the program.

New Advisory Service

In conjunction with the Authority, plans were drawn to provide a financial advisory service to school districts contemplating the sale of bonds. Such a service was designed primarily to avoid, as far as possible, undue competition for funds through more adequate timing of sales.

My decision to establish this service was solidified recently by enactment this year of a law providing State aid payments for the purpose of reducing excessive interest cost on school bonds. The law provides that a school district may be allotted such State aid, if its interest costs exceed the average interest cost for all school district selling their bonds in the past six months plus ¼ of 1%. The aid payments will be equal to the excess interest costs over the life of the district's bond, as determined by a formula. If the bonds are outstanding 30 years payments will be made over the 30-year period.

The district must apply to the State Comptroller for a certificate of eligibility. While only a small number of school districts will meet the stringent requirements for the additional State aid, it is reasonable to expect that a very large number of districts will file applications with the Comptroller so that they may be eligible for such aid in case of an adverse development in the money market and a sudden rise in interest rates.

This legislation, which mandates additional responsibilities to the Comptroller, makes this financial advisory service highly desirable. It is my plan to make this service available to all school districts in the State who are planning to enter the bond market or who are actively considering such a move. This service will be available after July 1 on a voluntary basis so that school districts can, on their own initiative, receive information on various matters relating to bond sales.

Timing of Bond Sales

Of prime importance will be advice with regard to the timing of bond sales. Information on pending sales will be maintained so that we can advise districts on the most propitious time to sell their bonds. By knowing what bonds will be coming to market, we can limit to an extent undue competition among school districts.

In order to provide advice on timing of sales, I will send out to each of the school districts in the State, a simple form on which they can notify us of their plans for future financing. We will maintain this listing on a current basis. While a number of bond houses maintain schedules of this nature, they are usually of sales occurring in the very near future and thus are of limited value.

In addition, we will maintain on a current basis, a listing of actual school bond sales by individual districts. The information will be by size of issue, maturity schedules, and other factors for comparison purposes. Thus, we can relate the characteristics of a pending sale to one that has been held and by ascertaining the current market conditions, we will be in a position to provide the districts coming to market with an indication of what they can expect in the way of bids. Too often we have witnessed districts rejecting bids as too high, despite the fact that the bids were in line with market conditions and previous sales.

Too often the failure of school officials to prepare adequate financial data has resulted in their inability to obtain satisfactory bids for their bonds. The Bond Advisory Service will collect school district bond prospectuses, analyze them, and provide sample forms for districts to use.

Promotion Planned

In order to stimulate investor interest in school bonds, we will continue to provide bond dealers with brochures and other descriptive literature on the advantages of investing in New York State School obligations. As you know, our brochure on Public Schools—A Safe Investment, was well received. In fact, we are still receiving requests from bond dealers for additional supplies.

Let me assure you, however, that every effort will be made to avoid duplicating the work presently undertaken by State Department of Education in connection with the planning of school building construction, nor will we attempt to replace the present services rendered by private concerns on bond issues.

In addition to the efforts of public officials, the underwriters and dealers can be extremely helpful in stimulating investor interest and in achieving a wider distribution of municipal bonds.

One way would be to promote individual bond issues even before they come to market. A Western New York Bank does an excellent job in this respect as do many other firms.

They send out to all of their customers a pre-notice of bond sales together with excellent prospectuses on the issues to be offered.

The studies undertaken in connection with the work of the School Bond Authority indicated that New York State municipals are sold largely to investors in the State. I would urge a more intensified effort to stimulate demand in other states. Perhaps a modest increase in the advertising effort in the financial pages of the leading daily newspapers would prove worthwhile.

In this endeavor you should be aided by a new Bill passed this year which calls for the withholding of State-aid in the case of a school district bond default and the application of the aid to cure the default. You can now tell an investor in California that in an unlikely event that a school district cannot meet a bond payment, his interests are completely protected by the State. One of the New York firms has already sent out descriptive literature on the implications and provisions of this Bill.

Up until this year, the tax-exempt feature of municipal bonds had little appeal to Life Insurance Companies. This year, however, the life companies are faced with possible tax increases under a Bill now pending in Washington. If this occurs, then these companies may turn to tax exempt issues and make municipals a major holding in their portfolios.

I see that the time is running short, so let me just express the hope that you will join with me in this effort of facilitating the construction of public programs essential to our well-being.

New Techniques for Retirement System

Let me conclude by discussing the Bill passed this year allowing the Comptroller to invest a portion of the funds of the New York State Employees Retirement System in corporate bonds.

This measure allows the Comptroller to invest up to 20% of the funds of the Retirement System in

This announcement is neither an offer to sell nor a solicitation of an offer to buy any of these securities. The offer is made only by the Prospectus.

NEW ISSUE — MAY 18, 1959

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corporate bonds and notes, or equipment trust certificates in the three highest rating classifications as established by at least two rating services. It provides, however, that no more than 2% of the assets of the System can be invested in triple A securities of any one corporation, 1½% in double A securities, and 1% in a rated obligation of any corporation.

I believe this measure is a step forward in the State's effort to provide the members of the Retirement System with the highest return on their money consistent with sound investment practices. I am confident we will now realize a higher return on our investment and I am looking forward to establishing a 4% return for all members of the System. At present only those members who entered the system prior to 1943 enjoy this return. All others are guaranteed 3%.

New Investment Advisory Committee

In conjunction with this new investment program, and in view of the magnitude of the Retirement System portfolio — now at $1.3 billion, I have appointed an Investment Advisory Committee. The Committee, composed of distinguished members of the financial community, will review the investment practices and policies pursued by the Retirement System and to advise me on future programs. I plan to hold meetings of this group on a periodic basis. We will analyze the System's investment portfolio in the light of current market conditions and long range forecasts. Mr. Sidney J. Weinberg, Senior Partner of Goldman Sachs & Company has accepted the Chairmanship of the group and the other members are:

Richard K. Paynter, Jr., Executive Vice-President, New York Life Insurance Company.

Charles D. Dickey, Morgan Guaranty Trust Company.

Richard L. Maloney, President, New York Savings Bank.

Richard S. Perkins, Vice-Chairman, The First National City Bank of New York.

These are men with proven records of experience in the investing and banking fields and I am sure will provide invaluable counsel to me in the conduct of the System's investment programs. The first meeting of the group will be May 27.

Malcolm A. Rogers Now With Birr & Co., Inc.

SAN FRANCISCO, Calif. — Malcolm A. Rogers has become associated with Birr & Co., Inc., 155 Sansome Street. Mr. Rogers has recently been with Walston & Co. and prior thereto conducted his own investment business in Oakland. In the past he was a Vice-President of the First California Company.

S. M. Horn Opens

PLAINVIEW, N. Y.—Sidney M. Horn is conducting a securities business from offices at 27 Richfield Street.

T. L. Peverly Opens

ALBANY, N. Y. — Thomas L. Peverly has opened offices at 17 Colonie Street to engage in a securities business.

Rosendale Fund Formed

ROSENDALE, N. Y.—Rosendale Fund, Inc. has been formed with offices at Tillson.

New Whittier Office

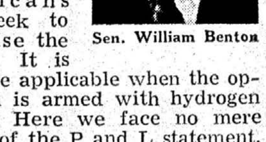
WHITTIER, Calif.—Evans MacCormack & Co. has opened a branch office at 243 East Philadelphia Street under the direction of William A. Lower.

Are We Underestimating the Soviet Economic Challenge?

By HON. WILLIAM BENTON*
New York City
Former United States Senator
Publisher of Encyclopedia Britannica
Author, "This Is the Challenge"

In disagreeing with the considerable prevailing skepticism that there will be a free ruble, former Senator Benton supplies substantive reasons buttressing his argument there will be a "death-grapple" between the ruble and the dollar looming up at us in the 1960s. A "ruble war," he warns, would be backed up by Soviet challenges to us in production, trade and foreign aid and could succeed. Mr. Benton discusses: USSR gold production and reserves, and optimistic conviction that we will devalue our gold; Mr. Mikoyan's writings on future ruble convertibility; danger of underestimating Soviet economy's weakness; and USSR's use of foreign aid and anti-Western propaganda for big stakes. To meet this challenge he proposes full capacity production and 5% growth rate, decreased trade barriers, private-public stepped-up economic aid, greater cultural-information exchange, and increased national defense.

As I try to peer into the future, I shall begin with an aphorism: the risk of underestimating the opposition is much graver than the risk of overestimating it. This is more than merely a good general rule for business executives when they appraise their competition. It is far more important when we Americans now seek to appraise the USSR. It is far more applicable when the opposition is armed with hydrogen bombs. Here we face no mere matter of the P and L statement, but a matter of life and death.


Sen. William Benton

We should have learned this rule in 1949, when the Soviets exploded their first atomic bomb years before we thought they could. We should have re-learned it in 1953, when they exploded a hydrogen bomb—and again years ahead. We did begin to learn it in 1957 when the first sputnik went into orbit.

This rule of power politics—the rule that a country should not underestimate its opposition — will be superficially examined by me tonight in the field of trade and economic rivalry—in other words, in terms of the Soviet economic challenge.

USSR's View of Trade

'Way back in 1955 Nikita Khrushchev told a group of U. S. Congressmen: "We value trade least for economic reasons and most for political reasons." This statement mirrors orthodox Communist theory.

In 1957 Khrushchev put this even more sharply. In an oft-quoted statement, he said, "We declare war on you . . . in the peaceful field of trade. We declare war. We will win over the United States. The threat to the United States is not the ICBM but in the field of peaceful production. We are relentless in this and it will prove the superiority of our system."

Khrushchev finds many who believe him. A few months back, our government discovered to its chagrin that President Kubitschek of Brazil was circulating a memorandum estimating that the Soviet Union, in the not too distant future, will be our superior in industrial production. By 1980, when many Chicagoans in this room may hope still to be alive, Dr. Kubitschek's document estimated Soviet gross national production at the rate of $1,561 billion annually, and that of the U. S. at only $858 billion or about half.

Yes, the USSR means to cross swords with us in the battle of production and trade. She throws down her gauntlet to us as the leading economic power in the world. She feels sure she has the weapons for a successful challenge and many foreign observers agree.

To help us decide whether we must now roll up our sleeves and tighten our belts, let us examine some of the elements of Soviet economic strength. I shall give you four.

Elements of Russian Economic Strength

The Soviet rulers claim that by 1965 the economic defeat of capitalism will have been accomplished, though the United States is expected to continue to struggle against the inevitable and will not yield production leadership to the USSR until 1970. By then, the world-wide moral and political defeat of the United States and of its private enterprise economy will be obvious even to the United States.

Now we used to scoff at Soviet claims—but again and again the so-called visions of Stalin have turned into realities; and today we scoff only at our own peril.

Last November Khrushchev said to Walter Lippmann: "We will cause you, the Americans, more trouble each year. At present the United States is the richest and most productive country in the world. But it is living in the last years of its greatness. Shortly the USSR will surpass the U. S. in productivity per capita. When that is achieved, the people (of the poor countries) will be 'convinced in their stomachs.' That is your danger, not our H-bombs."

Late last year the official magazine of the Soviet Foreign Trade Ministry gloated that Soviet foreign trade had helped curb the profits of what it called the "super monopolies." And a Soviet economist has recently declared that by 1965 the USSR will be calling the tune on world prices.

Here is what Khrushchev told the Soviet Communist Party's 21st Congress this past January:

"Think of this, comrades! Although the socialist countries occupy only a fourth of the earth's territory, although the majority of these countries were backward in the recent past, the time is not distant when they will produce more than half of the world's industrial output! . . . The countries of the socialist camp have all the prerequisites for winning the championship in world production. . . . We want the competition to take place not in an arms race, not in the manufacture of atom and hydrogen bombs and rockets, but in the realm of industrial production—meat, butter, milk, clothing, footwear and other consumer goods. Let the peoples see which regime better meets their requirements and let them pay their due to each regime according to its deserts."

Effectiveness of Propaganda

Such trumpetings, as propaganda in today's world, are proving increasingly effective among the peoples of the so-called uncommitted countries whose populations total one billion human beings — well over a third of the human race. This is because of the comparisons that Soviet propaganda can now make between the rates of growth of our economy and theirs. Since 1957 our own economy can almost be said to have been in retreat—while the economy of the Communist world —Russia and China in particular— is surging forward with giant steps.

The USSR claims an economic growth last year of 10%. On the front page of a recent issue of the New York "Times" was the official announcement of 11% for January and February of 1959 against the same months of '58. This announcement was motivated, says the Times' story, "by a desire to provide material for invidious comparisons between the growing Soviet output and declining American production." Here is the first of the four potent weapons in the Soviet economic and propaganda arsenal.

Let's take steel production. The Soviet goal for 1965, for the USSR alone, is 100 million tons and the Chinese goal seems to be expanding monthly. Last year, for the first time, the Communist bloc, including the USSR, its East European satellites and China, produced more steel than did the United States. Half our capacity—an amount equal to the USSR production — was idle. Let me put this another way. The American steel furnaces that were cold last year could have produced as much steel as all the furnaces in the Soviet Union.

Quotes Allen Dulles

Allen Dulles, Director of the Central Intelligence Agency, reminded the U. S. Chamber last April that "a recession is an expensive luxury." "Its effects are not confined to our own shores," Mr. Dulles continued. Then he warned, "Soviet propagandists have had a field day in recent months, pounding away at American free enterprise." This warning is minimized by many American economists who stress our historic rate of a 3% average annual economic growth. They do not throw into the balance the harmful impact of the Soviet propaganda dramatizing our setbacks and our millions of unemployed.

Radio Moscow tells the peoples of Asia and Africa and Latin America, "It took the West a hundred years to build its production system; follow ours and you can do it in twenty!"

Perhaps I should interpolate here that the world unhappily is not filled with people who share your views and mine that, even if the Soviet Union were to learn to outproduce us 100 to 1, we would still most fervently prefer a system designed to serve the freedom, the dignity and the development of the individual. We would still prefer our system to any system aimed at the glorification of the Party or the State.

Let me now turn to another example of the Soviet challenge—their trade offensive. This is their economic weapon Number Two.

USSR's Trade Offensive

The USSR needs surpluses and raw materials which we often reject — let us say the cotton of Egypt or the rice of Thailand and Burma. When it doesn't need the rice, it can still acquire it and resell it at cut prices. The non-Communist rice-exporting countries call this dumping.

(In a dispatch from Chicago

Continued on page 26

*An address by Mr. Benton before the Economic Club of Chicago, Chicago, Ill.

All of these shares having been sold, this notice appears only as a matter of record.

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Monetary Stability vs. A Free Enterprise Economy

By SIR DENNIS ROBERTSON*
Emeritus Professor of Political Economy,
Cambridge University, England

Noted British economist asserts absence of conflict between monetary stability and active competition; with latter required in order to remove certain obstacles in the way of the attainment of monetary soundness. Nevertheless, it should be considered how far monetary stability is consistent with complete freedom for competitive private enterprise to pursue its own plans for investment and development.

One test of a sound currency is the approximate stability of some carefully calculated average of the prices of the things of which the real national output is made up. Now in any country in which the stock of capital is increasing and invention and research are continually active, it is natural to expect that normally there will be a moderate increase from year to year in the output per head of the occupied population. If the average price-level is kept stable, that will allow a certain amount of room for the average level of money wages and other incomes to rise. But it cannot be expected that this rise in output per head will take place at the same pace in all spheres of activity; in particular it seems likely that as a rule it will normally take place more rapidly in manufacture than in the whole run of what may be called the service occupations—transport and commerce and extra-industrial occupations such as teaching and Government service.

Now in a society in which there is fair mobility of capital and labour, one cannot expect the level of money incomes to differ greatly in the long run between different branches of activity. And if all money incomes are rising in line with the average increase in output per head, then costs and prices must be rising in those branches of activity in which output per head is increasing less than the average or not at all. It follows that if the average level of prices to the consumer is to be kept constant, the prices of most manufactured goods at works must show a continual tendency to decline. Now on the part of both management and labour there may be strongly built-in institutional forces hampering the attainment of this result; and I do not know to what we are to trust for its fulfilment except active price competition among businessmen. Price competition, because other kinds of competition—in advertising, in gadgetry, even in genuine quality—do not help in this particular problem of resisting the powerful socio-economic forces making for the continual erosion of the standard of value.

How Much Liberty of Action?

As a student, I wish there were time for each one of you to rise in his place and declare just how much liberty of action he conceives himself to have when he sets a price on the goods or service which he sells. Not so much, I fancy, as some of the gladiators in the attack on "administered prices" would have us believe: but more, surely, in this industry and that—no names, no courtmartial—than corresponds to the idealized picture of the freely working market economy sometimes drawn for dramatic contrast with a picture of the regimented State. And here lies one particular danger worthy of your attention. How right and necessary for a young and growing firm to aim at financing out of ploughed back profits a reasonable share of its own growth! But may not ploughing back become a fetish? Where competitive pressure is absent or inadequate, is there not a tendency for corporate enterprises which are already large and powerful to pursue pricing policies which put too much of the costs of further growth on to the present consumer, leaving him a smaller share in the choice between spending and saving than is fitting in a community of free men?

So far then there seems to be no disharmony between the objective of unrestricted competition on the one hand and, on the other the objective of stable money and of that to which stable money, in one of its aspects, is no more than a means, namely a steady rate of growth of output and activity. I wish that were the whole truth; but I fear that it is not. Let it be granted that the main responsibility for preserving steadiness falls on Monetary Authorities and Budgetary Authorities, distributed between them in such manner as may be most appropriate to the institutional set-up in the country concerned, and in particular to the degree in which therein the processes of capital investment are already irrevocably committed to Governmental or quasi-Governmental hands. Let it be granted too that such Authorities have sometimes in the past acted with inadequate speed or resolution in the execution of their duty. It may nevertheless be argued that there are enough technical difficulties inherent in the use of these general monetary and fiscal weapons to make their operation in either direction—either to promote expansion or to check it—liable to partial frustration if the predominant mass of the expectations and purposes of private industry is firmly set in the opposite direction. A crucial question thus arises. Does the preservation of the free market economy admit of any abatement, in the interest of general stability, from the principle that persons—which includes corporate enterprises—must be allowed to do what they will with their own?

Let me point the question by reference to a topical issue. In Britain there is now one great industry but only one—steel—which is predominantly privately owned, but whose plans for investment and development are subject to public direction and control; and it is argued in many quarters that this arrangement gives us the best of both worlds. Should there then be other industries in like case, and if so how many, and which? Or is the position which has been reached in this industry, almost by accident, as the result of legislative to-and-fro-ing, the one solution which must be adjudged to be wrong, on the ground that it preserves property rights which have been shorn of their most essential function, and thus threatens to give us not the best of both worlds but the worst?

Some Recent Disharmonies

I am not attempting to pronounce on these issues. All I am trying to do is to suggest that in the course of your discussions, disharmonies, calling for difficult decisions and compromises, may reveal themselves between the two of your nobly conceived objectives which I will call, for brevity, stability and freedom. Are there disharmonies latent in the programme as well? Is stability of money, is steadiness of output, a luxury which in other circumstances we of the West might have been justified in pursuing, but which as things are we are called on to throw to the winds in order to achieve the maximum immediate speed of growth at home and abroad, whether out of a sense of self-preservation, or of duty to less fortunate neighbors, or a mixture of the two? Some of my colleagues at home, some in this country, seem to think so.

A hundred and eighty years ago the founder of modern economics, the great champion of free enterprise, Adam Smith, in one of his more sardonic moods, declared that "people of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices". Fifty years ago another great economist, Alfred Marshall, in more generous mood, though as you may think in somewhat pietistic and patronizing language, declared that "there is much more economic chivalry in the world than appears at first sight. The most important and progressive business work is scarcely ever without a large chivalrous element, and is often mainly dominated by chivalrous motives. But there is also much getting of wealth that is not chivalrous, and much expenditure that has no touch of nobility. To distinguish that which is chivalrous and noble from that which is not, is a task that needs care and thought and labour; and to perform that task is a first duty for economists, sitting at the feet of businessmen and learning from them". It is in that spirit that this ex-economist, now safely on the shelf, has tried, not to solve your problems, but to contribute a little towards setting them in their mutual relations.

*An address by Professor Robertson at the International Chamber of Commerce, Washington, D. C., April 24, 1959.

E. T. McCormick Heads ASE Clearing Corp.

American Stock Exchange President, Edward T. McCormick has been elected president and

E. T. McCormick

director of the institution's Clearing Corporation, according to an announcement by the corporation's board of directors. It is understood that this is part of a general reorganization of clearing facilities at the Trinity Place market.

With J. A. Hogle

(Special to The Financial Chronicle)

SAN DIEGO, Calif. — Meredith D. Sigler is now with J. A. Hogle & Co., 1030 Sixth Avenue.

Empire Inv. Co. Adds

(Special to The Financial Chronicle)

LAKEWOOD, Colo. — Steve Maupin has been added to the staff of Empire Investment Company, 1480 Hoyt Street.

Two With Fusz-Schmelzle

(Special to The Financial Chronicle)

BELLEVILLE, Ill. — Cyril A. Arnold and Harold O. Dobbs are now with Fusz-Schmelzle & Co., 22 North Illinois Street.

Connecticut Brevities

The $1,500,000 contract for the construction of a Ballistic Missile Training Facility for the land-based training a missile submarine crewmen has been awarded to the **General Dynamics Corporation** by the Naval Training Device Center, Port Washington, N. Y. Construction of diving, steering and navigational systems of an electronic simulator will be handled by the Electric Boat Division of Groton for use at the New London Submarine Base.

* * *

The directors of **Landers, Frary and Clark**, New Britain, and **The Plume and Atwood Manufacturing Company** of Thomaston have reached agreement on a proposal whereby Landers would purchase certain assets of Plume and Atwood. Under the terms of the proposal Landers would pay $1,000,000 and 85,000 shares of its common stock for most of the assets of Plume and Atwood's fabricating division, which makes a large variety of metal cosmetic containers. The proposal is subject to approval by the stockholders of both companies.

* * *

The Echlin Manufacturing Company, Branford, recently sold 22,500 shares of common stock. This block along with 76,466 shares from selling stockholders, was sold at 16½ and represents the first public offering of the company's stock. Net proceeds from the sale of the 22,500 shares will be used to expand the company's plant at Branford and the balance added to the general funds. Echlin manufactures replacement parts for electrical systems for automobiles, trucks, tractors, and farm equipment.

* * *

The directors of **Pitney-Bowes, Inc.**, of Stamford, have declared a regular quarterly common dividend of 15 cents a share, an increase of 12½% over the previous regular quarterly dividend rate, adjusted for the three-for-one stock split which became effective April 22. This dividend, payable June 12 to holders of record May 28, is the company's 102nd consecutive quarterly cash dividend.

* * *

The Pratt and Whitney Division of **United Aircraft** has started construction on a one-story, 21,000-square foot addition at the CANAL plant in Middletown. CANAL, the abbreviation for the Connecticut Aircraft Nuclear Engine Laboratory, a joint Pratt and Whitney Aircraft and Atomic Energy Commission project for the development of a nuclear-powered aircraft engine, plans to study the effects of radiation on various materials and fuels in the new laboratory. Facilities in the new building will include chemistry and metallurgy laboratories, a machine shop and engineering and office areas.

* * *

Kaman Aircraft Corporation, Bloomfield, has received a follow-on Navy contract amounting to approximately $14,000,000, for additional HU2K-1 helicopters. The HU2K-1 is a high speed, all weather utility helicopter powered by a General Electric T-58 gas turbine engine. Kaman also has an Air Force contract to produce in quantity H-43B gas turbine powered helicopters. Orders for the two types of turbine helicopters have raised the company's backlog to an all-time high.

* * *

Stockholders of **American Hardware**, New Britain, recently approved a proposal to increase the company's authorized common shares from 1,000,000 to 2,000,000 $12.50 par. Except for 50,000 shares to be made available for issue to key officers and employees under stock options, the company has no present plans for the issue of any of the additional shares.

* * *

The directors of **Security Insurance Company of New Haven** recently declared a quarterly dividend of $0.20 payable Aug. 1 to stockholders of record July 17. This represents an increase over the previous rate of $0.35 semi-annually.

J. Barth & Co. Offers Magma Power Shares

J. Barth & Co. are offering 100,000 shares of 6% convertible preferred stock (par $10) and 500,000 shares of common stock (par 10 cents) of Magma Power Co. in units of one preferred share and five common shares at $10.50 per unit. These securities are offered as a speculation.

The preferred shares are callable at $11 per share and convertible into common shares at the rate of 13 common shares for each preferred share.

The net proceeds will be used to pay for the company's one-half share of the cost of additional drilling and development work on The Geysers lease, including construction of facilities to gather and process steam (other one-half to be borne by Thermal Power Co.); for exploratory drilling and related exploratory drilling and development work including cost of equipment, machinery and well materials and installations; and for working capital and other corporate purposes.

Giving effect to the new financing, there will be outstanding 100,000 shares of preferred stock (par $10) and 7,287,500 shares of common stock (par 10 cents).

The company intends to engage in the business of discovering, developing and producing geothermal steam, for sale primarily to power companies as a source of energy for generating electric power, and for industrial or other uses when practical. Such steam, if discovered, will be produced from steam wells drilled into lands owned or leased by the company for that purpose. The company has entered into a number of leases covering lands believed to be favorable for the development of geothermal steam, and intends to seek other geothermal lands and lease the same if possible.

CHAS. W. SCRANTON & CO.
Members New York Stock Exchange
New Haven
New York—REctor 2-9377
Hartford—JAckson 7-2669
Teletype NH 194

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Public Utility Securities

By OWEN ELY

Detroit Edison Company

Detroit Edison serves electricity to a population of about 4,317,000 (over half the state's population) in an area of 7,600 square miles in southeastern Michigan. It also provides steam service in downtown Detroit. While the area is the center of automobile and parts manufacturing, it has considerable other industry, as well as extensive farming sections. Residential and farm sales account for 41% of electric revenues, commercial 27%, industrial 27% and other 5%.

Michigan has an abundance of natural resources—lumber, iron, copper, salt and brine, sand, gravel, and limestone are close at hand and can be transported cheaply. Perhaps the state's most important asset is the abundance of water and water transportation. It has the longest shoreline of any State except Alaska, and the coastline of Detroit Edison's area is about 270 miles—together with a number of inland lakes. The deepened St. Lawrence Seaway is expected to open new export and import markets for the area because of more favorable freight rates with single handlings at either end. By water, Detroit is actually closer to Europe than New York.

Detroit Edison has 16 plants and five small hydro electric stations with a generating capability of 3,426,000 kw, including a 321,500-kw unit placed in service in October, 1958. This will be increased to 4,200,000 kw by 1961. Power is also available from the Ontario Hydro-Electric Commission.

The peak load last year of 2,603,000 kw indicated a generating reserve of 32%—probably in excess of current needs (due to the business depression last year which retarded industrial sales). Possibly to help use some of this reserve capacity the company has begun a campaign to increase the sale of electricity for house-heating. Company ads are appearing in ten newspapers in the area, stressing the advantages of electric heat, as follows: possible individual room-by-room control, instant response, cleanliness, efficiency (no heat goes up the flue and none is wasted heating rooms where heat is not needed), uniformity, no noise, flexibility of installation, safety, no waiting for fuel deliveries, small upkeep, no moving parts to wear out. The ads mention different forms of heating available—baseboard units, heating cable embedded in ceilings, radiant panels in walls (with forced air circulation if desired) and the heat pump for combined cooling and heating. Higher operating costs are balanced by low installation cost in new homes.

Detroit Edison already has about 3,000 customers who use space-heating. Schools, churches, restaurants, gasoline service stations, retail stores and others are "going electric." Two schools recently went on the lines with electric heating, space and water as well as an all-electric kitchen. Commercial electric cooking is becoming widely accepted.

Detroit Edison now has a very efficient generating system. The amount of coal required to generate one kwh was only .83 of a pound last year, compared with .94 in 1953, 1.04 in 1948 and 3.75 back in 1905. Two-thirds of system output is now being produced by generators installed since 1953, with a heat rate of only about 9,000 btus. The company is adding very big units, permitting maximum efficiency. The third unit at River Rouge, which went into service last October, has carried a gross load of 345,000 kw. At the St. Clair plant a fifth unit (320,000 kw) is scheduled for installation in May and work continues on a sixth unit of the same size, expected to go into service in April, 1961.

Detroit Edison heads a group of utilities which are sponsoring the important Enrico Fermi Atomic Power plant in lower Michigan, and is contributing substantially to the cost of the project. Despite some delays due to AFL-CIO intervention in the licensing proceedings before the AEC, good progress is being made with the plant. The scheduled date for initial low-power nuclear operation is September, 1960. This plant is of the so-called "fast breeder" type and fuel element research and development work may require several years for completion. Plans for a "second generation" plant are also being developed.

Construction expenditures last year approximated $75 million but due to a strong cash position no financing was necessary, other than bank loans. Construction for this year is estimated at $68 million, and may average about $60 million over the next five years. Recently the company sold $40 million 4¾% mortgage bonds due 1989 to a group of financial institutions.

Detroit Edison was one of the few electric utilities which was seriously affected by the decline in business activity last year. For the first time since 1944 revenues showed a decline. Since costs continued to rise, net income dropped below the previous year for the first time since 1951. Moreover, the number of shares of stock outstanding increased 11% due to conversion of debentures. As a result of these three factors share earnings declined from $2.62 to $2.17. However, earnings are showing a comeback in 1959. The first quarter was relatively cold and residential revenues reached a record high of $29 million. Manufacturing kwh sales gained 28% over last year and industrial revenues were up 17%. Kwh sales to steel companies gained 62%, to auto companies 11%, and chemicals 43%. However, any gain in net income this year may not be fully reflected in increased share earnings because of further conversion of debentures and the resulting increase in shares outstanding. Moody's Stock Survey has estimated earnings of $2.45 for 1959.

Detroit Edison has been selling recently about 43½ compared with this year's range of about 47¾-42¼ and last year's 42½-38. Paying $2, the stock yields 4.6% and the dividend will probably be partly tax-free. The 1957 dividends were 42% tax-free; in 1958 the percentage rose to nearly 100% but this was due to a non-recurring factor—payment of two years' property taxes in one year.

From Washington Ahead of the News

By CARLISLE BARGERON

Senator Paul Douglas of Illinois, is such a friend of the people, the plain common people, that you would hardly expect him to be engaged in such an enterprise as he is now.

Carlisle Bargeron

Just outside of Chicago, along the Indiana shores of Lake Michigan, are acres and acres of duneland. Slightly more than 2,000 acres of it are preserved in the Indiana Dunes State Park where there are bathing beaches and recreational facilities for Chicago's teeming thousands. Farther west the State of Indiana wants to utilize the duneland for the development of a harbor to take care of expected increase in trade as a result of the opening of the St. Lawrence Seaway. They point out that the Dunes State Park is only about one-fourth developed and that any additional recreational facilities should be there.

Senator Douglas, however, has organized all the conservationists in the country and they are an active and influential group when they get started, and they are insisting that all the duneland be preserved into a Dunes National Monument for recreational facilities.

Indiana sees a great industrial development, giving employment, it is estimated, to hundreds of thousands of workers, going by the boards.

It so happens that Senator Douglas is not unselfish in his advocacy that all the duneland be preserved in a national park. Chicago has a harbor at Calumet City, Ill., which would be vastly affected by the erection of a nearby port in the duneland. Bethlehem Steel and National Steel already own property there and plan to build steel mills, Bethlehem by way of going west to compete with United States Steel.

The matter has become a big issue in Congress. Senator O'Mahoney, Chairman of the public lands sub-committee of the Senate Committee of Insular and Interior Affairs, has held hearings, and the Interior Department has come up with an offer to develop the dunes into a National park.

At the O'Mahoney hearings the entire Indiana delegation appeared in opposition to the Douglas bill but the Illinois Senator had conservationists from throughout the country on hand to testify in his behalf.

Mr. Douglas charged greed on the part of industrial interests in an effort to deny the people of their rightful heritage. The Indiana group, however, had labor leaders and hundreds of letters and telegrams from just plain workers in their behalf.

All in all, the Indiana people seemed to have had the better part of the argument. Then it developed that former Senator Bill Jenner and the present State Chairman of the Republicans, had formed a corporation to take options on all the duneland.

Thereupon a scandal has developed and Mr. Douglas has been given all the ammunition he wants. He has a perfect example now, of how a group of Republican politicians is attempting to take over land that should be preserved for the people.

They play their politics pretty hard in Indiana and they play for keeps. It was poor judgment on the part of Sen. Jenner and Bob Matthews, the Republican State Chairman, to have announced right at this time that they were forming the corporation. It may very likely result in Douglas' winning his fight and Indiana's dream for an industrial development and harbor on the shores of Lake Michigan will have gone a-glimmering.

It may seem like a matter of little importance to the rest of the country but to the politicians of Indiana, of both parties, it has them squirming and recriminations are flying thick and fast.

Manifestly, with a harbor and an industrial development coming on Lake Michigan in Indiana, somebody is going to make money.

But that it should happen to the Republicans who are in control of the state government will not help them in the slightest. In 1958 they lost six additional seats in the Congressional delegation and a U. S. Senator. The delegation is now top-heavy Democratic with eight Congressional seats and a Senator. There will probably be a demand for Matthews to resign as State Chairman. It will add to the fires of the feud between Sen. Homer E. Capehart and the regular organization.

T. J. Lynch Jr. With Frank Masterson Co.

Frank C. Masterson & Co., 64 Wall Street, New York City, members of the American Stock Exchange, announced that Thomas J. Lynch, Jr., formerly with Price, McNeal & Co., is now associated with them in the Sales & Research Department.

Carl M. Loeb Firm To Admit Partner

Carl M. Loeb, Rhoades & Co., 42 Wall Street, New York City, members of the New York Stock Exchange, on June 1 will admit Gordon H. Hensley to partnership in the firm.

Robert Winthrop Co. To Admit H. B. Freeman

On June 1 Harry B. Freeman, Jr. will become a partner in Robert Winthrop & Co., 20 Exchange Place, New York City, members of the New York Stock Exchange.

McMannus & Mackey Partner

On May 21, McMannus & Mackey, 30 Broadway, New York City, members of the New York Stock Exchange, will admit Margaret Mackey to limited partnership.

Joins Stewart, Eubanks

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Cal.—George J. Planz has joined the staff of Stewart, Eubanks, Meyerson & Co., 216 Montgomery Street, members of the New York and Pacific Coast Stock Exchanges.

This announcement is not an offer to sell, or a solicitation of an offer to buy the securities. The offering is made only by the Prospectus.

New Issue

MAGMA POWER COMPANY

100,000 6% Convertible Preferred Shares, $10 Par Value

500,000 Common Shares, 10c Par Value

OFFERED IN UNITS

Each Unit Consists of One Preferred Share at $10 par value and Five Common Shares at 10c par value.

Price $10.50 per Unit

J. BARTH & CO.

Copies of the Prospectus may be obtained from J. Barth & Co. or other dealers only in states in which the Prospectus may legally be distributed, and only from firms qualified to act as dealers in securities in such states.

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THE MARKET . . . AND YOU

By WALLACE STREETE

Industrial stocks continued to toy with their historic high this week, with du Pont and Allied Chemical doing much of the work to shore up the average but not without them having occasional profit-taking troubles.

* * *

The resistance currently is being met in the 640 area for the senior average. Twice there was enough strength to reach that level but it brought in realizing and delayed a closing reading that high.

Balanced Ups and Downs

The plus and minus signs for the entire list were in pretty fair balance most days, one session producing a mere half dozen more advances. Ironically, since the reaction low of 615 was posted two weeks ago, half of the sessions showed declines exceeding the advances, although in the process the average itself has improved by more than 30 points. Volume of trading has simmered down rather abruptly. The low was posted on turnover of 4½ million shares and the rebound was achieved without any four-million share days. In fact, to start off this week the total slipped below three million for the first time in more than a month. About all these technical weaknesses did do, however, was to increase the already high level of caution but still without breeding any definite signs that a top has been formed.

* * *

Neither the rails nor the utilities contributed much to the industrials in the way of help. Utilities lagged, with no sign of intending to best the March peak, somewhat longer than the carriers which nudged their index to the year's peak a month ago.

Depletion Revision Threat Stalls Oils

Oils showed some signs of stirring but it was still pretty much momentary and few followers of this group saw too much chance for decisive action until the fate of proposals to trim the depletion allowance is settled in Congress. As a result, most of the quality items were conceded to be definitely "behind the market" and any market student could cull out at least a dozen in the section that merit attention. The depletion allowance threat not only overshadowed some excellent rebounds in earnings in the first quarter but also sheared to a great degree the age-old inflation hedge aspect from the oils at a time when so many were attributing the avid demand for common stocks to a public generally bent on hedging against the deteriorating dollar.

* * *

Sinclair Oil, with a yield of around 4¾% against slightly better than 3% for the general market, was prominent on several lists. Its first quarter report was also favorable, with the reported per-share earnings up to $1.12 from slightly less than a dollar a year ago and with projections for the full year indicating that earnings will increase by some $1.25 above the 1958 full year results. That would mean around $4.50 as against the $3 dividend requirement.

* * *

In addition to its own, fully integrated operations, Sinclair has important interests in both Richfield Oil and Texas Pacific Coal & Oil, and has joint operations abroad with British Petroleum.

Revival of an Old Favorite

An old favorite that has lately become something of a regular on the lists of new highs is Coca Cola, the premier growth issue of the previous generation. The stock has broken out on the topside after a declining trend line for a decade. Despite its new highs in the 140 bracket, it is still well under the double-par, 200 price it posted in 1946, and even well under the 170 reached in 1937.

* * *

Contributing to the sluggishness of Coca Cola over recent years was the fact that its profit margins were declining steadily. But the company has turned more aggressive and was able to boast of record sales last year despite the recession. On the plus side is the rising population with that many more potential customers, the fact that foreign sales are growing steadily (it distributes in more than 100 countries) and its domestic line has been bolstered by new carbonated drinks that heretofore were available only abroad. With its relatively high tag the stock is logically a candidate for a stock split. And in the face of rising earnings, it is held to be something of a candidate for a higher dividend than the $5 total that has been maintained unchanged for about a decade.

* * *

There was some attention being devoted to issues that have had rough sailing recently, the theory being that those who have demonstrated they have turned the corner can participate roundly in the general business upturn. B. T. Babbitt, for instance, operated in the red for two years until last year when it turned in a modest profit right in the face of the recession. The one-time reliance on Bab-O almost exclusively is gone and the product line now ranges from detergents to room deodorizers and hair preparations. The management, at least, is sufficiently encouraged to have put the shares on a dividend basis of an indicated 40 cents annually.

Promising Outlook for Borg Warner

Borg Warner was not much in favor after it was certain that it was to lose a large piece of business in supplying Ford transmissions when the company decided to make them itself. But the company appears to have made up the sales loss largely through its Norge household appliances. And there is the possibility of much new business if the Big Three of the auto field call on Borg for parts for their new small cars. In any event, the dividend is covered adequately by both actual 1958 results and projections for an improved showing this year. And it offers a yield of well above 5½% which is downright generous against the average yield in current markets.

Opposing Views on Telephone

After years of rather general neglect since there was little doubt over what dividend the shareholders would receive, American Telephone currently is building up two definitely opposed schools of thought. One holds that the stock has done all necessary to discount the 10% increase in payout promised once the shares are actually split the end of this month. The view here is that the commotion is all over and the stock sufficiently high.

* * *

The opposing school, which relies far more heavily on figures, trend lines, and supposition, holds that the $3.30 dividend on the new shares, unlike the $9 maintained for 37 years without change on the old, is only a temporary one, and one source notes succinctly that an increase seems a near certainty "in 1961 or 1962." The logic is a bit complex in this clan. Briefly, with the company generating much of its new money needs internally, the day of constant and heavy dilutions of the equity, as has been going on since War II, are at an end. And its rate of growth is such that earnings projections through the next few years carry to a range of from $5 to above $6 on the new shares which, at a 20-times earnings ratio basis, would easily justify par or better for the new shares.

[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.]

William A. Lower Now With Evans MacCormack

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Cal.—William A. Lower has become associated with Evans MacCormack & Co., 453 South Spring Street, members of the Pacific Coast Exchange. Mr. Lower was formerly Vice-President of Witherspoon & Company, Inc.

Thomas J. Edwards, Roland D. Kelly, Norman S. Lawson and John B. MacFarlane, also formerly with Witherspoon & Company, have joined Evans MacCormack & Co.

Two With United Secs.

(Special to THE FINANCIAL CHRONICLE)

GREENSBORO, N. C.—Louis M. Dowling, Jr. and Carl A. Thompson have joined the staff of United Securities Company, Southwestern Building.

Now With May & Co.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg. — John J. Carter has become connected with May & Co., 618 Southwest Yamhill Street. He was formerly with Foster & Marshall.

All these Shares having been sold, this announcement appears as a matter of record only.

NEW ISSUE — May 18, 1959

150,000 Shares

Coil Winders, Inc.

Common Stock

(Par Value 20c per Share)

Price $2 Per Share

Underwriters

Bertner Bros.
67 Wall Street
New York 5, N. Y.

Earl Edden Co.
67 Wall Street
New York 5, N. Y.

NSTA Notes

NATIONAL SECURITY TRADERS ASSOCIATION

The National Security Traders Association has announced the appointment of additional affiliate advertising chairmen.

Securities Dealers of the Carolinas: J. Sturgis May, J. Sturgis May & Co., Security National Bank Building, High Point, N. C.

Bond Club of Denver: Robert Doering, Boettcher and Company, 828 17th Street, Denver 3, Colo.

Washington, D. C. Security Dealers Association: George Mitchell, Jr., G. J. Mitchell, Jr. Co., 729 Fifteenth Street, N. W., Washington 5, D. C.

DENVER BOND CLUB

The Denver Bond Club has announced the final bowling league scores for 1958-1959 season:

FINAL LEAGUE STANDING—1958-1959
(81 Games)

Position	TEAM—	—108 Points— Won	Lost
1st	J. A. Hogle & Co.	66	42
2nd	Bosworth, Sullivan & Co.	65	43
3rd	Garrett-Bromfield & Co. (Team BR)	64½	43½
4th	Merrill Lynch, Pierce, Fenner & Smith Inc.	61½	47½
5th	Founders Mutual Depositor Corp.	60	48
6th	Garrett-Bromfield & Co. (Team GR)	59½	48½
7th	Boettcher and Company	59	49
8th	J. K. Mullen Investment Co.	53½	54½
9th	Trevor, Currie	50	58
10th	Peters, Writer & Christensen, Inc. #2	43½	64½
11th	Kirchner, Ormsbee & Wiesner, Inc.	40½	67½
12th	Peters, Writer & Christensen, Inc. #1	25	83

* * * * *

High Team Game—
Garrett, Bromfield & Co. — 598

High Team Series—
Garrett, Bromfield & Co.-J. A. Hogle & Co. — (1613)

* * * * * *

INDIVIDUAL PRIZES

High Game—James Struthers, Garrett, Bromfield & Co. — 246
High Series—Karl Mayer, J. A. Hogle & Co. — 642

Members of the Bowling Committee for the coming 1959-1960 season are: James Roberts, *Bosworth, Sullivan & Co.;* Donald Langley, *Merrill Lynch, Pierce, Fenner & Smith Inc.;* Oscar Hasselgren, *Trevor Currie;* and Karl Mayer, *J. A. Hogle & Co.*

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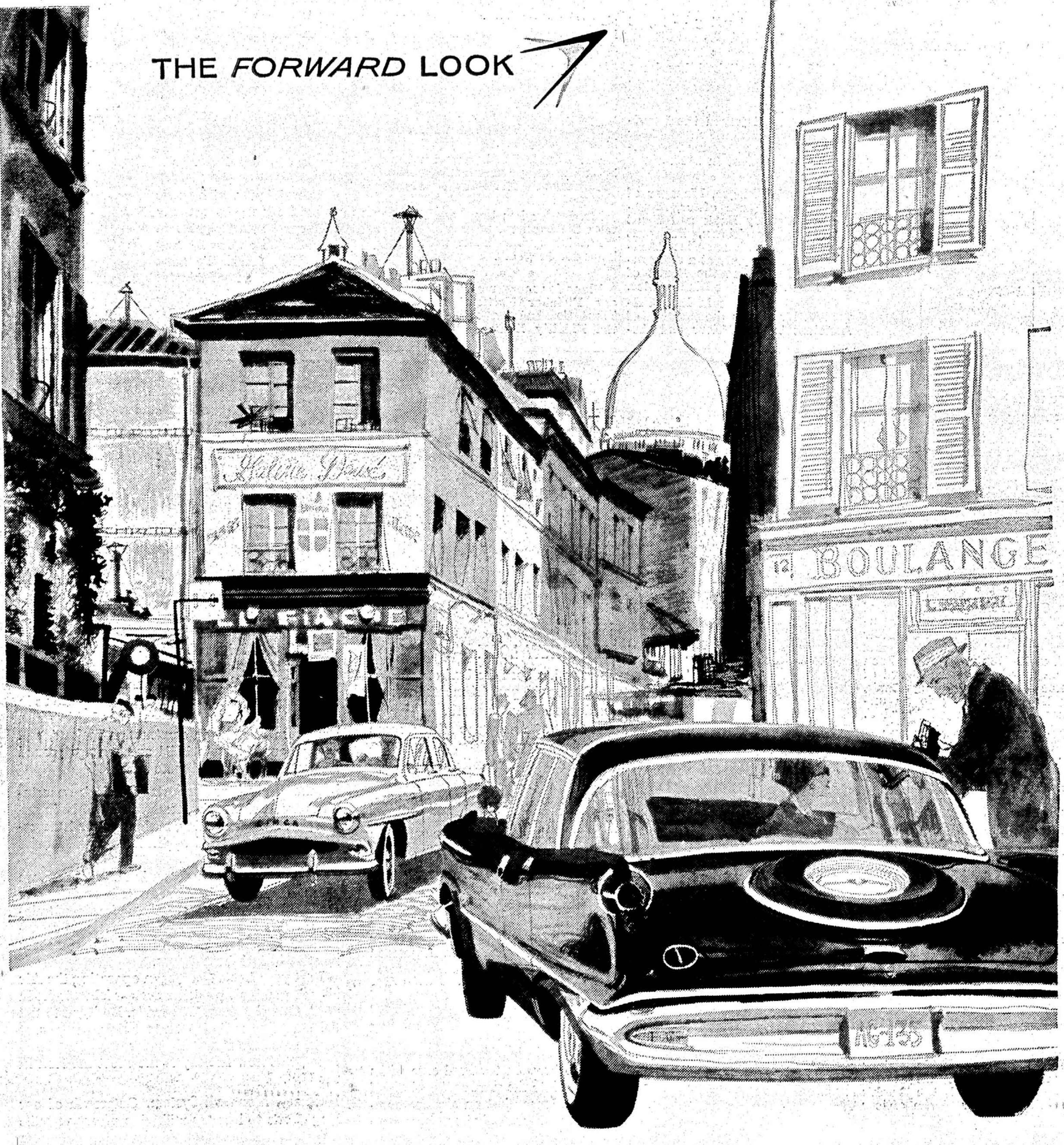

Cars that say je peux and cars that say Can Do are meeting each other regularly nowadays, all around the world. Since Chrysler Corporation took over distribution of Simca, this impeccably engineered French car has moved into 4th place in American import sales, as well as expanding rapidly abroad. Can Do cars of The *Forward* Look also enjoy world-wide sales, through our Export Division. We look forward to expanding opportunities in an expanding world marketplace.

CHRYSLER CORPORATION

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News About Banks & Bankers

Directors of **Chemical Corn Exchange Bank, New York,** have elected Herbert W. Nannen Vice-President and Treasurer, it was

Herbert W. Nannen

announced by Harold H. Helm, Chairman. Mr. Nannen, who began his career with Chemical in 1927, advanced through the ranks to Treasurer in 1955.

* * *

Volkert S. Whitbeck, Assistant Vice-President, was elected Vice-President of **The Bank of New York.** Eldon H. Read, Jr. of the controller's division and Robin A. Danton of the banking division were named Assistant Vice-Presidents.

* * *

Dr. Gabriel Hauge, Chairman of the Finance Committee of **Manufacturers Trust Company, New York,** James R. MacDonald and William E. Robinson, have been elected members of the Board of Trustees of **Harlem Savings Bank, New York,** according to an announcement made by Edward J. Pierce, President of the Bank.

* * *

Mr. Everett J. Livesey, President of **The Dime Savings Bank of Brooklyn, N. Y.** announced the following promotions to the rank of Assistant Vice-President:

Arthur J. Miles, Mervin Foster, Howard B. Lee, Leo B. Stein and Edward L. Watson.

Mr. Miles came with The Dime in June, 1938. He was promoted to Assistant Auditor in 1955 and Assistant Treasurer in September of 1958. He is a member of the bank's Investment Department.

Mr. Foster entered the Dime's employ in January, 1923. After serving in various capacities, Mr. Foster was promoted to Assistant Secretary. He is presently one of the officers in charge of Main Office Banking Operations.

Mr. Lee joined the bank's staff on July 1, 1929 serving in various capacities including that of Assistant Manager of the bank's Flatbush Branch and the officer in charge of Banking Operations at the Main Office. Mr. Lee is presently serving as Staff Assistant to the Senior Officers.

Mr. Stein came with the Dime in 1929 and is Manager of the Dime's Coney Island Branch.

Mr. Watson has been associated with the bank since January, 1931. He has served as an Assistant Secretary since 1950 and is presently managing the Dime's Flatbush Branch.

* * *

Harlan T. Moses, was named a Director of the **Industrial Bank of Providence, Providence, R. I.**

* * *

William M. Rice has been elected Vice-President, **Commercial Trust Co. of New Jersey.** He heads the business promotion and public relations department.

* * *

The common capital stock of **The Hillsdale National Bank, Hillsdale, N. J.,** was increased from $315,000 to $420,000 by a stock dividend and from $420,000 to $525,000 by the sale of new stock, effective May 6, (number of shares outstanding — 52,500 shares, par value $10).

* * *

J. Kearsley Mitchell has been elected a Vice-President of **Provident Tradesmen's Bank and Trust Co. Philadelphia, Pa.**

Mr. Mitchell joined the Provident Trust Co. as a Trust Officer in 1952 and was appointed Assistant Vice-President in 1955.

* * *

Rodney W. Magee, Manager of the Logan Square office, **Montgomery County Bank and Trust Company, Norristown, Pa.,** was promoted to Assistant Vice-President of the company at a reorganization meeting of the Board of Directors held in the Main Office.

Other promotions include Calvert V. Hurdle to the position of Assistant Trust Officer and Assistant Secretary: Benjamin E. Dreby to Assistant Treasurer; Albert K. Heller to Assistant Treasurer; Robert M. Fries to Manager of Installment Loan Department, Pottstown; and Josephine McPherson, Manager of the Travel Department.

Mr. Magee has been with the bank for 30 years.

Mr. Hurdle has been with the bank for 38 years starting with the former **Norristown Trust Company.**

Mr. Heller has been associated with the bank for 30 years.

Mr. Dreby has been with the bank for 18 years.

* * *

Plans for merger of the **American Fletcher National Bank & Trust Co., Indianapolis, Ind.** and the **Fidelity Bank & Trust Co., Indianapolis, Ind.** were approved by directors of both banks.

* * *

Inauguration early in June of a personal check-credit plan — first of its kind ever offered by a major Chicago loop bank—was announced by **Continental Illinois National Bank and Trust Company, Chicago, Ill.,** in a move aimed at expanding its "retail" banking operations.

Membership, which costs nothing until money is actually used, will enable participants in the plan to write checks for any purpose against funds the bank will agree to make available for their individual use. Repayment in monthly installments will rebuild the "line of credit" so that customers can continue using the money on a "revolving" basis.

* * *

"Gulf Coast National Bank of Almeda," Ameda, Texas, received a charter from the office of the Comptroller of the Currency, W. W. McGar is President and H. F. Walthall is Cashier. The Bank has a capital of $100,000 and a surplus of $150,000.

* * *

The First National Bank of Belen, N. Mex. increased its common capital stock from $100,000 to $200,000 by a stock dividend, effective May 4, (number of shares outstanding—8,000 shares, par value $25).

* * *

The American Trust Company, San Francisco, Calif. has an-

Lockheed Management reports on
Lockheed's growth position

1. LOCKHEED'S NEW LOOK

The past year or so has been the busiest in Lockheed's history. During the past 15 months we:

1. Delivered a dozen airplanes a week.
2. Made a first flight of a *new type* missile, space vehicle, or airplane every 40 days.
3. Performed $1.3 million in missile-satellite business every working day.

Sales for 1958 rose to a record $962.7 million. Earnings for 1958 were up 14% over 1957. In 1959 sales have maintained their all-time peak rate —$278.6 million for the first three months. Earnings for 1959's first quarter, while substantial, were below the 1958 level. Earnings represented a profitable return on military programs and commercial spares and services, but a loss on initial deliveries of Electra airliners. The Electra's successful introduction into airline use, however, has heightened our long-term sales prospects.

But these past months have been more than a period of heavy production. They have been months of preparation for the golden quarter-century that lies ahead.

They have been months in which Lockheed took the critical steps to broaden the hard core of its aircraft-missile work into the surrounding circle of related sciences. No longer just an airplane company, Lockheed moved confidently into areas where the future will be found.

2. LOCKHEED EXPANDS INTO NEW FIELDS

Years of study and planning came to fruition in closing months of 1958 and early 1959 in a series of expansion moves. We added new divisions and reorganized old ones. Here is what we have done:

Electronics and Avionics Division. We formed this division to manufacture and market electronic components, equipment, systems, and advanced instrumentation.

It has a bright growth potential. The Electronic Industries Association estimates 46% of total Defense Department missile expenditures is for electronic components. In aircraft the average electronics share is 18.5% and forecasts in commercial and industrial electronics are for 33% to 66% gains in the next five years.

Lockheed is no neophyte in the electronics field. We have had years of experience in aircraft and missile electronics. We have 3000 engineers and technicians who will remain at work in this field in other divisions. Last year we performed $30 million in electronics design and fabrication.

Puget Sound Bridge & Dredging Company. We acquired control of this company—the third largest Pacific Coast shipbuilding firm and a leader in general heavy construction. This move can place us in the nuclear-powered submarine and ship field, strengthen our bid on construction projects, and expand our ability to build and manage ground support for missile and space activities.

Lockheed Nuclear Products. If today's opportunities are in electronics, tomorrow's will be in nucleonics. Slow in coming, nuclear power is nevertheless inevitable, and applications of nucleonics are growing daily.

To build a long-term future in this vital area, we established a Nuclear Products branch at our Georgia Division. It has already made sales of training reactors to colleges. It plans the design, manufacture, and installation of large heat process reactors in fuel-short regions.

Last year Lockheed began operating the Air Force's multi-million dollar nuclear laboratories in north Georgia, near Dawsonville. Designed to test the effects of radiation on materials, component parts, and aircraft systems under operating conditions, this new facility is the most modern in the U.S.

Lockheed Monorail System. Outgrowth of our long efforts to increase utilization of our versatile skills and facilities, we have received a contract to design and build a $5 million monorail line for Seattle. This first U.S. monorail opens prospects for similar proposals to relieve many other urban transportation problems.

Lockheed Aircraft International. We have regrouped many of our extensive foreign activities into this new subsidiary. LAI will work out package ideas for foreign countries embracing skills, services, and products of all our divisions. They will encompass aircraft manufacture, sales, repair, and service; airport services; communications; missiles; electronics; nucleonics; ground support; and other elements to develop integrated transportation and defense systems.

Lockheed, S.A. This new subsidiary, located in Mexico, makes the experience of all our divisions available to government and business leaders for long-range industrial development programs.

Lockheed Azcarate, S.A. First definite step in this Mexican program, our new affiliate is beginning an aircraft manufacturing program below the border —a light utility plane suited for many jobs at high and low altitudes and in varied environments.

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nounced the election of Ransom M. Cook as President. Mr. Cook, a Senior Vice-President since 1951, succeeds Harris C. Kirk, who was elected Chairman. Mr. Kirk will continue as Chief Executive Officer.

In other changes, Dwight W. Chapman was elected Executive Vice-President and Stuart A. Heatley was named Senior Vice-President. Mr. Chapman had been Senior Vice-President in charge of the bond department. Mr. Heatley was a Vice-President.

* * *

Long Beach National Bank, Long Beach, Calif., with common capital stock of $375,000, has gone into voluntary liquidation by a resolution of its shareholders dated April 15, effective April 17.

Liquidating agent: Mr. C. Arnholt Smith, care of the liquidating bank.

Absorbed by: **The United States National Bank of San Diego, Calif.**

* * *

Puget Sound National Bank of Midway, Kent, Wash., with common capital stock of $100,000, has gone into voluntary liquidation by a resolution of its shareholders dated April 14, effective at close of business, April 30.

Liquidating agent: Mr. R. B. Gordon, care of the liquidating bank.

Absorbed by: **The Puget Sound National Bank of Tacoma, Wash.**

* * *

The Bank of Nova Scotia, Canada, announces that a new type of gold certificate which facilitates trading in gold is being introduced by the bank and by Samuel Montagu & Co. Ltd., bullion merchants of London, Eng. The certificates will be for fine gold to be delivered in the form of bars in London or Toronto.

The Bank of Nova Scotia will issue certificates for Toronto delivery, and Samuel Montagu & Co. Ltd., will issue those for London delivery. The certificates may be interchanged, in which case an adjustment will be made for any difference existing in the relative price of gold on the two markets. Ownership of the certificates may also be transferred.

Form Alan Associates

Alan Associates Securities Corp. has been formed with offices at 99 Wall Street, New York City, to engage in a securities business.

Milo C. Wildrick Joins Eppler, Guerin & Turner

DALLAS, Texas—Milo C. Wildrick, veteran administrative engineer and investment analyst, has joined the staff of Eppler, Guerin & Turner, Fidelity Union Life Building, as a member of the sales and research staff.

Mr. Wildrick entered the investment field more than ten years ago with a New York brokerage house, later coming to Texas in 1952 as an administrative engineer with Chance Vought.

With R. L. Smith

(Special to The Financial Chronicle)

ST. PAUL, Minn.—Roy S. Tingquist is now affiliated with Robert L. Smith & Co., Pioneer Building.

3. LOCKHEED STRENGTHENS ITS POSITION

Expansion and diversification are our stake in the future. More than that, they are our claim on the present. To assure our position as system manager for today's complex weapons we must have a broad range of technical and managerial skills. From each of our expanded activities—electronics, nucleonics, shipbuilding construction, foreign operations—we draw the knowledge and experience that permit us to obtain large contracts here and now. But we do not forget, in this concentration on new things, the solid worth and growth possibilities of the old.

Military Aircraft. Still vital for our defense, equally as important as a prelude to space flight, manned military aircraft occupy an important place in the future.

Our F-104 STARFIGHTER, holder of world records for speed, altitude, and time-to-climb, will be manufactured in quantity here and abroad for West Germany and NATO defense and has excellent possibilities of being selected by other foreign countries.

Our C-130 HERCULES continues to be vital to our nation's airlift and is drawing much interest from other countries.

In the growing concern over submarine defense, our anti-submarine efforts rise in importance. Our P2V anti-submarine patrol plane, in production since 1945, will be succeeded by our vastly improved P3V, for which we have pre-production contracts.

In the field of airborne early warning we have had a decade of success. We are proposing a new early warning weapon system to meet the continuing threat of coastal attack. And we are proposing many other kinds of aircraft for the future—new transports and trainers, vertical takeoff and landing planes, air rescue vehicles, and others.

Commercial Aircraft. This year brings peak deliveries for our new prop-jet ELECTRA. It is proving out on the world's airlines, and we expect sales to grow.

But beyond this are our plans for the future—executive transports and air-freighters already in production; supersonic transports, air buses, and family planes now on the drawing boards. Business, private, and airline flying will expand in the sixties as all three have in the fifties.

Missiles. POLARIS, DISCOVERER, ARGUS—these are names to conjure with. Less well-known are X-7, X-17, and KINGFISHER. All are Lockheed missile and space projects, and there is no limit to their potential.

The POLARIS, the Navy's newest, most formidable weapon, is strongly influencing the nation's entire defense strategy. DISCOVERER is the series of space biology probes for the Air Force and Advanced Research Products Agency, forerunner to space travel and satellite defense systems. Lockheed is system manager for both.

Lockheed missile and satellite sales have multiplied 42 times in the past five years. Out of the varied research programs of our Missiles and Space Division are coming discoveries and proposals that will catapult us into space and enrich our daily living. As missile and space programs climb, Lockheed will climb with them. The assault on space is only just begun.

4. FORMULA FOR GROWTH

Our present programs, recent expansion into new areas, continuing diversification—these are the details. Behind them, overriding them in importance, is a broad managerial philosophy that welcomes the future and prepares for it.

Through the years we have plowed back 60% of our earnings after taxes to assure our future. Last year we spent over $15 million on new facilities and equipment. For the current year we have earmarked another $18 million.

We emphasize research. Although more than nine-tenths of our tremendous $349 million research and development work last year was for government agencies, we performed over $25 million of R&D work with our own funds. Combined government-company R&D work in 1959 will exceed $400 million.

We emphasize brainwork. In 1959 our employees with doctorates and other science and engineering degrees increased to 4600, nearly one-tenth of our total work force. This was a 30% gain over 1957.

We emphasize management. Our management and executive programs, started years ago, have been continually reviewed and strengthened. Out of these programs is coming a wealth of managerial material that has made our diversification work well, and will provide Lockheed with management skills of the highest order in years to come.

★ ★ ★

And this is the greatest growth potential of all—brainpower, technological and managerial skills, dedication to a tradition of leadership, and burning faith in the future. These are Lockheed's formula for growth.

LOCKHEED

JET TRANSPORTS • JET FIGHTERS • JET TRAINERS • COMMERCIAL & MILITARY PROP-JET TRANSPORTS • ROCKETRY
BALLISTIC MISSILE RESEARCH & DEVELOPMENT • WEAPON SYSTEM MANAGEMENT • ANTI-SUBMARINE PATROL AIRCRAFT
NUCLEAR-POWERED FLIGHT • ADVANCED ELECTRONICS • AIRBORNE EARLY-WARNING AIRCRAFT • AIRPORT MANAGEMENT
NUCLEAR REACTOR DESIGN & DEVELOPMENT • GROUND SUPPORT EQUIPMENT • WORLD-WIDE AIRCRAFT MAINTENANCE

Bank Opportunities In Convertible Bonds Stressed in New Study

Pennsylvania banker turned author has study published by Salomon Bros. & Hutzler which adds more knowledge to the subject of convertible bonds in general and to suitability of such investments for banking portfolios

"Convertible bonds are one of the challenging opportunities offered to commercial banks by the constant change which is typical of our changing economy," according to William S. Skelly, Vice-President of Western Pennsylvania National Bank.

Mr. Skelly is the author of a comprehensive study of convertible bonds just published by Salomon Brothers & Hutzler, New York investment house.

The study considers the suitability of convertible bonds for the bond portfolios of commercial banks and the regulations of the Comptroller of the Currency governing his purchase.

Mr. Skelly, who is head of the WPNB Investment Department, made the study under the auspices of the graduate school of banking, Rutgers University.

"This study represents a valuable addition to the meager literature on the subject of convertible bonds," the publisher states in the preface.

The study goes into the history of convertible bonds, their advantages and disadvantages, investment and conversion values, regulations and restrictions, and conclusions based on the study.

"In the competitive struggle with other financial institutions which are less strictly regulated in their lending and investing operations, and less severely taxed, commercial banks are at a disadvantage. Consequently, they must be alert to every opportunity presented by changing conditions to not only safeguard and promote the interests of their customers, employees and stockholders, but also to strengthen their capital positions in preparation for the large loan demand and deposit growth in future years which must necessarily accompany expansion of the nation's physical volume of production and consumption," says Mr. Skelly.

He states that convertible bonds offer an excellent opportunity in this respect.

Halsey, Stuart Group Offers Equip. Tr. Ctfs.

Halsey, Stuart & Co. Inc. and associates on May 15 offered an issue of $2,400,000 Chesapeake & Ohio Ry. 4½% equipment trust certificates, maturing annually June 1, 1960 to 1974, inclusive.

The certificates, first installment of an issue not exceeding $5,100,000, are scaled to yield from 4.25% to 4.55%, according to maturity.

Issuance and sale of the certificates are subject to authorization of the Interstate Commerce Commission.

The entire issue of certificates will be secured by 500 box cars estimated to cost $6,375,000.

Associates in the offering are: R. W. Pressprich & Co.; Freeman & Co., and McMaster Hutchinson & Co.

Chicago Analysts to Hear

CHICAGO, Ill.—Melvin H. Baker, Chairman of the National Gypsum Company, will be guest speaker at the luncheon meeting of the Investment Analysts Society of Chicago to be held May 21 at the Midland Hotel.

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Business Must Now Accept Its Frightening Responsibilities

By THOMAS S. NICHOLS*
Chairman of the Board, Olin Mathieson Chemical Corporation
New York City

Mr. Nichols states free enterprise must accept the frightening responsibilities of Communism's challenge to free economic system now. The chemical head calls upon business to adopt a four-point program to meet the threat of this economic and political aggression: (1) pay-as-you-go national defense policy; (2) freer international trade; (3) make labor a "co-guardian" of nation's economic future, and (4) enter politics "in the broadest sense." In depicting this new concept of "responsible trusteeship," Mr. Nichols says "we must be the merchants of both peace and prosperity" without controls which would destroy our way of life.

May 8 happened to have been V-E Day—Victory in Europe. I am afraid that the fruits of that so-called victory have not been too well preserved.

Thomas S. Nichols

As one who has spent a life-time in the world of business, I have strong convictions that Lord Chesterton was right when he wrote to his son that "few people do business well who do nothing else." Stated bluntly, I believe that today the business community bears frightening responsibilities — burdens we dare not lay upon the future.

We are confronted by an international Communist Goliath and we need a far greater arsenal than slingshots to fell the menace. Our future lies in our own strength, and this in turn rests on a foundation of fiscal responsibility at home, and what I believe to be a new concept of **responsible trusteeship** by the business leaders of the free world.

However heavy our personal preoccupation with other duties, we can no longer be casual about this matter.

Our nation is confronted by a unique situation — one that we have never faced before. World history records such events as "The 30 Years War." But the longest armed hostility our country ever faced was the 6½ years of the American Revolution.

Today is different. We are now in a type of war that will probably continue for as long as anyone in this room lives, and may well span our children's and grandchildren's lifetimes.

Any discussion of our nation's future must start from this premise: "We are up against a problem that has no fixed or definitely foreseeable termination. As long as the Communits insist that their aim is to dominate the world, we have no choice but to adopt measures that will prevent this from happening." Khrushchev stated in May, 1957: "We think capitalism should be destroyed not by means of war or military conflict, but through an ideological and economic struggle."

Merchants of Peace and Prosperity

In this continuing fight against Communism the free world businessman has a special role. To the extent that the Communists have challenged us economically, it is up to the businessman to defend us. We must be the merchants of both peace and prosperity. Yet it would be almost true to say that we enter the fray with one hand tied behind our back. For on the economic level the real Communist threat arises from their system of coordination and planning. The Communist State plans economic development according to a system of priorities and assigned productive tasks and for purely political purposes. A market can always be captured by absorbing a loss. On the other hand, the Western businessman plans his individual development on the requirements of competition and the possibilities of profit in the market.

We have the skill and industrial plant to outstrip the Communists on their own terms. This has been demonstrated by our tremendous war efforts when our very survival depended on rigid business coordination. But we would not institute such controls except under the most dire emergency conditions. For we know full well that a regulated economy would destroy the very way of life we are trying to preserve.

In essence, this is the great challenge to free enterprise—a challenge far greater than anything faced in wartime. For we know that our present peace is partly a myth and that a very real "cold war" exists. Thus American business must meet wartime conditions — or "cold wartime" conditions—without wartime coordination. Moreover, we must match the productivity of a nation which does have the equivalent of wartime controls.

We confidently accept the challenge. We welcome the opportunity to put the free enterprise system into world competition with state-planned Communism, for we know that we can stand the test.

This is not mere patriotic rhetoric. By way of documentation, I cite the following examples:

For years, the Labor Party of Great Britain proudly called itself the Socialist Party. Yet in its most recent publication, "Plan for Progress" (issued last December) which is in fact their blueprint of the future, there is almost nothing said about Socialism.

All emphasis is on running a capitalistic society more efficiently than their opposition, the Conservative Party, Furthermore, the Laborites even warn against "damping the vital impulses of economic expansion."

In other words, here are the results from one battlefield where capitalism was pitted against state Socialism, and the free enterprise system withstood the assault and proved its superiority.

Suggests Four Guidelines

It would be presumptuous for me to outline a "Comprehensive Program" for the nation's businessmen to meet this continuing crisis. But I would like to pull together some guidelines for the journey further down the road.

Point 1—National Fiscal Responsibility

Since we will be compelled for many years to live in the shadow of aggression, our own internal solvency becomes even more important. We must buy defense this year. We must be equally able to afford it next year and the year after.

Every businessman knows that you cannot remain fiscally sound if you fail to balance your books year after year. You can operate in the red for awhile, but sooner or later the only answer is to go out of business.

The same rule applies to the financial management of our national government. That is why the President's fight for a balanced budget is so important. The government operated with a deficit last year because of the recession. Now all economic indices point to a good business year and so it becomes vital that we return to sound and business-like procedures.

While it is true as one has remarked, that the United States can afford to devote as much resources to its own survival as the Soviet Union can to our destruction, some programs will have to be sacrificed to maintain the high defense level.

We cannot afford every pet project plus high defense costs. We know that another unbalanced budget will undoubtedly increase the inflationary pressure.

Since the cost of living has been reasonably steady for several months, those who favor cheap money have been insisting that inflation is a phony issue brandished by reactionaries to fight spending programs. However, it is just this continuous counter-pressure — this public opinion marshalled by the President—that has done so much to arrest the inflationary spiral.

Inflation is an insidious intoxicant. And now is exactly the time to be concerned about it. If we wait until we are caught up in a runaway inflation, it will be too late. And we need not be fatalistic about it—inflation can be checked. Your own private actions and the pressure you can put on the Congress are very potent weapons in this fight.

Point 2—A New Look at World Trade

We are all in business and I have not come here to plead for a charity or to ask you to deny your own interests. But there is definitely something called "enlightened self-interest." I would define this as an act that helps both your business and the nation.

Freer world trade can be "enlightened self-interest."

It is said that American business has not progressed far enough from the isolationist position on tariffs and world trade of the first part of this century, and perhaps that is true, but business between U. S. A. and other countries should not and can not be a one-way street. We must, of course, guard against drying up our own industries by having our markets flooded with foreign goods but we must also give much more serious consideration to the possibilities of expanding our own business by encouraging other nations' industries to make large enough profits to afford our products. Indeed, in the final analysis, no political allaionce between any two nations can long survive unless there also exists between the two nations a mutually satisfactory economic alliance.

Point 3—A Reappraisal of Labor

The reappraisal I am referring to has nothing to do with the proven personal corruption of certain labor bosses. The question of corruption is important, but it is basically a side issue. We have had corruption in business and in government. Every decent person opposes corruption. The nation's responsible labor leaders, as well as intelligent government action, must clean up this mess.

Out of Labor's bigness has resulted some corruption, but far more significantly it has produced a new force which neither Business nor Labor has fully analyzed.

The situation has changed drastically since the Thirties. Organized Labor is no longer in its infancy. The Federal Government has recognized the change of Labor from an underdog—needing special protection—to Labor as a co-equal when the Taft-Hartley Act replaced the Wagner Act. Perhaps Business and Labor will only face up to this when the old leaders on both sides who lived through those turbulent years are replaced by a younger generation.

Today when a President of a Union meets with the President of a Corporation, they meet not as man from the shop with the boss, but as one high-salaried executive with another.

The Steel industry has recently said that "if we are to combat inflation we must first deal with the primary cause, namely, employment cost increases."

The Committee for Economic Development has written that the nation tends to deny "that labor is the main economic resource and that wage rates are the main element in costs and and therefore in prices."

As an infant is not responsible for his actions and an adult is, so Labor must now share responsibility with Management for rises in the cost of living, the threat of inflation, the growth and stability of the economy, our economic position vis-a-vis Russia and our free world allies.

Labor and Management must together work out a philosophy that defines this new responsibility of Labor as co-guardian of the nation's economic future. This cannot be done at the bargaining tables alone. It must be done in the classrooms and over the dining room tables.

Point 4—A New Political Role for Business—A New Trusteeship

In approaching this subject I realize I am dealing with combustible materials. But to do otherwise would be unconscionably neglectful of the overriding mission of enlightened business leadership.

All of us have contributed thoughts on this subject—but not too much **"thought,"** I'm afraid.

Now I want to make it clear at the outset that I am not appealing to the businessman to enter politics as a counterweight to Labor's expanded political operations. Neither am I asking for a new or revamped business pressure group. In my experience I have observed a number of so-called pressures. Indeed, when I had occasion to serve the Government in one capacity or another, I have been appalled by the inconsistency of some of our fellow businessmen who vigorously complained about government interference in business only to see them in Washington a few days later exerting every effort to obtain special help or treatment from the government. Don't forget that a government big enough to give you everything you want is or may be big enough to take everything you've got.

I am talking about businessmen entering politics in the broadest sense, not in terms of supporting one political party or simply to secure advantages for business.

My point is this: Our problems today—our country's and the Free World's—are primarily political. Today it would be ludicrous to have business interests demand that China be divided into trading areas and have nations go to war over business concessions. This is in our past. When we talk now of spheres of influence, we are referring to political, not economic influence.

Business Is a Tool in Cold War

In a sense it could be said that business is a tool in our cold war fight. We are of course trying to convince others of the rightness of our free enterprise system, but primarily we are trying to "sell" our system of freedom and democracy.

The era of imperialism and colonialism was an era of economic warfare — overtly and covertly. This is an era of ideological warfare.

Yet almost paradoxically, still today in the United States our brightest young people, as well as the most creative and imaginative of the older generation, go into business. This is a natural result of our nation's business-oriented heritage; it is also because the greatest monetary rewards lie in the business field.

But to our country it also means that the area of the greatest need for leadership is being denied many of our most gifted people.

This does not mean that I expect every investment banker to become a precinct leader — although some might really enjoy this experience. But what I hope to see is more of our businessmen thinking broadly about national and international questions and not being afraid to offer their opinions and advice.

Moreover, businessmen should be readily on tap as consultants to government; they should be cheerfully available for a term of duty as a public official; and their firms should cheerfully cooperate; they should increase their intercourse with our political leaders through conferences and private conversations; they should take a more active interest in local politics on the theory that there is a very definite "trickle up" in public affairs and that their local actions can and do affect national actions.

Sums Up Theme

What does all this mean?

Simply this:

We in business have a responsibility for seeing that our nation maintains a sound fiscal policy; business has a responsibility for reappraising world trade in the light of enlightened self-interest; business has a responsibility with labor of redefining an economic philosophy for the future; business has a responsibility to devote time and thought to national and international political questions.

I think it can be boiled down into a phrase written over 25 years ago in an essay on the businessman — "A Great Society is a society in which its men of business think greatly of their functions."

Fellow businessmen — or more happily stated, I believe—**fellow trustees** of the future—here is our summons to greatness. We can do no less. And if we are faithful to these tenets, America will never become a brooding fortress of despair, but will continue confidently on a course that carries her ever onwards and upwards to new peaks of achievement.

*An address by Mr. Nichols before the Investment Bankers Association, White Sulphur Springs, West Va., May 8, 1959.

Knowlton Opens Branch

SAN LORENZO, Calif.—Frank Knowlton & Co. has opened a branch office at 16112 Paseo Del Campo under the management of W. W. Besson.

H. Dietzmann Opens

SAN ANTONIO, Texas — Helmuth Dietzmann, Jr., is engaging in a securities business from offices in the National Bank of Commerce Building under the firm name of H. Dietzmann & Co. Mr. Dietzmann was formerly with Shearson, Hammill & Co. and Rauscher, Pierce & Co.

Forms Flag Inv.

ALEXANDRIA, La.—Alex McRae is conducting a securities business from offices at 1515 McNutt Drive under the firm name of Flag Investment Co.

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Mergott, Rappa Co. Opens in New York

G. Nelson Mergott and Salvatore J. Rappa announce the formation of Mergott, Rappa & Co., Inc., with offices at 40 Exchange Place,

Salvatore J. Rappa G. Nelson Mergott

New York City, to act as brokers and dealers in over-the-counter securities.

Mr. Mergott has been in Wall Street since 1925 and was one of the founders in 1933 of F. L. Grady & Co., Inc., which became Grady, Berwald & Co., Inc., in 1949. He was Vice-President and Secretary of the latter firm.

Mr. Rappa started his investment career with Post & Flagg in 1929, later joining Asiel & Co., and since 1942 has been in charge of the Over-the-Counter Trading Department at F. S. Moseley & Co. He was the founder of the STANY Glee Club in 1953 and this group has entertained regularly since then at STANY functions.

L. & N. RR. 4½% Equipments Offered

Halsey, Stuart & Co. Inc. and associates offered on May 19 $7,320,000 Louisville & Nashville RR. 4½% equipment trust certificates, maturing annually June 15, 1960 to 1974, inclusive.

The certificates are priced to yield from 4.25% to 4.65%, according to maturity. Issuance and sale of the certificates are subject to authorization of the Interstate Commerce Commission.

The issue is to be secured by 1,000 open top hopper cars estimated to cost $9,161,060.

Associates in the offering are: Dick Merle-Smith; R. W. Pressprich & Co.; Hemphill, Noyes & Co.; Freeman & Co.; Ira Haupt & Co.; Wm. E. Pollock & Co., Inc., and Shearson, Hammill & Co.

Form First Broad St. Corp.

First Broad Street Corporation has been formed with offices at 165 Broadway, New York City to engage in a securities business. Officers are Leo P. Nathanson, President and Treasurer; Samuel Beren, Vice-President; and Geraldine B. Nathanson, Secretary. Mr. Nathanson was formerly with Amos Treat & Co.

Heller, Rhoads & Hunter Formed in Phoenix

PHOENIX, Ariz. — Heller, Rhoads & Hunter Securities, Inc., has been formed with offices at 444 Camelback West to engage in a securities business. Officers are Marvin S. Heller, President; C. Rex Rhoads, Vice-President; and William J. Hunter, Secretary-Treasurer. All were formerly with Selected Securities, Inc., of which Mr. Rhoads and Mr. Heller were Vice-Presidents.

Univer Co. Formed

ORANGE, N. J.—Univer Company has been formed with offices at 186 Lincoln Avenue to engage in a securities business. Louis Niver is a principal of the firm.

Now Bull & Low

Jacobs & Low, 54 Pine Street, New York City, members of the New York Stock Exchange, announced that Harry Jacobs has withdrawn from partnership in the firm. Robert W. Bull, Jr. and Arthur J. Low will continue as partners under the new firm of Bull & Low, members of the Exchange.

Leavitt, Spooner Office

CEDARHURST, N. Y.—Leavitt, Spooner & Co. have opened a branch office at 536 Central Avenue, with Aaron I. Canon and Melvin Meckler as Co-Managers. Alexander J. Fuller is Associate Manager.

New Alkow Branch

BALTIMORE, Md. — Alkow & Co., Inc., has opened a branch office at 7 South Street under direction of Charles H. Fiege, Jr.

Named Director

Martin Davis, a partner in the underwriting firm of S. D. Fuller & Co., has been elected to the board of directors of Gold Seal Products, Inc.

Cruttenden, Podesta Branch

MUSKEGON, Mich. — Cruttenden, Podesta & Co. has opened a branch office in the Liberty Life Building under the management of Bernard F. Wendt.

New York Inv. Assn. Hold Annual Outing

Worthington Mayo-Smith, President of the Investment Association of New York, has announced that the Association's annual outing will be held this year on Friday, June 19, 1959 at the Tuxedo Club, Tuxedo Park, New York. The Investment Association of New York is an organization of younger men (under 35 years of age) active in the investment banking business in New York. Vincent C. Banker, R. W. Pressprich & Co., will be in charge of the outing.

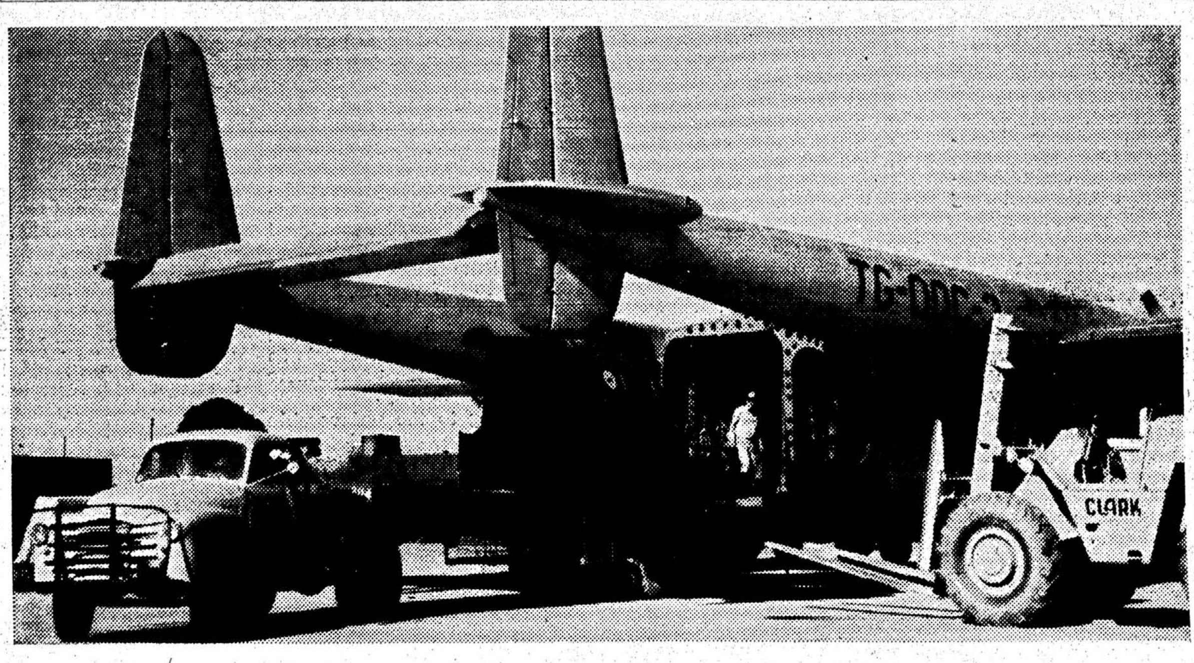
The Association will hold its next regular luncheon meeting at 12:15 p.m. on Tuesday, June 2 at Schwartz's Restaurant, 54 Broad Street. The guest speaker will be Eliot Janeway, the widely known market forecaster and investment advisor.

Forms Albion Secs.

Albion Securities Company has been formed with offices at 11 Broadway, New York City, to engage in a securities business. William M. Dailey and Mary S. Dailey are partners.

Evans MacCormack Branch

UPLAND, Calif. — Evans MacCormack & Co. has opened a branch office at 418 North Second Avenue under the management of Norman S. Lawson.



In more than 250 Flying Boxcar-loads...

OHIO OIL AIRLIFTS A DRILLING RIG INTO THE GUATEMALAN JUNGLE

Deep in the roadless interior of Guatemala a drilling rig is "making hole" today in an exploratory well. Piece by piece, the 142-foot derrick, draw-works, pipe, and tons of supplies were flown over impassable terrain to a landing strip carved from the dense rain forest. A good prospect geologically, this venture by Ohio Oil and associates faces the same long odds that confront the search for oil in all rank wildcat territory.

Rigging a jungle well by air is one of the more spectacular achievements of the first quarter of 1959 —a period during which The Ohio Oil Company recorded these results:

Statement of consolidated income	Three months ended March 31 1959	1958
Net Sales and Other Income	$75,165,104	$71,861,976
Cost of Sales and Expenses (Exclusive of charges set forth below)	55,948,899	54,627,835
Depletion, Depreciation and Amortization	6,330,410	6,195,097
Provision for Federal Income Tax	2,687,982	2,670,705
Net income for the period	**$10,197,813**	**$8,368,339**
Net Income Per Share Common Stock	$ .78	$ .64
Shares of Common Stock Outstanding	13,126,753	13,126,753
Cash Dividends Paid—Per Share	$ .40	$ .40
Net Crude Oil and Natural Gas Liquids Produced—Barrels	10,084,000	8,863,000
Crude Oil Processed at Refinery—Barrels	4,077,000	3,878,000

Subject to adjustment by independent public accountants upon completion of year-end audit.

THE OHIO OIL COMPANY
Findlay, Ohio
Producers • Transporters • Refiners
Marketers of MARATHON Petroleum Products

On May 5, 1959, the Board of Directors declared a dividend of 40 cents per share on common stock, payable June 10, 1959, to shareholders of record May 15, 1959

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Shearson, Hammill Branch

Shearson, Hammill & Co., members of the New York Stock Exchange, announces the opening of a new office on the Mezzanine of the Empire State Building under the management of Charles K. Perlin. This is Shearson, Hammill's fifth fully equipped office in New York and has complete brokerage facilities, including a Tele-register board showing the prices of 200 stocks, and access to Shearson, Hammill's private news wire system which transmits market opinions direct from Shearson Floor Partners and gathers vital information from 36 offices in key cities coast to coast.

Charles K. Perlin

Before joining Shearson, Hammill & Co., in 1956, Mr. Perlin was President of Herald Associates, Inc., a textile factoring firm.

Now Corporation

GREENVILIE, Miss.—Henry T. Crosby Company, a corporation, has been formed to continue the investment business of Henry T. Crosby Company, 618 Washington Avenue. Officers are Henry T. Crosby, President, and Louis S. Burf, secretary-treasurer. Mr. Crosby was formerly proprietor of the firm.

Delago Secs. Opens

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Delago Securities Co., Inc. has been formed with offices at 105 West Adams Street to engage in a securities business. Officers are H. L. Sanderson, President; George M. Peterson, Vice-President and Treasurer; William H. Short, Secretary. Mr. Peterson was formerly with Stifel, Nicolaus & Co., Inc.

Gen. Bond & Share

LAKEWOOD, Colo.—General Bond & Share Co. has been formed with offices at 801 Crescent Lane to engage in a securities business. Officers are William R. Mills, President; Rodney A. Pandolfo, Vice-President; and Clarence Pandolfo III, Secretary-Treasurer. Mr. Mills and Clarence Pandolfo were formerly with Universal Securities Inc.

Masten & Co. Opens

Masten & Co. has been formed with offices at 111 Broadway, New York City, to engage in a securities business. Partners are Floyd E. Masten, general partner, Hubert C. Meyers, Nathanel O. Abelson, John M. Chapman, Henry H. C. Eng, Thomas J. Mahoney, and Martin E. Ziegler, limited partners. Mr. Masten was formerly with Robert Winthrop & Co., S. D. Fuller & Co. and Merrill Lynch, Pierce, Fenner & Smith.

NATIONAL AND GRINDLAYS BANK LIMITED

Amalgamating National Bank of India Ltd. and Grindlays Bank Ltd.

Head Office:
26 BISHOPSGATE, LONDON, E.C.2

London Branches:
54 PARLIAMENT STREET, S.W.1
13 ST. JAMES'S SQUARE, S.W.1

Trustee Depts.: 13 St. James's Sq.; Govt. Rd., Nairobi; Ins. Dept.: 54 Parliament St.; Travel Dept.: 13 St. James's Sq.; Income Tax Depts.: 54 Parliament St. & 13 St. James's Sq.

Bankers to the Government in: ADEN, KENYA, UGANDA, ZANZIBAR & SOMALILAND PROTECTORATE

Branches in:
INDIA, PAKISTAN, CEYLON, BURMA, KENYA, TANGANYIKA, ZANZIBAR, UGANDA, ADEN, SOMALILAND PROTECTORATE, NORTHERN AND SOUTHERN RHODESIA.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Insurance Stocks

We have indicated before that few if any corporation annual reports appear as late as do those of the insurance companies. And while right along a scattering few have appeared in the insurance industry, the complete assembly of the leading companies are only now about ready for the public.

Many of us looked hopefully to the final 1958 data to be an improvement over 1957, and, while they have so excelled, it has not been by as much of a margin as we looked for. Of course, the rate increases were slow in coming through (where they got worthwhile ones), and, too, new higher rates do not at the time they are granted apply to business already on the books; they affect only newly issued policies.

The leading companies that showed black ink in statutory underwriting were not many, nor the amounts in black of much consequence. The equity in the change in the premium reserves helped out in a few cases; but in some they increased the amounts of adjusted underwriting loss. So it appears to this department that we will have to be content to wait for a more pronounced improvement in the current year.

Insurance stock prices have given ground lately, and, while the relatively poor earnings showing could have been discounted, we suspect that a number of insurance stock buyers jumped the gun and did their purchasing too early.

Of course, one other adverse factor in the market price weakness is the intimation that the upcoming investigation by a Senatorial Committee will be a very searching one. It may be wondered whether this approaching investigation is not to be an effort to put insurance under Federal regulation. If the life business were included, it would make a juicy addition to the various Federal regulations already taken over.

In any case, the threat of an unfriendly going over by the committee is not one of the things that give us bull markets in insurance stocks, and, coming at this time, with the unfavorable operating earnings figures, it is not calculated to help.

Insufficient rate boosts could be adding to the unfavorable atmosphere.

The following earnings of a number of the important fire-casualty insurance companies are an estimate of the leading statistical service, Alfred M. Best Co.

	Adjusted Underwriting Result	Invest. Income	Federal Tax	Net Earnings
Aetna Casualty	$4.16	$9.57	$0.16	$13.89
Aetna Fire	—4.13	6.16	0.38	2.41
Agricultural	—2.92	3.15	----	0.23
American	—1.25	1.99	0.03	0.77
Amer. Re Insurance	2.20	2.51	—0.80	3.91
Amer. Surety	—1.84	1.65	0.01	—0.18
Bankers & Shippers	1.54	3.84	—0.22	5.16
Boston Insurance	—3.33	2.62	—0.04	—0.75
Continental Casualty	2.35	4.29	—1.57	5.07
Continental Ins.	—6.84	3.72	—0.02	—0.06
Federal Insurance	1.48	1.70	—1.14	2.04
Fidelity & Deposit	2.20	2.19	—1.16	3.23
Fidelity Phenix	—3.66	3.66	—0.76	—0.76
Fireman's Fund	—0.83	4.15	—0.02	3.30
General Re Ins.	3.25	5.13	—1.66	6.72
Glens Falls	—0.71	2.68	—0.05	1.92
Great American	—3.11	3.74	—0.02	0.61
Hanover Insurance	—5.34	3.99	—0.07	—1.42
Hartford Fire	2.02	8.31	—0.94	9.39
Home Insurance	—1.28	3.69	—0.43	1.98
Ins. Co. of No. Amer.	1.24	5.13	—0.61	5.76
Maryland Casualty	—0.57	2.72	1.33	3.48
Mass. Bonding	—9.29	3.95	—0.07	—5.27
Merchants Fire	—0.78	1.96	0.06	1.24
National Fire	1.08	8.07	0.17	9.32
National Union	—4.57	4.05	----	—0.52
New Amsterdam	—11.14	7.90	—0.91	—2.33
New Hampshire	—3.82	4.23	0.10	0.51
North River	0.04	2.77	—0.47	2.34
Northern Insurance	—0.93	2.45	0.41	1.93
Pacific Insurance	1.32	3.81	—0.23	4.90
Phoenix Insurance	—8.53	6.30	—0.02	—2.21
Prov. Washington	—1.60	2.28	----	0.68
Reliance Insurance	—1.93	4.54	—0.07	2.54
St. Paul Fire	0.89	2.18	0.32	3.39
Seaboard Surety	2.98	1.56	—0.72	3.82
Security	—2.30	2.33	—0.52	—0.49
Springfield	—0.92	1.48	—0.04	0.52
Standard Acc.	—8.49	5.52	----	—2.97
U. S. Fidel. & Gty.	0.39	5.47	0.06	5.92
U. S. Fire	—0.07	1.87	—0.30	1.50
Westchester	—0.03	2.28	—0.41	1.84

NOTE—Adjustments made for stock dividends and split-ups.

Where policyholders receive dividends, above data are net after policyholder dividends.

We submit that when a company's investment income is not sufficient to offset adjusted underwriting results and taxes, the showing is a poor one; and generally speaking, 1958 showings were not good.

With Elkins, Morris

PHILADELPHIA, Pa.—Elkins, Morris, Stokes & Co., Land Title Building, members of the New York Stock Exchange and other leading exchanges, announce that Lawrence L. Barroll is now associated with their municipal department.

T. P. Fuller Opens

DALLAS, Tex.—Thomas P. Fuller is engaging in a securities business from offices at 856 Peavy Road under the firm name of T. P. Fuller Co. Mr. Fuller was formerly with L. C. Fisher Co. and with Securities Management Corp.

Continued from page 7

U. S. Gold Outflow Confronts Challenge of International Poverty

Partly because of the threat of communism, partly for other reasons, there is a growing realization that the most compelling challenge in the chapter of history now being written is how to help the poorer nations in our midst find an escape from poverty—an escape, not into the jaws of communism, but one in which there is a chance that free institutions will take root and grow. And there is a growing realization that this challenge applies equally to all free nations and commands a collective use of their resources and resourcefulness.

There are, in short, encouraging signs of order in the non-communist world—signs of a growing response to what is clearly the most difficult challenge which we face over the long run. But if we are to build on these hopeful beginnings there is one fact which must always be reflected in any policies or arrangements we may adopt to serve our ends. That fact is that a good deal more than money is needed to overcome poverty.

Encouraging Lending

From the point of view of a development banker, the most difficult problem by far in giving effective help to these people is the problem of promoting the right economic and financial policies. Now I could give a hundred illustrations of what I mean by "the right economic and financial policies"; they would range all the way from checks on inflationary pressures to laws and regulatory practices which allow public utilities to pay their own way and set aside out of revenues something towards their expansion. But you are as familiar with the prerequisites for economic development as I am. The point is that if financial assistance is to be effective, both lender and borrower must agree on such policies, however they may be adapted to the peculiar circumstances of a given country. This is true whether the assistance is made from one nation to another or through regional or international organizations. It is true whether the assistance goes in the form of loans or grants or something in between.

The admittedly fine line between what is economic and what is political often makes us very shy about talking about sound economic and financial policies with the representatives of other nations. Certainly, those who would make a political manifesto out of these ideas are guilty of crossing that line. We should leave it to the Russians to say that there is a hard and fast set of rules which a poor society must follow if it is to escape poverty today. We should leave it to the Russians to say to the leaders of these countries that they must be willing to ride roughshod over the entrenched habits and customs of their people and impose wholly new institutions on them with all the repressive paraphernalia of totalitarianism in the name of economic growth.

We should avoid slogans and make it crystal clear that our values tolerate great diversity in economic matters as well as political forms. But this does not mean that we have to fall into the hopeless position that virtually any policy goes when it comes to economic development. If a society is to grow richer in this day and age, there are economic and financial facts of life which must be respected whatever the social and political framework. To the extent that it is in our interest to help, we must insist on a respect for these facts of life. Otherwise, our desire to help will very probably be dissipated in frustration, if not actually turned to harm.

Quality vs. Quantity of Help

I am sure there would be less confusion and debate here and abroad over the American Government's efforts to promote economic growth abroad if as much emphasis was placed on the quality of help offered as on the quantity. As it is the two words "foreign aid" have become so elastic that they now embrace a host of special objectives—military, political and commercal as well as economic—so that it is often not at all clear just what is being attempted in a given instance. And to the extent that the United States is trying to promote economic development with "foreign aid" funds, money is all too often loaned or given away without first insisting on thrashing out the difficult but inescapable conditions for making that aid effective.

By failing to emphasize quality as much as quantity, the really important idea behind "foreign aid" is losing its appeal not just here at home, but abroad too. When, far from reflecting the financial and economic facts of life, loans and grants are used, as they have been, to aid, abet and perpetuate policies in other countries which make economic growth virtually impossible, then we are asking for trouble. The result, as we have seen in more than one country recently, is a deterioration of the other nation's economy and a reaction, sometimes violent, against the very programs which were supposed to help.

These are serious weaknesses. It would be a great tragedy if "foreign aid" became discredited here and abroad because the economic objective got lost or because we weren't ingenious enough to create with other countries a community of interest around the kind of sound economic and financial policies necessary for economic growth. It would be a tragedy because there is no more constructive idea in our whole foreign policy than the idea behind foreign aid to relieve poverty in those nations of the non-communist world which are experiencing both a Reformation and an Industrial Revolution in the face of such heavy odds.

Insistence on Conditions

My whole experience in the World Bank confirms me in my belief that when the objective is clear, a community of interest can be created around the right policies. And it doesn't require what one commentator called "a band of saints with degrees in economics." We have loaned more than $4 billion for development projects in 49 different countries and territories. All of these loans have carried conditions of one sort or another, conditions designed as much to protect our borrowers as ourselves. They have been accepted partly because our borrowers know we have no political axe to grind, but mostly because our borrowers have agreed that the conditions are necessary for the effective use of our money. Every loan has posed special problems of adapting knowledge and experience to a special environment, but all have reflected, I think, the facts of economic life which must be faced if a society is to escape poverty in these times.

And let me emphasize we would

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have had to do these things—to ask these conditions—even if we had been giving the money away rather than lending it. The difference between effective assistance and a "giveaway" is not the difference between a loan and a grant; it is the difference between an insistence on sound financial and economic policies and no such insistence.

* * *

I have tried to suggest in these few remarks that all is not chaos in our world—that there is hopeful and constructive work being done which offers something to build on by way of increasing the margin of order. Of course, no one can guarantee that if we follow the courses I have suggested, we will actually succeed in fostering both economic growth and nations in which free institutions will take root and grow. There is no certain connection between economic growth and freedom so it is impossible to argue that success is assured.

But the existence outside of the communist empire of the world's richest nations, which are also the world's freest nations, exhibiting a great variety of political forms and economic institutions, should be fact enough to give all but the very timid among us reason to have courage in our convictions. We should, in view of the Free World's great strength, scoff at those pessimists, among whom the communists are numbered, who say that today no poor society can get rich which does not first reduce its members to the status of ants in a bureaucratic anthill.

If we want, we can bring to bear a very powerful and persuasive influence on the historic tide of change which is sweeping the globe today. Just as we gave rise to that tide through spreading our ideas and material achievements into every corner of the world, so we can hope to turn that tide to promote political and economic progress consistent with our concepts of the dignity of man.

We can, that is, if we become as hard-headed as we are already big-hearted. We will never be loved for the quantity of our riches, but we can earn respect for the manner in which we employ them.

Mittleberg Co. Formed

SAN FRANCISCO, Calif.—Mittleberg Company, Inc. has been formed with offices at 321 Bush Street to engage in a securities business. Officers are Walter C. Mittleberg, President and Treasurer; F. E. Moore, Secretary, and Charles F. Sainsbury, Vice-President. Mr. Mittleberg was formerly with California Fund Management Co.; Mr. Sainsbury was previously with Marache, Dofflemyre & Co.

Green, Ellis, Anderson Opens Philadelphia Branch

PHILADELPHIA, Pa. — Green, Ellis & Anderson, members of the New York and American Stock Exchanges, announced the opening of an office at 1612 Market Street, Philadelphia, Pa. William Gurd McCulloch is resident manager of the new branch, and Richard Saltonstall Kinsey, associate manager. Headquarters of the investment firm are located in New York City, and other branches are in Wilkes-Barre, Hazleton, State College and Bloomsburg, Pa.

Form Tri-States Investment

BISMARCK, N. Dak.—Tri-State Investment Company has been formed with offices in the First Federal Savings and Loan Building to engage in a securities business. Gordon W. Trusty is President; Kenneth L. Bergo, Secretary-Treasurer, and Milton L. Bergo, Vice-President. All were formerly with State Securities Co.

San Francisco Analysts Elect New Officers

SAN FRANCISCO, Cal.—Robert H. Perry, partner of the investment counsel firm of Bergues, Wentworth & Co., was elected President of the Security Analysts of San Francisco for the fiscal year beginning July 1. He will succeed William M. Bennett, Hillsborough investment consultant, who will continue to serve on the Board of Governors.

Joseph Edelstein, of York & Co. was elected Vice-President and George A. Hopiak of Wells Fargo Bank was elected Secretary-Treasurer. The new officers were chosen at the annual membership meeting in the Mills Tower Assembly Hall last week. The officers also will serve on the Board of Governors for the ensuing year.

Elected to the Board of Governors for the 1959-1960 fiscal year were: W. Edward Bell, Crocker-Anglo National Bank; Jack H. Canvin, First California Co.; William P. Held, J. C. Strauss & Co.; Gustav Knecht, Jr., Dean Witter & Co.; and E. G. Roodhouse, American Trust Co.

Form Standard Planning

FOREST HILLS, N. Y.—Standard Planning Corporation has been formed with offices at 113-27 Queens Boulevard to engage in a securities business. Officers are Melvin Schwartzberg, President; Norbert A. Hochschartner, Executive Vice-President and Secretary, and Jerome L. Lubine, Vice-President and Treasurer.

Form Basic Securities

BIRMINGHAM, Ala.—Basic Securities, Inc. has been formed with offices in the Frank Nelson Building to engage in a securities business. Officers are Hubert M. Luna, President; Everett R. Luna, Vice-President and Secretary; and Ernest F. Rentz, Vice-President and Treasurer. All were formerly with Luna, Matthews & Waites.

Gildar Co. Formed

WASHINGTON, D. C. — Gildar & Company, Inc. has been formed with offices at 1424 K Street, N.W. to engage in a securities business. Officers are Richard A. Gildar, President and Treasurer; Sam Gildar, Secretary.

New Bache Office

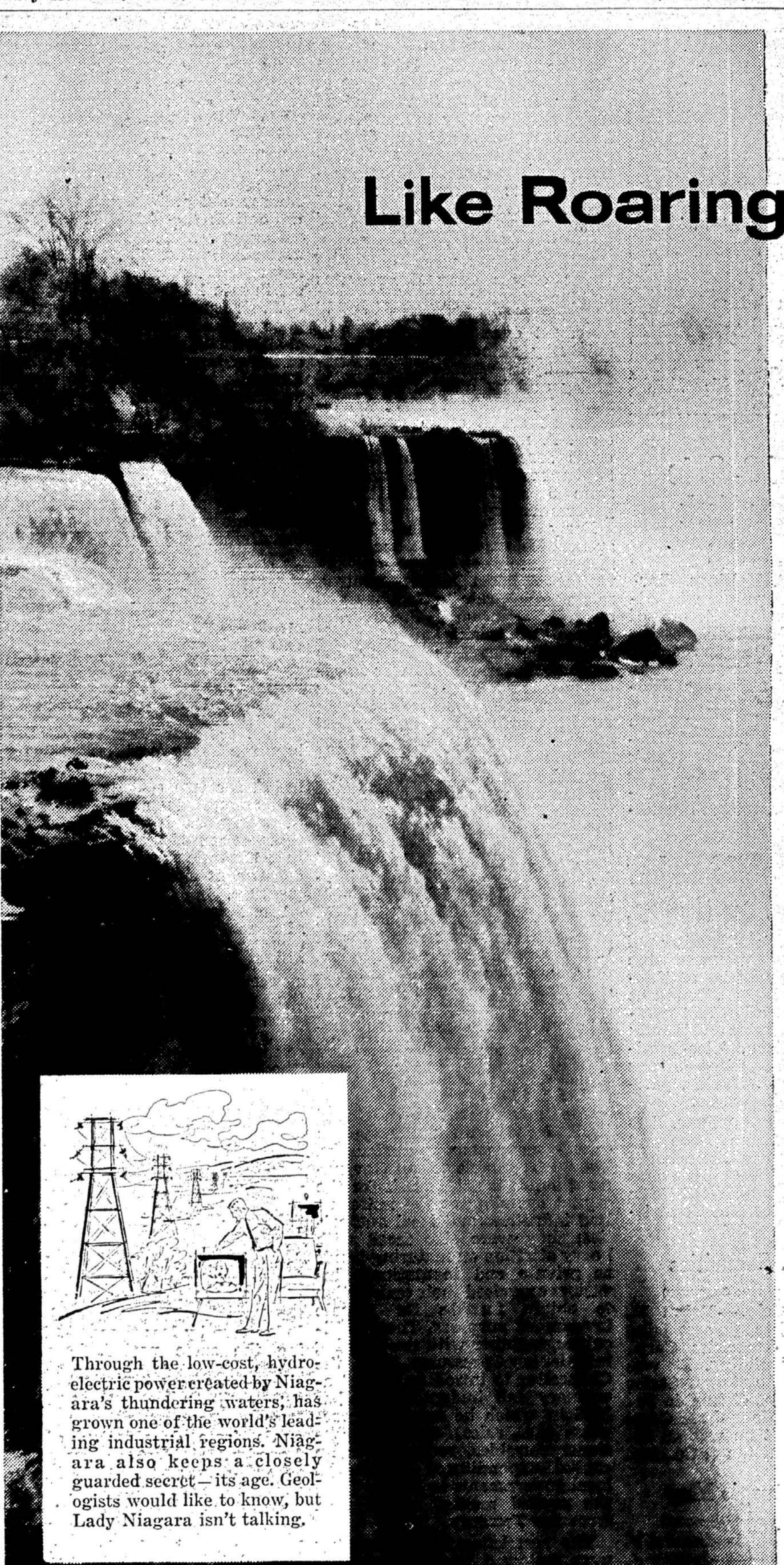
CAMDEN, N. J.—Bache & Co. has opened a branch office in the Hotel Walt Whitman under the management of Peter R. Newman.

Louis Schick Opens

NEW BRUNSWICK, N. J.—Louis Schick has formed Louis Schick & Co. with offices at 45 Paterson Street to engage in a securities business.

E. R. Pripps Opens

FT. LAUDERDALE, Fla.—Eduard R. Pripps is engaging in a securities business from offices at 1649 Southeast 12th Court under the firm name of E. R. Pripps Co.



Like Roaring Niagara...

there's more to Cities Service than meets the eye!

Through the low-cost, hydro-electric power created by Niagara's thundering waters, has grown one of the world's leading industrial regions. Niagara also keeps a closely guarded secret—its age. Geologists would like to know, but Lady Niagara isn't talking.

Viewed by more than 2,000,000 visitors each year, awesome Niagara Falls is more than a scenic place to honeymoon or test your skill with a camera.

Niagara's thundering waters also provide the low-cost, hydro-electric power that has given birth to one of the greatest industrial areas in the world.

In a sense, oil company operations are like that. Millions of people, for example, quickly recognize the Cities Service emblem and the 19,000 stations this emblem identifies. Few, however, ever see its drilling rigs at work, probing four continents for oil . . . and no one ever sees its thousands of miles of pipelines.

These, however, are only part of the modern facilities in which Cities Service has already invested a billion dollars. Caring for tomorrow's even greater needs will require further investment. Thus, just in the last two years, Cities Service spent over $350 million building for the future.

Only in this way can America be given what she must have for progress —more jobs, more and better petroleum products.

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Securities Salesman's Corner

By JOHN DUTTON

The Cumulative Effect of Good Advertising

There are investment firms that insist that the direct benefits they receive from their advertising in periodicals and newspapers are not readily discernible. If the advertising copy and layout is effective and the program is consistent, proper record keeping will often disclose that leads are converted into customers months and sometimes years after the original inquiry has been received. It is unrealistic to expect that a few advertisements will produce orders a few days after an ad has appeared in a daily or weekly publication. Things just don't happen that way. Newspapers and magazines do not sell securities. It requires that there is a proper follow through by salesmen in order to turn inquiries into customers.

Most Ads Should Offer an Inducement

There are two types of advertising that are beneficial in the retail securities business. Name advertising is always helpful. Ads that build confidence and prestige are effective in a community providing they are used over a prolonged period. They have their place in an advertising campaign.

Today, however, people are interested in information and ideas. They will respond to suggestions that are specific and that offer them an opportunity to increase their capital and income. Ads with coupons attached that make it convenient for the reader to respond, or ads that suggest a phone call or a visit and offer an inducement are a direct assist to the sales organization.

Keep Accurate Records

When an advertisement is prepared with the objective of creating interested inquiries every lead should be recorded. The date received, the name and address of the inquirer, and the salesman to whom it has been assigned should be placed in a special advertising record book. When a new account opened by a salesman that originated from advertising this should be noted on the record. Salesmen should be asked to report the results of all follow-up calls on inquiries. Those names which are definitely not prospects should be reported and checked off the original list. You can expect a certain number of curiosity seekers, students of finance and economics, and salesmen for other firms to respond to advertising offering a report on a specific company or a market letter. Sometimes after a period of several weeks, months or as we have said, even years, have transpired, a good salesman will open a productive account that will many times pay for the expense of a single ad, or even a limited advertising campaign.

Encourage Your Salesmen to Follow Leads

There are many ways to meet people on a favorable basis. Referrals, club affiliations, friends all contribute to a productive salesman's clientele. But the man who can take ten leads that he is handed as a result of a newspaper ad, and can follow even two or three of these names until he develops a sound business relationship, is the man that every sales department can always use and appreciate. Good record keeping helps the salesmanager to give such a man a well deserved pat on the back if he finally comes up with an order months after he has received a lead. Time and again I have seen good salesmen do this and they have enjoyed the feeling of accomplishment that followed such a sale. Can you imagine how much enthusiasm and loyalty such a man would generate if one of his firm's partners or his salesmanager called him in and congratulated him on this nice piece of work. The sale doesn't always have to be the big one nor is it always the large account that deserves the honorable mention—it is the man who continually works every lead intelligently and consistently builds his business that is the backbone of every sales organization.

You Never Know

One of the most productive accounts that I ever had came about as a result of a simple newspaper clipping. All that advertising can do for any salesman is give him AN OPPORTUNITY to meet A POSSIBLE CUSTOMER on a FAVORABLE BASIS. If Mr. Jones writes to you and asks you for a report on a certain stock you can mail it to him. You can pick up the telephone and thank him for his inquiry and ask him if he received it. You can take it from there and that is what a salesman is PAID TO DO. Advertising can open the door for you but you have to walk in and introduce yourself and your service and securities.

Governor of S. C. to Address New York Municipal Forum

Hon. Ernest F. Hollings, Governor of South Carolina, will address The Municipal Forum of New York at a luncheon meeting to be held at 12:15 p.m. today, May 21, at the Lawyers Club, 115 Broadway. Governor Hollings' address, which is entitled "No Magnolias," will cover South Carolina's growing industrial development and discuss the State's place in the "New South." The forum is composed of those interested in various facets of municipal finance.

NY Commerce Chamber Elects Two Tax Comm.

The New York Chamber of Commerce has announced the election to its Committee on Taxation of Roswell Magill, President of the Tax Foundation and partner of Cravath, Swaine and Moore; William C. Watson, Vice-President of Chesebrough-Pond's Inc.; and Christopher J. Devine, partner of C. J. Devine & Co.

Benjamin J. Buttenwieser, limited partner of Kuhn, Loeb and Company and former Chairman of the City-State Fiscal Relations Committee, was re-elected to a second one-year term as Committee Chairman.

With Fin. Securities

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Ralph W. Newton, Jr. has become associated with Financial Securities Corp., Farmers Union Building. He was formerly with Western States Management Corp., Columbia Securities Co., and Honnold & Company. In the past he was an officer of Hicks, Newton & Co., Inc.

With J. Sturgis May

(Special to THE FINANCIAL CHRONICLE)

HIGH POINT, N. C.—Lemuel F. Smith is now connected with J. Sturgis May & Co., Security National Bank Building.

Continued from page 5

Economic Growth, Inflation And Stabilizing Policies

the discount rate, and they adopted a largely passive position toward the continued rise in liquidity resulting from foreign exchange inflow. As interest rates fell, there was a widespread revival in the capital market, and construction activity boomed during the year, giving major support to the economy. However, the budget deficit was eliminated; between April 1958 and February 1959 (the latest date available at time this paper is being written), government revenues and expenditures were in virtual balance.

Developments in the United Kingdom

Since the pegging of short-term interest rates was abandoned in November 1951, Britain has relied on monetary policy to achieve an important part of the desired restraint in internal economic activity, and to correct the balance-of-payments consequences of over-full employment at home. From 1955 to 1957, however, monetary, fiscal, and instalment credit restraints were unable to check excess demand pressures and the virtually continuous round of price and wage increases which averaged over 4% a year. The monetary authorities were hampered by a weakening of fiscal policy and by difficulties in the field of government debt management as credit conditions tightened. A major foreign exchange crisis forced the authorities in September 1957 to raise Bank rate from 5 to 7% and to reduce government spending.

Early in 1955, the British authorities resorted to monetary measures to keep the private investment boom under control, raising Bank rate in January and again in February. However, a substantial relaxation of fiscal restraint occurred in March when the budget for 1955-56 was introduced and taxes were reduced. As a result, the Treasury's overall deficit (for current and capital expenditure) was increased to £300 million. Also, additional tax rebates to encourage private investment were introduced, even though the full impact of similar incentives introduced in 1954 had not yet been fully felt in the growth in private investment.

The growing momentum of business expansion was marked by a record expansion in bank loans for the first six months of 1955. To check this credit creation, the Chancellor imposed a quantitative ceiling on bank lending in July 1955 in which he called for a "positive and significant reduction" in loans. As a result, the banks did bring about a 10% reduction in their loans by the end of 1955.

The government soon found itself faced with major public debt - management difficulties. They were unable to sell Government bonds to raise funds for the capital spending of the nationalized industries and local authorities; they were also faced with heavy attrition on maturing bonds as private and institutional investors exercised their cash option to obtain funds for private investment purposes. These difficulties, together with the growing inflationary pressures, led the Chancellor to introduce an extraordinary fall budget in October 1955 in which he increased purchase (i.e., sales) taxes on consumer durables, reduced certain capital expenditures and forced local governments to borrow from the capital market rather than from the Treasury.

The restrictive fiscal measures were followed in February 1956 by a further rise in Bank rate and by the introduction of higher down payment conditions for instalment credit purchases. In addition, the Chancellor tightened fiscal measures further in his budget for 1956-57 introduced in April. Government spending was brought under more control and the special private investment incentives were withdrawn.

During 1956 and 1957, business activity continued at peak levels in the face of high money rates and the restrictive fiscal measures. During the two years, prices rose by 4% a year and wages by 5%. Finally in September 1957 a severe loss of gold reserves led the authorities to raise Bank rate from 5 to 7%, to limit bank loans and to restrict government investment. These measures were taken, however, at a time when world economic developments helped to check inflationary tendencies. The U. S. recession helped to calm down inflationary psychology in Europe and there was a substantial fall in the prices of the raw materials Britain purchases from abroad. In addition, Britain's own investment boom began to taper off in late 1957.

The results of Britain's emergency measures have been to enable Britain to take advantage of lower import costs. The United Kingdom has been able to check, at least temporarily, the postwar inflationary rise in prices and to strengthen its balance of payments, so that it could introduce convertibility to foreign - held sterling in December 1958. It has also been able to relax internal restraints on bank credit and on installment purchases and to turn fiscal and monetary policies to the task of economic expansion. The ceiling on bank loans was abandoned last July, all installment credit controls withdrawn two months later, and taxes were substantially reduced in the budget for 1959-60 introduced in April.

Developments in France

In December 1955, a decline began in France's official reserves of gold and foreign exchange that lasted for two and a half years, and amounted to the equivalent of nearly $1.5 billion. This situation was caused by over-expansion in economic activity and the consequent excess of inflationary pressure.

The French economy expanded at a rapid pace in 1954-1955, without signs of developing inflationary pressures, because unused resources were being absorbed into the productive process. After 1955, expansion could not continue at the same rate without causing prices or imports to rise. The latter tended to happen first. In 1956, strong demand on the internal market absorbed a record volume of imports, gave French business comparatively little incentive to export, and caused a trade deficit of more than one billion dollars. During this period, prices were kept down by the flood of imports, and also by detailed administrative measures designed to keep the cost-of-living index from rising. From the end of 1955 through July, 1957, the French official cost-of-living index rose by less than 2%. During the same period, however, France lost over half of its official reserves of gold and dollars. At this point—August, 1957—the French Government carried out a *de facto* devaluation of the franc by 17%. Nevertheless, prices rose sharply, and continued to do so until the spring of 1958.

The main causes of inflationary pressures in 1956 and 1957 in France were the classic ones. The French economy was caught up in a world-wide upswing in demand, which was reinforced at home by inflationary financing of a large government deficit. The French budgetary deficit in 1956 and 1957 amounted to about 20% of expenditures, and bank credit to the private economy expanded in those years by 22 and 15% respectively. Although to some extent the budget deficit was financed by drawing on the savings of the public (especially in 1956), the combined total of central bank advances to the government and of net new bank credit to the private economy in each of the two years proved to be excessive.

In the spring of 1957 the French authorities began to take some of the steps necessary to curb the expansion of the money supply. The discount rate was raised to four and later to 5%. The penalty rates for each bank's discounts above certain ceilings at the central bank were raised to seven and 10%, and in the latter part of 1957 the ceilings themselves were lowered by 35%. Certain more direct measures to reduce the flow of imports were also adopted, including the reimposition of quotas on virtually all imports. These measures slowed down but did not stop the expansion of credit, or the loss of foreign exchange, which in the fall of 1957, was accelerated by speculation against the franc. At the end of 1957 France was again forced to seek loans to bolster her depleted reserves of foreign exchange. In connection with the $655 million aid package that France received from the International Monetary Fund, the European Payments Union, and the United States, the French Government undertook to carry out a stabilization program involving principally a reduction in the budgetary deficit and further tightening of credit controls.

France's balance of international trade and payments improved during the second half of 1958, owing in part to the measures previously put into effect, in part to the confidence engendered by the de Gaulle regime, and in part to slackening of economic activity that began in the spring or early summer. French prices, however, were judged to be too high to compete on world markets at the rate of exchange then in effect. Consequently, at the end of December, 1958, the French franc was again devalued — this time by 15%.

France now faces the prospect of a new upswing in activity with its economy on a sounder basis than for a number of years, but it is not without serious economic problems. Foreign exchange reserves are still comparatively low, and there is little slack in the economy. The fighting in Algeria continues to be a drain on the budget. The new French Government, however, appears to have a better chance of successfully coping with these problems than any of its recent predecessors, mainly because it is evidencing determination not to let inflation again undermine its currency.

Developments in Japan

Japan has had a long history of inflation in the postwar period, but I will confine myself to a discussion of post-Korea experience. Since the end of the Korean War Japan has undergone two inflationary booms, both of which have been remarkably similar in their nature and in their consequences. The booms have been characterized by easy money policies that permitted demand to expand more rapidly than the available supplies. Output rose, but as demand rose even faster, prices were pushed up. In both cases the inflationary pressure very quickly produced trouble in the Japanese balance of payments.

Japan is highly dependent upon foreign trade. The total value of exports and imports is equal to nearly one-fourth of its national product. The development of foreign-exchange difficulties was the prime factor in spurring the Japanese authorities to take ac-

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tion to suppress the inflation in both 1953 and 1957. It might also be said that the awareness of the Japanese public of the relationship between domestic financial stability and external balance has been of great importance in winning public support of the rather strong medicine that the authorities have applied.

In 1953 Japan experienced a sharp rise in imports while exports remained virtually unchanged. Reserves of gold and foreign exchange fell about one-sixth during the course of the year. It became evident that the prices of many Japanese export commodities were less competitive than they had been previously, and the buoyant home market made it less necessary for Japanese producers to devote time and energy to the promotion of export markets. Talk of devaluation of the yen became widespread and the government instituted various special export-promotion devices to encourage greater interest in selling abroad and earning the foreign exchange necessary to pay for the rapidly rising volume of imports. Anti-inflationary measures were introduced in October, 1953, with the initial emphasis on tighter credit, followed by fiscal retrenchment in the spring of 1954. The authorities stated that their aim was to bring about a 10% reduction in prices. They fell a little short of this goal in terms of the overall wholesale price index, but very substantial reductions were achieved in many lines, and interest in export business was remarkably stimulated. At the time Japanese prices were being reduced, prices in several competing countries were creeping upward, and Japan found itself in a very strong competitive position in export markets. In 1954, exports rose rapidly and imports fell. The following year saw continued internal financial stability, a very respectable rate of increase in industrial activity, and another huge increase in exports. Japan's gold and foreign exchange holdings rose to record levels.

The next inflationary boom began in 1956, with a very rapid acceleration in output and with demand again running ahead of supply to bring a price increase of more than 8% for the year. Exports continued to rise, but imports rose more. During the course of the year it became increasingly obvious that Japan was heading for balance-of-payments trouble. Corrective action was delayed for several months, and by the time it was finally taken in the spring of 1957, Japan had reduced her gold and foreign exchange reserves by nearly 30% from the total at the end of 1956.

Again a combination of monetary and fiscal measures was employed, with emphasis on higher interest rates and other measures to tighten credit. The authorities once more sought to achieve a price reduction of about 10%, and a 9% reduction in wholesale prices was actually achieved. This time the Japanese anti-inflationary efforts coincided with the industrial recession elsewhere in the world. Although exports were maintained at a high level, overseas demand was not sufficiently high to enable Japan to fully utilize either the greatly expanded plant or inventories that had been built up during the boom. Industrial activity, seasonally adjusted, declined 7.5% from May, 1957, to May, 1958, which proved to be the bottom of the Japanese recession. Again the price and cost adjustments achieved during this period were important in enabling Japan to increase exports, though only slightly, in the face of declining world demand.

The balance-of-payments crisis was overcome in 1958 and Japan again began to accumulate reserves at a rapid rate and at the same time to increase production. Today Japan is well out of the mild recession of 1957-58. Industrial activity in February, 1959, seasonally adjusted, was 18% above the low of May, 1957. The outlook for continued prosperity and growth is excellent and Japan faces the future with her vitally important balance-of-payments in good condition, her reserves at near record levels, with a highly competitive industrial plant and managerial leadership, and a population that has developed an amazing propensity to save and invest in the future.

Conclusions

Other countries should be reviewed where economic and financial situations were and are different and actions taken were and are different, but space limitations will not permit us to review them at this time. But what can we learn from the developments abroad so far reviewed?

The German example shows that a country can continuously pursue a policy of stabilizing monetary and fiscal policies and at the same time experience rapid economic growth. Needless to say, these policies in themselves were not the main causes of the country's growth. The German economy was stimulated by the need to rebuild its war-shattered cities and enterprises, by the inflow of highly skilled refugees from the East, by the world-wide boom in capital goods, which was of particular benefit to the industrial area of the Ruhr. Nevertheless, other countries experienced similar stimuli, and not all of them were able to take the same advantage of them. With all possible reservations it is impossible to doubt that the use of stabilizing monetary and fiscal policies has made a significant contribution to the enviable record of the German economy of the last 10 years.

The examples of France and Japan show that rapid growth combined with inflationary pressure soon results in such serious balance-of-payments difficulties that rather harsh anti-inflationary measures become necessary.

The examples of these two countries and of the United Kingdom finally show that stabilizing monetary and fiscal policies can succeed in stemming even strong and sustained inflationary pressures if applied with sufficient energy and at the right time. It is again needless to say that these policies in themselves may not be able to do the job if the economic circumstances are unfavorable. The inflationary processes in the United Kingdom, France, and Japan were brought under control at a time when the end of the world-wide investment boom increased the effectiveness of anti-inflationary action. Nevertheless, there can again be no doubt that the end of the boom would not have automatically eliminated inflationary pressures if correct policies had not been followed: Quite a few countries have been suffering from inflation throughout the recent recession.

I said at the beginning that I did not want to discuss the United States economy by direct reference. Circumstances vary, and every country has to choose its own economic and political goals and methods. Also, in no country do we have "a clean sheet of paper to write upon." We have to take the situation as is, and not as we would like to have it be. We must deal with fact, not theory. However, if Germany has been able to combine financial stability with rapid economic growth, there is at least a strong presumption that the United States can do the same. And if the United Kingdom, France, and Japan have been able to stem inflationary pressures by adequate monetary and fiscal policies, there is at least a strong presumption that the United States can do the same. It should therefore not be too difficult to apply the lesson learned from the experience of other countries.

Popovic & Weedon Elected Directors

John C. van Eck, Jr., President announces the election of Milan D. Popovic and Col. Sidney L. Weedon as Directors of Inter-

Milan D. Popovic Sidney L. Weedon

national Investors Inc. at the annual meeting of stockholders. Mr. Popovic is an investment adviser and is President and Director of Blue Ridge Mutual Fund, Inc., Blue Ridge Associates, Inc., and Blue Ridge Managers, Inc. Col. Weedon has been Vice-President and director of The Crosby Corp. and Vice-President of Fidelity Management & Research Co., Inc., from 1953 to 1958. He was formerly Vice-President in charge of sales of Hugh W. Long & Co., Inc.

Foreign Exch. Comm. Appoints 2 Members

The Foreign Exchange Committee of the New York Money Market announces that Frank P. Sheard, Vice-President of the Bankers Trust Company, and John M. Young, a partner of Morgan Stanley & Co., have been appointed members of the committee. The Committee, which was created in 1939, was designed to establish a closer contact between the foreign exchange market and the Federal Reserve Bank of New York.

Columbus Stock & Bond Club Outing

COLUMBUS, Ohio — The Columbus (Ohio) Stock and Bond Club will hold their Annual Golf Outing on Friday, June 26, 1959 at the Columbus Country Club, 4831 E. Broad Street, Columbus, Ohio. Out-of-town guests are most cordially invited. Reservations may be made with Donald W. Bourne, Merrill Lynch, Pierce, Fenner & Smith, Inc., Secretary of the Club.

Chicago Traders to Hold Summer Outing

CHICAGO, Ill. — The Summer Outing of the Chicago Traders Association will be held June 27 at the Woodridge Country Club.

With Lester, Ryons

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Oliver C. Horsfall is now connected with Lester, Ryons & Co., 623 South Hope Street, members of the New York and Pacific Coast Stock Exchanges.

With Wagenseller & Durst

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Willis H. Durst, Jr., has become connected with Wagenseller & Durst, Inc., 626 South Spring Street, members of the Pacific Coast Stock Exchange.

Chesley Adds to Staff

(Special to The Financial Chronicle)

CHICAGO, Ill.—Peter R. Sawers has been added to the staff of Chesley & Co., 105 South La Salle Street. Mr. Sawers was formerly with Dominick & Dominick.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government market has been drifting lower and lower, with yields for most of these issues at the highest levels that have been seen in more than 30 years. It is evident that we have a better than 4% market for Treasury obligations and this goes for the near-terms as well as the long-terms. The refunding and new money operation is out of the way, but the increase in the prime bank rate last week means that there will be no let-up in the pressure on the money markets. With this increase in the bank loaning rate it can be only a question of time before the Central Bank rate will be advanced.

The Treasury is expected to get through the current fiscal year without resort to new cash borrowings. On the other hand, new money will be obtained early in the new fiscal year and an increase in the debt limit as well as an increase in the long-term interest rate is looked for in the near future.

Recent Financing Marked by Heavy Attrition

The Treasury has completed the May refunding and new money raising operation, but in so doing not only had to pay the going competitive rate for funds but also had a sizable attrition in the refunding of the $1,817,000,000 of 1¼% certificates. Owners of $559,000,000 of the May 15th certificates decided to take cash instead of the one-year 4% obligation at $99.95 to yield 4.05% which was offered to them by the Treasury. The cash pay-out in the refunding operation was 31%, an unusually large part of the total involved, although in dollars the amount was not significant as far as the Treasury was concerned. The attrition of 31% on the $1,817,000,000 exchange offer was second only to the 32% cash-in which was taken in the $2,200,000,000 refunding in May, 1955.

Treasury officials said that the cash pay-out in the 1¼% certificate refunding was in line with expectations. However, most money market specialists were not of the same opinion, because it appears to be the belief of the greater part of the financial district that this heavy cash pay-out by the Treasury means that their ears were "pinned back" in no uncertain way. In spite of the large attrition in this refunding operation, the Treasury has indicated that there will not be any new money raising in the current fiscal year which ends on June 30th.

Element of Surprise in Prime Bank Rate Rise

The money market and the capital market was trying to evaluate the results of the new money and refunding venture of the Treasury, and some progress was being made since the shortest obligations and selected intermediate-term issues were beginning to give evidence of an improving tone. Then all of a sudden last Thursday the prime bank rate was raised from 4% to 4½% by the large New York City banks. An increase in the prime bank rate appeared to have been in the cards, but it was expected in most quarters of the money market that the discount rate would be raised before the loan rate of the commercial banks was upped. Also, this move was a surprise because of the source from which it came.

The loan demand outside the major financial centers has been very large of late, especially for consumers and mortgage borrowings. Accordingly, it was expected that the first rise in the prime bank rate would come from a bank outside of New York City or Chicago. It is evident from this move by the New York City banks that the large money center institutions have been experiencing a pick-up in the loan demand and they expect the needs of business for funds to improve substantially in the weeks ahead.

Entire Rate Structure to Rise

This upping of the prime bank rate from 4% to 4½% means that the whole structure of bank loaning rates will be advanced, and the deposit banks will be in active competition for the funds that can be lent to customers. With Government, corporate and tax free yields advancing, and some of them now at levels which are attracting money from the banks, these institutions were to some extent forced to advance rates in order to prevent bank borrowings from going into the capital market. In contrast to 1955, when the banks sold Governments to get funds that took care of the increased volume of business borrowings, today these institutions find themselves limited in their ability to liquidate Treasury obligations. Not only do they have smaller holdings of these securities, but the price declines have been so steep, as to make the sale of these obligations almost prohibitive.

Harrison & Company To Admit Partner

CINCINNATI, Ohio — Harrison & Company, Fifth Third Bank Building, members of the New York and Cincinnati Stock Exchanges, on June 1 will admit Charles L. Harrison III to partnership in the firm.

R. H. Hinsen With B. C. Christopher Co.

(Special to The Financial Chronicle)

KANSAS CITY, Mo.—Robert H. Hinsen has become associated with B. C. Christopher & Co., Board of Trade Building, members of the New York Stock Exchange. Mr. Hinsen was formerly local manager for Fahnestock & Co. and prior thereto was with Harris, Upham & Co.

Form Life Ins. Stocks

DENVER, Colo.—Life Insurance Stocks, Inc. has been formed with offices in the First National Bank Building to engage in a securities business. Officers are William A. Cannedy, President; Rubin C. Cannedy and Donald V. Floyd, Vice-Presidents; and E. L. Cannedy, Secretary-Treasurer. All were formerly associated with Columbine Securities Corp.

Forms Investment Co.

Leonard Jones is engaging in a securities business from offices at 100 William Street, New York City, under the firm name of Protection Planners.

Sidney Osgood Opens

BROOKLYN, N. Y.—Sidney Osgood is engaging in a securities business from offices at 815 Broadway.

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Are We Underestimating the Soviet Economic Challenge?

dated March 28, the *New York Times* quoted Mr. Charles B. Shuman, President of the American Farm Bureau Federation, as having "evidence that the Soviet Union was using cut price wheat —including some that had originated on United States farms— as an economic warfare weapon." The *Times* said that Mr. Shuman "expressed the fear that the Soviet Union would replace the United States in the Western European market.")

The Russians can flood the market with their surplus tin. In Bolivia, where tin is the vital life stream, there are riots. Against the Russians? No. Against us. It is true that the most recent riot was touched off by a statement in *Time Magazine*. But the underlying cause was the depressed market for tin.

Soviet petroleum finds its way to Argentina and Uruguay. This tends to dry up the markets for Venezuelan oil. So does President Eisenhower's Executive Order establishing a quota on oil imports into the U. S. This order pleased our oil producers in Oklahoma and Texas but it cut our purchases of Venezuelan oil by $250,000 a day. Vice-President Nixon heard about oil when he visited Caracas — and with insults and brickbats. Will there be unemployment in other oil producing countries? The Russians won't hear much about it. But we will.

Soviet automobiles are appearing on the German market. They are selling at low prices and they aren't being advertised. The Soviets haven't yet learned the power of commercial advertising to help sell their goods in export markets. They are beginning to use advertising domestically to dispose of surpluses or to stimulate savings, as I reported in *Sales Management* on my return from USSR three years ago. And I now predict that the USSR will shortly begin to learn how to use export advertising. This will add measureably to the formidability of Soviet competition in export markets.

There are persistent Soviet bids for more trade with Britain. Three years ago Khrushchev, visiting England, spoke contemptuously of current Soviet-British trade as the exchange of Russian crabs for British herrings. He offered to buy almost $3 billion of British goods if the embargo on strategic exports were removed. And now Mikoyan roams the world markets, beating the drums for Soviet products, ready to buy or sell from either pocket, ready to undercut other countries' prices, and holding out the hope of Soviet loans at 2% for 40 years.

This last point dramatizes still another element of the Soviet economic offensive. This is their economic weapon Number Three. It is no less than the coming challenge to the dollar by the ruble.

Drive for Higher Dollar Gold Price

The *London Economist* recently reported that the head of a large Zurich bank had wagered the Chairman of our Federal Reserve Board a case of champagne that the United States will devalue the dollar within three years. And the house of Montagu, the big London bullion house, in the *Bullion Review* for 1958, tells us a few facts about Soviet gold production. It was about 17 million ounces both in 1957 and in 1958. That's about $600,000,000 a year— on the same order as South African output. Soviet gold reserves are estimated up to $10 billion. Montagu makes some comments, too, on the possible devaluation of the dollar: "One cannot exclude the possibility that a further decline in dollar holdings (and they mean dollar holdings by foreign countries) caused by the American Government's difficulties in handling its financial problems might well force the hands of the American authorities."

There is no Marxist nonsense in Soviet banking operations. Russian bankers operate today much as they did under the czars. They don't believe in capitalism, but they believe in capital and they handle it along capitalistic lines. Our bankers will tell you that Soviet gold is a pleasure—and a profit—to handle. It is always perfectly assayed. And it is beautifully packaged, so that the banks always make just a little bit more when they handle Moscow gold than with any other country's gold.

Soviet gold now trickles into the West at the rate of about seven million ounces a year. This is roughly a quarter billion dollars. It isn't enough to disturb the delicate balance of the gold market.

But what did Mr. Mikoyan urge last summer in an article in the Soviet magazine, *International Affairs*? He proposed nothing less than that the United States raise the price of gold. This of course devaluates the dollar. He contended that the price of gold is "artificially established" by the United States at a low rate which we impose on countries from which we buy gold—as a form of tribute collected by us.

Mikoyan on Ruble Convertibility

In the Soviet foreign trade journal, *Vseshnyaya Torgovlya*, Mr. Mikoyan stated that in the not too distant future the ruble, export of which has been forbidden for 30 years, will be made fully convertible on international exchanges.

Both of these magazine articles by Mikoyan sustain reports that the Russians plan a revolution in international finance. In the Soviet view, the ruble is to displace the dollar as the dominant medium of international exchange even in the non-Communist world.

Such a belief would have seemed foolish—or merely a nightmare— a few years ago. And today? I'm not a financial expert—but I wonder. Soviet industrial diamonds and gem diamonds soon will be competing with those of South Africa. The international ruble will have gold and a growing flood of commodities as its backing. And in a death grapple between the ruble and the dollar, what will be the fate of the relatively free system of finance that has so long dominated the international world of money?

Foreign Aid Challenge

Fourth and finally, we of the United States are now dangerously facing a Soviet challenge in the field of foreign aid. During the next decade, this may turn out to be the most important of all the Soviet economic weapons. Recently Undersecretary of State Dillon reported that Soviet commitments to underdeveloped and uncommitted nations for the year 1958 amounted to $1 billion. Mr. Dillon said this represented "a dramatic acceleration of the tempo of the drive."

By comparison with our own, the Soviet program of aid to underdeveloped countries has been small—with a total commitment of only $2½ billion since the war, mostly in long-term low-interest credits. Some experts believe the program will continue to be relatively modest. But others estimate that within ten years the Soviet economy will be able to provide a surplus of $10 billion annually for export—if its leaders elect to do so. If the tempo continues to accelerate, they may readily so elect.

The Russians are playing for big stakes and they know what the stakes are. They expect and they get political value for their money even when the money's small. Their anti-Western line is quite clear. They tell the underdeveloped countries to expropriate Western property and to reject Western aid. They promise help without the "enslaving" conditions we impose. That we do not "enslave" is of no importance, so long as the Soviets are able to sell the idea that we intend to.

In India recently, there was a dramatic demonstration of the effectiveness of the Soviet aid and propaganda program. Two steel mills of one million ton capacity were opened on two successive days. The first had been built by a group of West German and Indian industrialists. Its opening passed relatively unnoticed. The second was built and financed by the Soviet Union. It opened amidst a fanfare of publicity, a flood of propaganda that made it appear to India and surely much of the underdeveloped world that the Soviet Union was India's principal benefactor in her struggle toward self-sufficiency.

Yes, perhaps the gravest threat to the Western world in the emerging Soviet economic challenge is the accelerating program of Soviet economic aid, and the skill with which it's handled.

Now I've mentioned four forms of Soviet economic challenge. As a Cassandra, I could go on. But I am not here to argue that the Russians are ten feet tall. I'm merely arguing that when we Americans are in a life and death struggle we shall be well advised if we do not underestimate our competition. I'm rying to dissolve any illusion that the United States is necessarily the Big Man and that the USSR is the Little Man and that a Good Big Man always beats a Good Little Man.

Flaws in Soviet System

Manifestly there are deep-seated flaws inherent in the Soviet system. Further, there are cancerous economic flaws wholly apart from the purges, the tyranny and the political double-dealing.

One is the unsolved problem of succession in a dictatorship—how, without terror and bloodshed, to transfer power from one regime to the next. Stalin was in his forties when he became absolute ruler, but Khrushchev is already 65. This is Sears-Roebuck's newly advanced retiring age (it was 60 in 1942 when General Wood turned over the Britannica to the University of Chicago, and advised me to keep it at 60).

Now I don't know the condition of Khrushchev's liver; he looks healthy enough in his pictures. And it takes a man in good health to stand up against Hubert Humphrey for 8½ hours. But I would wager that the jockeying is on among those who want to sit where he sits. He may be temporarily succeeded, as was Stalin and before him Lenin, by an oligarchy of unquiet men scheming among themselves for the ultimate power. Such a struggle might lead to another round of liberalization within the USSR. This would be all to the good. Or it might deflect Communist energies away from an international offensive. Such a respite might, of course, be only temporary.

There are factors and trends that could work in our favor. For 40 years the people of the USSR have been hearing about the better life that is in store for them. It is true that most Soviet citizens are today better off materially than their fathers were before the Revolution. But all things are relative, and twice one egg per week is still only two eggs. Their lot has been alleviated—but only to a degree that may whet their appetites for more. We can wait with some hope for that "mellowing process" predicted by George Kennan.

The astute politician Khrushchev today seldom makes a major speech without pointing to Soviet accomplishments in increasing the output of food and to a future with good housing, and enough meat, milk, and clothing for all. Perhaps he feels that the Soviet people may never again be as supine as they were in the years when Stalin was operating on Lenin's dictum that it was necessary to sacrifice two entire generations in order to achieve the revolution.

Illiteracy in the USSR has been largely wiped out for those under 45. In my book of last year, *This is the Challenge*, I again reported how the booming Soviet educational system—or rather its training system—is turning out tremendous crops of competent professional men and women, administrators and technicians—and thus creating a new version of a middle class. Allen Dulles has expressed the "cautious hope", that education may prove the Achilles heel of the Soviet system. The Kremlin may indeed find it an increasingly harder problem to manipulate the people of the USSR.

Alexis de Toqueville in his book, "The Old Regime," said: "The evils which are endured with patience so long as they are inevitable seem intolerable as soon as a hope can be entertained of escaping them." The Russian people found the evils of the Czars intolerable and ultimately escaped them; and no man can say for sure that this may not happen again even though there seems small hope at present for any significant or imminent change in the regime or its policies.

Factor of China

There is a major factor which should not be minimized. If I were purely a Cassandra, I would overlook it. This factor is China. In a few years banquet speakers will perhaps be focusing on a new problem which they will tell you is the gravest in all our history. They may tell you that in 1959 we Americans were fighting the wrong cold war—and they may be right. Peking claims that China's production of steel and grain doubled in 1958. Twice one egg is still only two eggs, but it's a much bigger omelet when stirred by 600,000,000 people. To the Soviet Union or to the rest of us it is clear that Mao Tse-tung, Chou En-lai and Company are reorganizing China to achieve the last ounce of productivity.

There is a wisecrack current in Moscow. Khrushchev's Seven Year Plan, they say, is not aimed at catching up with the United States, but at keeping ahead of China. The United Nations forecasts a Chinese population of 1,600,000,000 by the year 2000. The Soviet population is now 270,000,000, less than a third of China's, and growing much more slowly. The prospect of an explosive over-populated China immediately south of Russia's rich and underpopulated Siberia must be cause for concern in Moscow. Former Premier Paul Reynaud at a conference I attended in Bern last Summer asserted that China's abandonment of birth control is one of the most significant political developments since the war. The Soviets understand such developments.

But I fear any effort to find a silver lining in China's growing strength makes this paper's cloud the more ominous.

Is a powerful China, seemingly more Communist than the Kremlin, likely to weaken the worldwide economic challenge of Communism? We may indeed some day find ourselves allied with the USSR against Communist China, but is this a comforting thought for the members of the Economic Club of Chicago to take home to their wives and daughters tonight?

I hope that I may by now have persuaded many that the arguments are powerful that America's present necessity is to gear up for the coming economic competition.

Suggests Program for Us

Now do I have any suggestions as to how best to gear ourselves up.

Of course, the first and most essential task of the United States is to continue to maintain and further to build up our defense establishments; this is a subject for another speech, though not by me. Perhaps I should remind you, however, that many who have studied the subject feel that our defense budgets should be stepped up at a rate of at least $3 billion a year. A great political scientist, who spends his life studying world trends, told me last month that he thought the odds on a nuclear war had shifted in the last five years from 1 in 100 to 1 in 10. He advises me to purchase three hideaways (he prefers to call them lodges), at 10,000 to 12,000 feet altitude, one in South America, the second in Southeast Asia and the third in Africa. "Keep one member of your family out of the United States at all times," he warns.

If he's right, $3 billion a year is far too little. We must weigh his arguments. Our understanding of reality is essential to our survival in freedom.

Our second objective for our economy, as I see it, is to produce at full capacity, or close to full capacity. We must pursue policies which insure an expanding economy. What we should produce, and how our total production should be divided among goods and services, is another question. We have largely solved the technical problem of production; what we have not solved is the problem of maintaining an economy at full momentum and of channeling its production among various goods and services most vitally in the national interest.

For the last several years, our growth rate has been considerably less than our traditional 3%. Almost two years ago, in the third quarter of 1957, our gross national product reached its peak — we were then producing at the annual rate of $451.1 billion dollars. The recession came along and G.N.P. sagged. A low annual rate of $429.2 came in the first quarter of 1958. The average for the year ended up at $437.7. (These figures are all in '58 prices.) Today it is creeping back up—but with five or six million unemployed. It is at least $20 billion behind what we might reasonably expect with high employment.

Now it takes no financial or mathematical genius to discover that if the current or recent rates of our own economy and the Soviets are maintained — that they will shortly surpass us in gross national product—and with a minimum of fin-tailed Cadillacs or plastic covers for the hats that cover the heads that cover our brains.

Can we Americans afford to settle for a growth-rate of less than the 5% set as a goal in the 1958 report of the Rockefeller Brothers Fund? This is no quota set by an optimistic sales manager. It is a rate of growth calculated by a panel of carefully chosen experts to accommodate sharply increased defense expenditures deemed essential; to cover increased and essential domestic expenditures in such fields as education; and to provide for a 2.8% per annum growth of private per capita consumption. Thus it seems to promise that we can have our cake and eat it too. If we get the breaks, perhaps we can and

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perhaps such an example on our part will help lead the world to peace. At any rate, we should seek to develop national policies directed toward such a goal. This requires skilled and courageous political leadership applied to national tax policies, budget and monetary policies.

One distinguished economist estimates we must double our current or historical rates of savings and investment to achieve the Rockefeller goal. We must work more, but if we do it will be easier to save more.

More Economic Aid

A third front on which we must fight is that of economic aid. Here again I turn to a recent but neglected report of the Rockefeller Brothers Fund. This one is titled "Foreign Economic Policy in the 20th Century." It says, "The selective economic program of the Soviet Union is politically effective primarily to the extent that weak countries must face the strong Soviet economy alone. If these countries are part of larger groupings they will be able to resist pressure more easily and negotiate on a more nearly equal basis.

"The Soviet effort is impressive primarily because the free world has failed to develop a workable structure within which the industrialized and newly developing regions can cooperate in fulfilling the aspirations of their peoples."

The report continues, "The free world can withstand the impact of the Soviet geo-political trade offensive if it organizes itself to do so. The more highly industrialized nations of the world are linked to the less developed nations by a two-way trade of goods that totals more than $35 billion annually, or almost 30 times the amount of trade between the less-developed countries and the Communist bloc.

"By building appropriate international institutions on the solid basis of existing mutual interest, the free world can perpetuate an advantage that lies overwhelmingly on its side."

I endorse the conclusions of this report. I believe the American people are again prepared to take what Clarence Randall of Chicago has called, "the bold and costly measures to avert disaster in this contest."

Annual increases in productivity can of course make it far easier for us to increase our foreign aid programs, and to put them on a long-term basis, not an uncertain annual basis, bolstered along the lines of Senator Monroney's "Development Loan Fund."

Further, we should develop new ways to stimulate private investment abroad, particularly in underdeveloped countries. I am tempted by Clarence Randall's proposal that the tax exemptions we now give to profits from investments in Latin America should be extended to the entire world. In his provocative article in the current *Atlantic Monthly*, he urges, "genuine partnerships and immediate and generous sharing with local capital of both the risks and the opportunities."

I am not now prepared to join those who are suggesting that America must create a government monopoly of foreign trade in order to meet the Soviet challenge. This can come; I am told it is being discussed in the State Department and "papers" are being prepared on it — as indeed they should be. But I am hopeful that we can avoid violating our anti-trust laws in ways that are repugnant to many of us in the business community and to a great majority of our voters.

We are quick to accuse the Soviets of politically motivated foreign trade. Yet many of their policies, like ours, may seem rational from the standpoint of their domestic economy. Our trade too is governed by political considerations—domestic ones affecting farm policies, for example—or our oil quotas to which I've just referred — or our tariffs, as the Illinois and Connecticut Manufacturers Associations can tell you.

Reduce Trade Barriers

The United States should do all it reasonably can to reduce tariffs and trade barriers and thus stimulate world trade generally. In his testimony before Senator Douglas' Committee, Professor Slichter suggested that tariff reduction would hold down United States prices and thus counteract inflation.

And should we exclude the Soviets from our trade? Might not trade with them help encourage the trends we desire? In his new book, Adlai Stevenson asks these questions: "So why not trade with them? Why not help them improve their living standards? Why not encourage the growth of material abundance and thereby make it harder to preserve the secrecy, ignorance and tight controls of the Soviet system? Why not help the Soviet leaders subvert their own system of fear with the confidence bred of plenty?"

Finally, in my list of quick suggestions, I remind you that I have been identified, over the years, first in the Department of State and later in the Senate, with proposals for strengthening America's programs of international information and cultural exchange. These can have profound impact on the economic struggle. They should be greatly enlarged.

We must not neglect the export of people and ideas as well as goods. Clarence Randall complains that our representatives can't speak "the language of the people with whom we must deal each day." I have previously proposed the creation of centers for the training of technical assistance experts—"West Points of Point 4," I called them, and I repeat the suggestion here. The graduates of such centers would serve overseas for a few years as the graduates of our service academies serve in the Armed Services. They would receive a most marvelous training for the business world we like to envisage for the future.

A few fissures have opened in the Iron Curtain. More can be developed with a little leadership and money, as I pointed out last year in testimony to the Foreign Relations Committee of the Senate. One of our most hopeful lines of action is to make the Soviet people aware of how wide the discrepancy is between their own standard of living and that of the West. The Soviet press so fears this issue that it failed to print Prime Minister Macmillan's broadcast in Moscow about how well the British people live and how much higher British per capita production is than the USSR's. I suggest that we set up this issue as a pre-condition of the Summit meeting sought so eagerly by Khrushchev. Let him agree to carry its proceedings in the Soviet press and on its radio and TV. Challenge him to expose his people to the great international debates of the times at the Summit meeting. If he wants the Summit, let his people listen to what goes on there.

I shall pass over the ignorance of our own people and the importance of informing them. On March 18, James Reston reported dismay in Washington because in a spot check the *New York Times* discovered that 39% of those questioned did not know that Berlin is an enclave in Communist East Germany. Such ignorance is a commentary on the American press, radio and TV—as much as on the American people. Our press and radio may be free, but they are far from adequate.

* * *

Now you may say, as I conclude, that measures I have ticked off quickly will cost a lot of money. I reply that the money is tiny compared to our national income, and our Defense Department costs. In view of our great danger and our urgent need, I for one am prepared to face up to higher taxes. We are confronted with a new emergency no less real than war, and potentially equally menacing because if we do not meet it, war may not be far behind.

Governor Stevenson is perhaps well enough established even in this economic citadel, for me to quote him again in concluding. In grave and solemn words he reported on his last year's trip to the USSR. He warned us, "My conclusion is that our Russian competitors are much tougher than most of us have yet realized —and that this time we might get licked, unless we are willing to change our habits, our political behavior and our complacent outlook on the world.

* * *

Can we rediscover in time the values which made our Western revolutions infinitely greater than Lenin's? Can we check and reverse our national slide toward complacency? By dedication and hard work, can we demonstrate anew what we mean by the good life and the good society? These are the questions before the American people today.

How we respond to them is the key to the future. It is the challenge of our time.

Railroad Securities

Reading Company

Earnings of Reading Company so far this year have been disappointing. The road is highly dependent on heavy industry and bituminous coal for the major portion of its traffic. Recently, however, traffic has been showing good gains over a year ago and this trend is expected to continue.

In 1958, earnings per common share amounted to only 34 cents a share, but this year with improved movement of coal traffic, it is estimated that per share net could expand to around $3 a share, which would make the 25 cents quarterly dividend rate well covered.

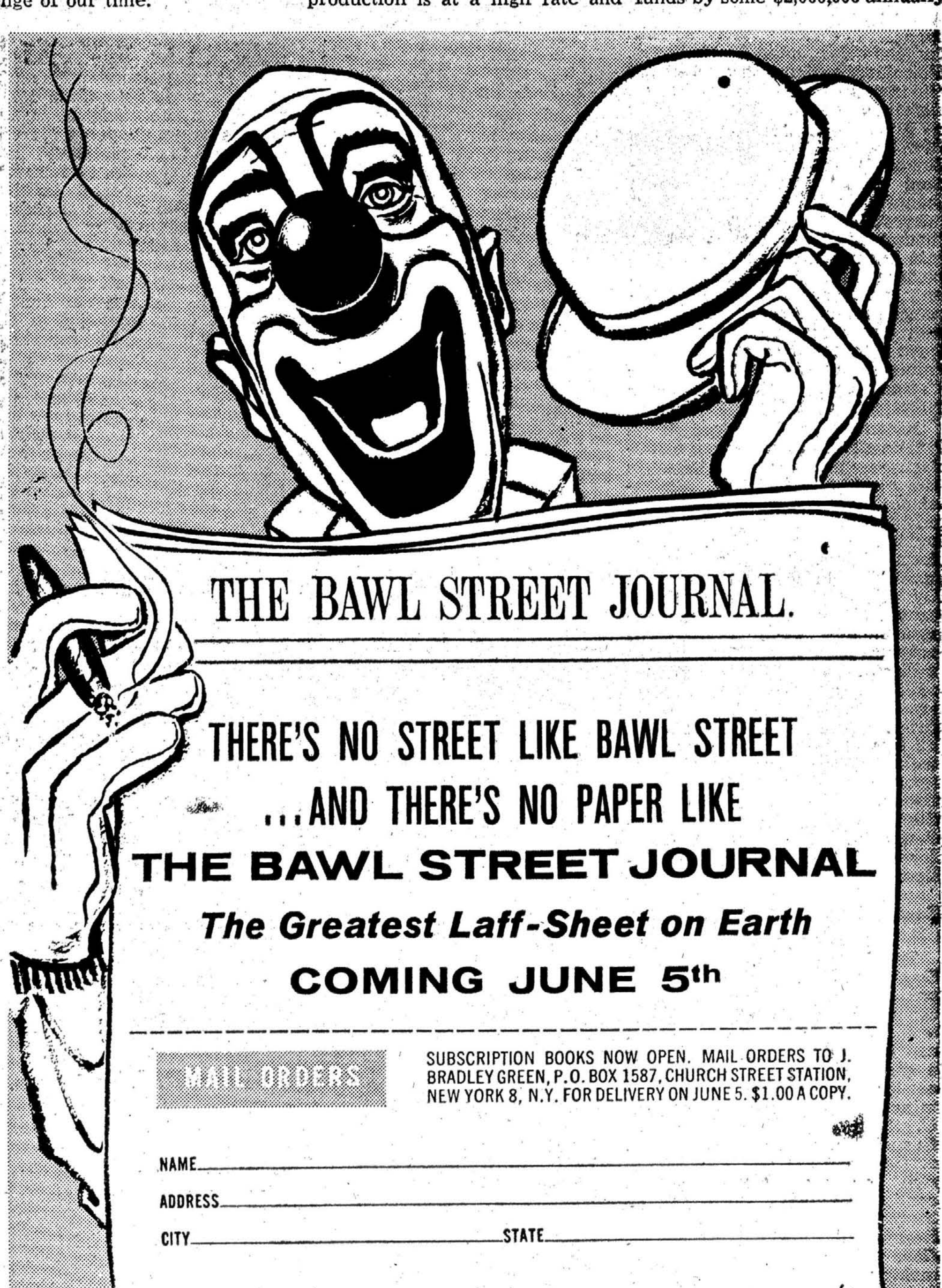
In the first quarter of this year revenues were off 4.9% under those of the depressed 1958 levels. The road managed during this period to cut operating expenses by 9%, with substantial reductions being made in roadway maintenance expenditures.

While traffic in the early months of the year was depressed, a pick-up in coming months is anticipated in view of the higher rate of activity in heavy industry. Steel production is at a high rate and this means additional traffic to the Reading. Bituminous coal traffic which accounts for about 30% of total freight traffic was off sharply last year. This traffic is beginning to pick up currently.

Export business of the road has gained in importance in recent years. This has mainly been export shipments of grain and coal as well as heavier ore imports.

In line with improved traffic prospects, the future earning power is heightened by good cost control. Expenses probably will increase as volume expands, but not in the same proportion. In this respect while gross revenues in the first quarter dropped 4.9%, operating expenses were reduced by 9%.

Finances continue satisfactory. As of Feb. 28, cash and equivalents amounted to $12,261,000 and current liabilities were $19,866,000. Net working capital was $11,710,000 as compared with $11,094,000 a year earlier. Depreciation charges exceed maturing equipment obligations and sinking funds by some $2,000,000 annually.



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Future of Small Business Under "Fourth Banking System"

financial institutions. In fact, smaller firms in the U. S. get far more financing from larger firms than from financial institutions. The nature and extent of this inter-business financing in our country is a vast but relatively unknown subject. It merits a good deal of study and research. No attempt has been made yet to collect and organize information regarding the form, the magnitude, and the direction of flow of funds between businesses. We do know that there is a very large net flow of **trade credit** from larger businesses to smaller businesses. We know that there is an immense amount of equipment financing, in which the larger business sells its equipment to the smaller business on credit. We know that a large amount of financing of the smaller business takes the form of long-term loans and purchases of stock by the larger business.

The purpose of this kind of financing is perfectly plain. The larger enterprise is seeking either one of two things. It is either seeking larger and assured markets for its products by setting up and financing small enterprises that purchase from it. On the other hand, it may be looking for an assured source of raw materials by financing smaller producers. Petroleum refiners have financed thousands of service stations and distributors of petroleum products as well as oil producing firms. Merchandising distributors have financed thousands of independent retail stores and small manufacturers of the goods they purvey. Auto makers have put thousands of retail auto dealers into business as well as financed parts manufacturers. Equipment and machinery makers have financed many of their distributors and customers. Steel companies have financed a great many coal mines from which they have purchased coal for their steel-processing operations.

Recently, an important trend has developed among large manufacturers in some industries. In the electronics industry, for example, many larger firms are advancing long-term loans to or buying stock in small companies formed by groups of scientists and specialists in a particular field. By taking options on stock or convertbile debentures they are assuring that if the venture turns out well they will realize a capital gain. We are finding dozens of little satellites growing up around larger manufacturing firms. This is an aspect of small business financing about which we don't have very much systematic information. I commend this subject for careful study by the Small Business Administration. It has important implications for small business and competition.

Recalls RFC Financing of Small Business

The launching of a system of Small Business Investment companies under the aegis of the Small Business Administration is opening a new chapter in American business finance. It provides a good occasion for recalling an earlier chapter. I recall to your minds the fact that we had in the U. S. a public small business financing agency that began operations in 1935 and had a very rich experience until its discontinuance in 1954. I refer to the business loan programs of the Reconstruction Finance Corporation. The experience of RFC in making business loans has been studied carefully, and is well worth reviewing by those who are entering the business of financing new and small enterprises. Thus they may profit by its experience. I had the opportunity of investigating the business loan program of RFC in considerable detail, and I would like to offer some observations about it. (Those who wish to pursue this subject should read *Federal Lending and Loan Insurance*, published by the National Bureau of Economic Research, New York, in 1958.

Small businesses are affected by a great many uncertainties. This is self-evident. About 8% of all business discontinue each year. Because we are dealing with an institution that has a high morbidity and death rate, small business financing is, in its nature, high-risk financing. The Small Business Investment companies being licensed by the SBA will have to take careful measures to protect their investments. They must expect a fairly high ratio of losses, even if they do a superb job of appraising managements and "policing" the credits they extend.

The Reconstruction Finance Corporation disbursed about $1\frac{1}{4}$ billion of medium-term loans to about 16 thousand business firms from 1935 up to 1953. What kind of loans were they? Most of these were amortized term loans that ran for five years. Most of the money borrowed by these 16 thousand enterprises was used to add to working capital or to pay off existing bank credit. Most of the money was borrowed by manufacturing concerns of medium size, with assets between $50,000 and $1 million. RFC was limited, of course, to advancing money to firms that were unable to obtain funds from their bankers or other ordinary sources.

What was RFC's experience? At the end of 1951 about 13% of the then-active RFC loans were delinquent in some respect. Defaults were especially frequent when the borrowing business used its loan to add to working capital rather than for new plant and equipment. Defaults were relatively frequent when the borrowing firm had a declining sales or profit trend, a declining net worth, or a declining current ratio in the three years prior to the loan. That is, the best prediction of default was a previous decline of any of these factors. Defaults were especially frequent among very small firms and firms that were unable to supply the RFC with adequate financial records. One of the clearest lessons to be learned from RFC's voluminous files is that if a business is unable to supply the lender with an **adequate** statement of its **profit and loss** and a **balance sheet** for the preceding three years—look out!

The RFC terminated no less than 13% of all its loans by foreclosing on the borrower's collateral security. Of course the collateral and the assets of the borrower did help the RFC to get back some of the money it had loaned. RFC's losses averaged a little more than 2% of all the money RFC advanced, even though the country had been through a great postwar inflation which helped borrowers pay off their debts.

The Strength of the Small Business Investment Company

The Small Business Investment Company can, I believe, make a valuable contribution to the strength of our economy. Unlike the RFC, which was limited by law to a low interest rate on its loans and could not ever acquire an equity ownership in the firms it financed, the SBI company can vary its charges for funds in accordance with services performed and risks assumed. It can purchase the debentures of the small businesses it is assisting, and convert them into common stock in the event the small business grows and prospers. Thus, the SBIC possesses the opportunity to produce for its stockholders large capital gains which can more than offset the capital losses which must be expected in high-risk business financing.

The SBIC possesses crucially important Federal tax advantages. It is able to deduct losses on sales of its convertible debentures against ordinary income. Any dividends it receives on stock it has acquired through conversion of its debentures are tax free to it. If an investor in an SBI company should realize a loss on the sale of his stock, he may offset it against ordinary income rather than against capital gains as otherwise required. Investment in an SBI company should be especially appealing to those in high marginal income tax brackets. Thus, an investor in the 80% tax bracket will be allowed to keep three out of every four dollars of his capital gains in an SBI company's stock, and will lose only 1 out of every 5 dollars of his losses.

Despite its favored tax status, energetic, astute and competent management will be necessary to assure the success of an SBI company, as is true in any line of business. Given a competent management, I believe an SBI company is most likely to succeed if it operates on four basic related principles: **First,** it should be large enough to get adequate diversification of the investments in its portfolio. **Secondly,** its individual investments should be large enough, within the maximum limits established by the Small Business Administration, to keep the per-dollar cost of funds to the borrowing small business at a reasonable level while enabling the SBI company to give close supervision to the investment. **Thirdly,** investments by an SBI company should be accompanied by provision of management services to the small businesses being financed. **Fourthly,** each SBI company should specialize in the financing of small businesses in a particular geographic region or in a particular industry (or group of related industries) in regard to which its management is truly expert.

With the chartering of a large number of Small Business Investment companies we are entering a new era in American business finance. No one can foresee all the turns in the road ahead. Errors will be committed. Many formulae will be tried and found wanting before the guide lines to successful private long-term financing of small businesses will be clear. Yet, I am sure we are on the right road. The U. S. economy needs a steady infusion of new and growing small businesses if it is to remain free and competitive. The SBA and its system of SBI companies promise to assure that this need will be met in the future.

Joseph Carmine Opens

BROOKLYN, N. Y.—Joseph N. Carmine is conducting a securities business from offices at 6821 Eighteenth Avenue.

Form R. J. Foster Co.

R. James Foster & Co., Inc, has been formed with offices at 26 Broadway, New York City, to engage in a securities business.

Frank Knowlton Branch

PLEASANT HILL, Cal.—Frank Knowlton & Co. has opened a branch office at 2407 Marcia Drive under the direction of J. F. McCullough.

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Investment Aspects Of Insurance Stocks

nies reported an earnings decline, after an intermediate increase, to only 67.8% of the base figure; a group of 378 industrial companies had improved their earnings level to 166.4% of the base; all Federal Reserve member banks' earnings had moved up to 215.6% of the base; electric utilities as a group were up to 203.3%; and even the less favored railroad group had been able to move up to 136.3% of the base figure.

Operating Performance of Property and Life Stocks

An excellent comparative study prepared by First Boston Corporation covering 44 fire and casualty insurance companies showed that 19 of these companies actually reported an operating loss in 1957. In fact, the situation had become so unfavorable that apologists for property insurance stocks had discontinued quoting these operating figures, but were more likely to show "investment income" and "growth in liquidating value." And that is only reasonable, since those facets of the property insurance business have continued to perform very favorably. It is in underwriting that we find the key to the failure of property insurance stocks to perform according to standard expectations in recent years. Loss ratios of leading fire insurance companies rose from a 10-year average of 56.6% of premiums earned to 65.2% in 1957. And this story is exactly the opposite of what has happened in the life insurance industry.

It was fashionable in the early days of the welfare state to hold that human rights were more important than property rights. Well, humans have been having a better time of it than property during the past decade or more. They have been living longer and better, while property life has been growing shorter and more precarious. Fires, storms, hurricanes have been more numerous. And the cost of all this damage has been skyrocketing. Whether we assign as the reason our old friend "inflation" or whether we ascribe rising costs to the normal behavior of prices during a period of prosperity, the result has been staggering from the standpoint of insurance claims. While fire and related losses have been bad, automobile damage has even been worse. With more drivers on the road every year, there is bound to be an increase in the number of careless and irresponsible drivers, even if the proportion had remained unchanged or declined. Rate increases have been slow and inadequate. There is necessarily a lag:

(a) Between the time a rate increase becomes necessary and the time it is allowed by the State Commission.

(b) Between the time the increase is allowed and the time it becomes fully effective because of the duration of some policies for three to five years.

(c) Between the time that cost of property replacement begins to rise and the time corresponding increases in the amount of insurance coverage are recognized as necessary by property owners.

Other Complications

With all this, a new factor has entered the picture—competition from direct insurance writers. For years the insurance industry has operated on the agency basis—insurance agents, like travel agents, have been ticking off healthy slugs of the policy premiums, very often for doing very little work once the initial policy goes on the books. The result has been the development of some sort of "power vacuum" in the magic 40% "expense" figure, somewhat akin to the old style overall 40% department store markup which in time lead to the encroachments of the discount houses. Now the aggressive insurance "discount houses" like Sears' Allstate have been whittling away at established premium rates. So the old line companies cannot comfortably go back to sleep secure in the belief that mere passage of time will restore the old status quo.

Life insurance companies, on the other hand, have been having a royal time. They have been blessed by:

(1) Rising volume of business.

(2) Extremely favorable mortality experience.

(3) Rising investment income—due not only to steady increase in business, but compounded by rising interest rates on investments.

(4) Low tax rates because of favored treatment until recently.

(5) All the above favorable factors further compounded by a leverage position — low capital base relative to the amount of insurance written.

Trend Reversal in Sight?

Are the trends of recent years likely to continue—life insurance getting more attractive and property insurance less so? Normally, it would be expected that the property insurance cycle will again turn in a favorable direction. Already a reversal in the very unfavorable experience which peaked out in 1957 seems to be under way. Among the reasons for this are the fact that rate increases seem at last to be taking fuller effect; also insurance companies are beginning to be more "selective" in accepting risks, and, even more importantly, are starting to slash agents' commissions as well as to look more carefully at all other types of expense. Progress in some of these directions may not be so easy. Already the insurance companies are finding themselves faced with suits brought by disgruntled agents who allege collusion in the cutting of their commissions. Another thing: if being selective means merely reducing the amount of business written, this will not serve as an answer to the fundamental problems.

Insurance companies cannot prosper by simply withdrawing from the insurance business. But apart from these possible intermediate difficulties, the earnings recovery possibilities are very substantial if the property insurance companies can ever get going simultaneously in all fundamental respects: (1) continued rising volume; (2) profitable underwriting; (3) rising investment income; (4) continuing appreciation in common stock investments; and (5) tax-free income during the recovery period by reason of loss carryovers. If all this could materialize, the common stocks of the fire and casualty companies would find themselves in extremely high favor, and market multiples of the then reported and projected earnings would doubtless rise beyond the proportions of the actual earnings recovery. When insurance operating results are favorable, it is not unusual for these stocks as a group to be quoted at a premium over asset value, just as the majority of property insurance stocks are currently quoted at a discount because of the unfavorable experience of recent years. It is

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somewhat difficult to see all the favorable factors operating simultaneously, since, for example, any tapering off in property loss claims would almost necessarily imply some sort of recession, which in turn would be felt in declining market prices of the common stock section of the insurance companies' portfolios, but it is an interesting development to contemplate.

Life's Upturn May Turn

As for the life insurance companies, while it would probably be wrong to infer that their period of prosperity is permanently tapering off, there are some signs that the spectacular growth which has characterized that business in recent years and has been reflected in the prices of stocks may be slowing down. Competition is on the rise. Property insurance companies have been casting envious eyes at the remarkably favorable performance of the life insurance industry, and are now busily forming their own life insurance affiliates or are directly taking over already established life companies. The very favorable Federal income tax position enjoyed by life insurance companies is now changing. A new law is in process which would increase life companies' tax bills by an estimated 65%. This is hardly a catastrophic development, but certainly not a favorable one. The very excellent mortality experience may not soon be reversed, although the rate of improvement will probably slow down. Present profitability, however, would seem to imply a distinct possibility of rate slashing at competition increases.

These recent tendencies are beginning to be reflected, as might be expected, in stock prices. By contrast with the experience down through 1957, here is what has happened since: From the 1957 mean prices—Standard & Poor's 425 Index up 29%; fire stocks up 33%; casualty stocks up 49%; life insurance stocks up only 23%. Casualty stocks, therefore, have taken the lead over the past two years, and even the slower moving fire group has advanced ahead of the general industrial stock average, while the previously highly favored life insurance stocks have not done even as well as the general industrial stock index.

What to Look For

What do we look for in examining the operations of an insurance company? Here is an area of wide discretion, even more so in the case of the life insurance companies where we are dealing primarily with long range factors. Insurance companies derive their income from two principal sources: (a) **underwriting**, and (b) **investment operations.** As policyholders pay in premiums, the insurance company sets aside enough to cover potential losses or cancellations, in accordance with State regulation plus their own estimates. As these sums are invested, earnings begin to accrue, and after each year's losses and expenses have been provided for, the equity in reserves flows down to net earnings. This amount, plus net investment income, plus any appreciation in market value of securities, constitutes the change in asset value during the year. Over a long period, changes in capital and surplus will be an adequate and conclusive guide to the company's earnings. But over shorter periods, and to compare one company's performance with another in the industry, analysts employ a more technical approach.

In the case of property insurance companies, it is the practice to assume that a portion of the liability item "unearned premium reserve" is over-conservatively stated, since past experience has indicated that the expenses of getting new business are a major part of the total expense factor allowed for in the premium—again based on the traditional agency system of writing policies. If all the policies were to be transferred to another company, due allowance would be made for this factor. The 40% assumed equity in unearned premiums, both in the operating statement and in the balance sheet, is a traditional rule-of-thumb figure. The expression "liquidating value" is given the adjusted asset value figure simply because this is the amount which the stock would realize, according to this line of thinking, were the company to be liquidated. Some equity probably exists: whether it is more or less than 40% depends for the future on the expense factor in writing insurance business and the extent to which income taxes may eat up this residual.

Analyzing Difficulties

Life insurance companies are even more difficult to analyze over a short period, and for this reason alone many stock buyers have probably been discouraged from the attempt. In the case of these companies we have a further element—equity in insurance in force. This is particularly controversial since so many factors are involved — type of insurance, whether straight life, term, or group—cost control achieved by each company—degree of selectivity employed by each company—number of lapses—and probably many others. Over a long enough term, these forces cancel out, but this does not help the security buyer to determine which way the company is moving in advance of the disclosure of basic developments.

It is customary to employ arbitrary figures in valuing the amount of insurance in force—say, up to $20 per $1,000, in the case of straight life, a lesser figure for term insurance, which does not remain as long on the company's books as an earning asset, and still less for group insurance. These figures are then added to asset value as shown by the company's balance sheet in order to give a more nearly correct idea of what the company is really worth. The reason for all this statistical indulgence lies in the fact that any insurance company, whether it be life or property, looks worse from a net capital standpoint when it is busily developing new business than when it is merely allowing old policies, with their earnings residuals, to expire. Thus, a completely erroneous impression might be given were the changes in business volume not to be taken into consideration. All these statistical considerations are further complicated in the case of companies writing participating policies — where profits have to be shared with policyholders.

Long Run Criteria

Insurance stock buyers for long range investment want to make certain that the company they select is making the best possible showing in all important respects. Therefore, a combination of the following factors seems desirable:

(1) Above average growth in premium volume.

(2) Above average underwriting experience.

(3) Strong capital position relative to insurance liabilities. This permits the company to seek business aggressively without incurring undue risk and without the necessity of seeking expensive equity capital.

(4) Well balanced investment portfolio with no overexposure to unusual losses in any one category.

(5) Conservative dividend payout, with ample plowback of earnings to insure proper business development.

Some insurance enthusiasts are attracted by the fact that many of these stocks are quoted below liquidating value. This is a very interesting situation, but may not constitute a more valid reason to buy these stocks than would be the case with any other stock selling below asset value. The reasons for existence of this situation are in most cases plain—and very familiar—inadequate return on invested assets. If this situation can be corrected, many insurance issues could show handsome appreciation, and the greater the leverage, that is, the higher the insurance liability relative to capital funds, the more appreciation could conceivably take place. But in the long run, it would seem that stock buyers will find better protection in those companies whose long-term record is above average, and whose future prospects are attractive based on something more than merely "waiting for something to turn up." Of course, it is sometimes necessary to pay premium prices for the better acting companies, and it is a fine science or art to determine just where to draw the line in choosing between an acknowledged superior company and one which, while not at the other extreme, does not quite make the grade on above average performance. (Since most general line fire and casualty companies derive the bulk of net earnings and growth in surplus from security portfolios, and since the quality of these portfolios has a degree of similarity, it should be pointed out that a very large portion of earning power of companies is of similar quality. This raises an interesting question in discriminating as to relative values on a times earnings basis.)

This is the score: the insurance industry is soundly based and is bound to grow with the free enterprise system. Its peculiar characteristics, however, create special problems for the stock analyst; and, for this reason, as well as the fact that a relatively small part of the total business is available to buyers of stocks, while the issues which are available do not enjoy active trading on listed exchanges, the field will probably continue to be relatively restricted to what is know as the more sophisticated type of stock buyer.

E. A. Smith Opens

CAMDEN, N. J.—Emanuel A. Smith is conducting a securities business from offices at 107 North Sixth Street.

H. L. Smith Opens

COLLEGE PARK, Md.—Harry L. Smith has formed H. L. Smith Co. with offices at 7302 Yale Avenue to engage in a securities business.

Continuing Inv. Business

SCARSDALE, N. Y.—Roger H. Sullivan and Bonnet G. Sullivan have formed a partnership to continue the investment business of Paul T. Sullivan & Co., Harwood Building.

Now D. A. Davidson Co.

GREAT FALLS, Mont. — The firm name of Gibson Associates, Inc., 8 Third Street, North, has been changed to D. A. Davidson & Co.

Newhard, Cook Branch

EAST ST. LOUIS, Ill. — Newhard, Cook & Co. has opened a branch office at 820 Illinois Avenue under the direction of Harold E. Wolfe.

Keller Bros. Branch

SPRINGFIELD, Mass. — Keller Brothers Securities Co., Inc. has opened a branch office at 95 State Street under the direction of Matthew Keller.

Let's Do Something About It!

"There is no single cause [of inflation]; sometimes prices rise because of the pull of demand; and sometimes because of a push from costs. In my judgment, the latter was a major factor in 1956-58, primarily because of a tendency for increases in money wages during that period to outstrip improvements in productivity.

Dr. R. J. Saulnier

"I believe we have tended of late to depart from the historical relation between wage increases and productivity improvements. To the extent that we continue to do so, we will create cost pressures that are bound to erupt in price increases. And if these cost increases cannot be passed on to the consumer in higher prices, they merely create a squeeze on profits that will, over a period of time, seriously impair the nation's capacity for economic growth."—Raymond J. Saulnier, Chairman, Presidents Council of Economic Advisors.

This view seems to us to be irrefutable, even self-evident. Yet where is the politician who dares face the facts about the labor monopoly and its consequences?

Now With Leavitt, Spooner

(Special to The Financial Chronicle)

BOSTON, Mass. — Stanley S. White has become associated with Leavitt, Spooner & Co., 585 Boylston Street, members of the New York Stock Exchange. Mr. White was formerly with Goodbody & Co.

du Pont, Homsey Adds

(Special to The Financial Chronicle)

BOSTON, Mass.—William D. Di Ianni has been added to the staff of du Pont, Homsey & Company, 31 Milk Street, members of the New York and Boston Stock Exchanges.

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As We See It

to control production lies in the fact that the last wheat crop was the largest in history."

On Strong Ground

The President is, of course, on strong ground when he condemns the existing program for supporting the prices of wheat and other things—much stronger ground than that he stands on when he recommends, as he has often done, merely another version of essentially the same sort of procedure. He is also on much stronger ground than are those Congressmen who would "dump" large quantities of wheat on foreign markets for what it would fetch and thus reduce somewhat the cost of our subsidy program. The only realistic, in fact the only possible remedy for the situation into which our agriculture has fallen is of an entirely different order. It consists of requiring the farmer to stand on his own two feet as the rest of us have to do, and this remedy is as foreign to the thinking of the White House as it is to Capitol Hill.

One is obliged to wonder how much longer the strong political position of the farmer will succeed in persuading the rest of us to continue to provide him with a very large part of his livelihood. The facts of this situation are all but incredible. The figures describing them are a little difficult to extract from the confused and confusing accounts of the Federal Government. They are there, however, for all who wish to know the facts to see—with a little help from the specialist who knows how to avoid being either tripped by or buried under the mass of data.

The Bureau of the Budget regularly publishes figures and estimates of outlays under the heading "Agriculture and Agricultural Resources" which may or may not contain all the outlays for the benefit of the farmer, but they certainly do not include any other. Only once since 1954 have these outlays been as low as 17% of all non-defense expenditures. They are this year running close to 20% as compared with less than 5% in 1952 when candidate Eisenhower was bewailing the excesses of the Democratic party. The vast bulk of all these outlays are devoted to what is euphoniously termed "stabilization" of prices of farm products or of the income of farmers. Only debt interest, about which so many of the New Deal enthusiasts have had so much to say of late, and that other political scandal, Veterans' services and benefits, match these figures—outside of national defense, of course.

Such figures are of such magnitude that it is not easy to grasp their full significance without applying some sort of yardstick to them. Fortunately, the Departments of Agriculture and Commerce have supplied data which enables us to place the magnitudes in their proper perspective. Farm gross national product—the GNP about which we hear so much these days—came to about $19.3 billion in 1957. Later figures of such complexity are not yet available, but there is no reason to think that the situation has changed in any way except for the worse during the past year or two.

Subsidy in Farm GNP

Now one of the components, in fact the main component, of farm gross national product is Cash Receipts from Farm Marketings and CCC Loans, which must be regarded as including the $3.4 billion listed by the Budget Bureau in 1957 under the heading "Stabilization of Farm Prices and Farm Income." That is to say, nearly 18% of the gross national product of our farms in 1957 consisted of payments made to the farmers by the taxpayers of this country. While precise figures can not be cited at this time, it is hardly less than certain that they would be more impressive by a substantial margin for the years 1958, 1959 or, if present programs are continued, in 1960.

The facts become even more impressive when they are related to national income originating in farming. This is the figure which remains after certain items are deducted from farm gross national product (which is supposed to be the total output of our farms at market prices). The chief deduction is, of course, depreciation, but there are one or two others of lesser importance. National income originating in farming in 1957 amounted to $15.3 billion. This figure represents the net income accruing to the so-called factors of production, that is mostly the farmer himself but including wages and interest paid out by the farmer. Now the $3.4 billion figure of Government payments must of necessity all come through to this figure of national income originating in farming. Thus it is to be seen that 22% of the income accruing to the factors that produced farm products in 1957 was provided by the taxpayers of the land!

It should be obvious by this time that the only solution of this problem is a vast shift of manpower from agriculture to other pursuits. In one degree or another this shift has been under way for a number of years, but the shift is not proceeding nearly rapidly enough. Time will be required for the process and hardship in one degree or another is inevitable. Whatever may be thought on humanitarian grounds of lending a hand during the transition period, it is obvious that public policy or action which tries to block or unduly retard the shift is not in the public interest.

Continued from first page

The Business Outlook 1959-1960

and elsewhere about a slowing down in the rate of recovery. Although the recovery is bound to slow down in the future as we near capacity operation, it certainly has not slowed down yet. Gross National Product rose $9½ billion from the second to the third quarter of 1958, rose another $13 billion from the third to the fourth quarter of last year, and added on another $12 billion in the first quarter of this year. Since prices have been virtually stable, almost all of this $34½ billion increase during the past three quarters has been in real goods and services and not just in dollar value.

Looking ahead to the end of 1959, I want to take up separately each of the major types of spending which contribute to business activity, and estimate whether the fourth quarter level of each type of spending will be higher or lower than it has been in the first quarter of this year.

Inventories

First, let's look at business inventory purchases. One of the reasons why the economy has expanded so rapidly over the past year has been the turn-around in business inventory policy, from liquidation in early 1958 to accumulation in early 1959.

Inventory buying at present is being spurred by the threat of a steel strike, but steel buying is not by any means the only type of inventory building now underway. Throughout the economy, in almost every line, inventories were pushed too low in 1958. Now that orders and sales are rising, inventories which last year seemed burdensome suddenly look quite meager, to that the rush is on to restock.

The occurrence or non-occurrence of a steel strike will have an important effect on inventory purchases during the third quarter of the year. But the effect on inventory buying, and on steel production, will not be a lasting one. By the fourth quarter of the year, steel buying is likely to be back to normal, and restocking of inventories of all kinds will probably be proceeding at about a $3 billion annual rate.

Although a $3 billion rate of inventory accumulation is about normal for a prosperous year, it will nevertheless be slightly below the rate which we have been experiencing in the first quarter of this year. This type of spending, considered alone, will therefore not contribute quite as much to general business activity in the fourth quarter as it is contributing at present.

Business Capital Expenditure

One of the most encouraging elements in the business outlook is that we are now beginning to see the first signs of an upswing in business expenditures on plant and equipment. Business capital spending dropped by over $6 billion during the first three quarters of 1958, and for a while there did not seem to be much prospect for a quick recovery in this important segment of the economy.

Now all the news is beginning to shift to the upside. New orders for industrial supplies and machinery are rising rapidly. The machine tool industry, whose output in 1958 dropped to the lowest level since 1950, is experiencing a strong upturn in bookings. And there are even some signs of a recovery in plant construction.

The rise in capital expenditures is likely to continue throughout the year, with primary emphasis on replacement and modernization of obsolete equipment rather than expansion of plant area. I estimate that business expenditures on plant and equipment in the fourth quarter of this year will be running about $3.5 billion above the current pace. This will not only more than offset the decline in inventory buying, but will provide at least a start in the much needed program of bringing our capital plant up to date.

New Exports

The third factor which will affect national output is our foreign trade. The United States for many years has exported several billion dollars worth of goods and services more than it has imported. Imports are important not only because they increase the variety of goods available to us, but because they provide foreign nations with the dollars they must have if they are to buy our exports.

Although imports are important, so are exports. And in this area, we are witnessing a rather disturbing development. As Europe has recovered from the effects of World War II and as nations all over the world have moved to a more advanced stage of industrial development, the tremendous lead which the United States once held in manufacturing efficiency has been whittled down. In addition, the upward push of wages and prices in this country is further lessening our competitive advantage in world markets. The result has been that our exports have not grown with the growth of world trade, but our imports have risen markedly. The balance of U. S. exports over imports in recent months has been smaller than in any postwar year except 1950.

The remedy for this situation is not to keep out imports. Competition from imports is healthy and is in accord with the basic principles of the free enterprise system. The remedy lies in stepping up our exports. This can be done only if we move ahead more rapidly in efficiency and in technology, and if we are successful in curbing inflation.

I hope that in the years ahead we are able to reverse recent unfavorable trends. Over the rest of this year, however, I doubt that our export balance will make any greater contribution to the level of business activity than it is at present.

Government Spending

The fourth factor affecting the economy over the remainder of the year will be government. This is an area in which, unfortunately, there seems no end to the increase in spending.

Despite all the talk about holding the line on Federal expenditures, the fact is that Federal spending is still rising and will continue to rise over the rest of this year. I would not be so concerned about the rise in Federal expenditures at present if I could see any prospect of a leveling off in the last half of the year. At present, we still have some slack in the economy so that government expenditures are not causing inflation and are not competing directly with private demands. But by the end of this year, the economy will be nearing full employment so that, unless government spending can then be curtailed, I am afraid the cost of living will start its upward climb again. Present prospects are that the rate of Federal Government spending will be $1.5 billion higher by the last quarter of the year.

Since state government spending is likely to rise by $2.5 billion, total government expenditures will be up about $4 billion, contributing to a rise in business activity but also raising a serious threat of future inflation.

Housing Expenditures

A fifth segment of the economy, which is booming at present, is the residential construction industry. Private housing starts are now running at an annual rate above 1,300,000 close to an all-time record. Expenditures on housing are at a record $22 billion annual rate.

Over the rest of this year I expect a slow but steady decline in housing output. I do not believe that basic demand factors in the American economy will at present support a continued annual output of 1,300,000 housing units. Sustainable market demand during 1959 and 1960 will be about 1,250,000 houses a year, so that output is likely to begin to drift down to that level in the last half of the year. Toward the end of the year, there is also the possibility that a tighter capital market will restrict the volume of funds flowing ino FHA-VA mortgages.

Housing expenditures in the final quarter of this year are likely to be at an annual rate of about $1 billion below the current level. This area will therefore exert a mildly depressing influence on business activity as a whole.

Consumer Spending

The final factor which will determine what happens to business activity in the months ahead is consumer spending.

Seasonally adjusted retail sales in January and February held at the very high level achieved last December, and in March and April spurted ahead to new records. Consumer expenditures on services are continuing to climb. The trend back to durable goods, which began in late 1958, is still much in evidence. Automobile sales started the year a little hesitantly but they definitely picked up momentum in March and April. Paperboard production, which provides a measure of the movement of goods to retail outlets, is booming at record levels.

Seasonally adjusted unemployment, which I estimate at 5.0% of the labor force in mid-May, is still slightly above normal and this is moderating the strength of consumer demand. But the weekly figures on insured unemployment show a steady improvement, and personal income is moving ahead very rapidly.

If things go as I expect, consumer spending in the fourth quarter of this year will be at an annual rate 15 billion above the present, providing strong upward impetus to business activity.

Resuming Postwar Growth Rate

Summing up, I expect the following changes between the first and the fourth quarters of 1959: Inventory buying, down $1 billion; business capital expenditures,

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up $3.5 billion; net exports, no change; Federal, state, and local government spending, up $4 billion; housing expenditures, down 1 billion; and consumer purchases, up $15 billion. These changes sum up to an increase in total purchases, and thus an increase in total output, of about $20 billion. Adding this $20 billion to the $465 billion rate of output in the first quarter of the year, my estimate of national output in the fourth quarter amounts to an annual rate of $485 billion.

A rate of $485 billion in the fourth quarter of this year would mean that our economy had come very close to returning to its post-war trend line—a trend line which has shown the high annual average growth increment of 4%. This rate of business activity would also mean that the economy would be approaching full employment, so that the inflation threat would be likely to present itself as an immediate danger. My forecast for the months ahead is therefore that by the end of 1959 we will be experiencing full prosperity, but will once again be faced with the problem of price stability—a problem for which we have thus far failed to develop a satisfactory solution.

Looks Further Ahead

Now let's look even further ahead to see if we can develop a preliminary estimate of business conditions toward the end of the year 1960.

There is an important difference between the kind of estimate for 1960 and the estimate which I just finished making for the rest of this year. Economists usually describe this difference by distinguishing between the word "forecast" and the word "projection." A forecast is an economist's attempt to guess what will happen to the economy over a period in the future sufficiently short so that he has a good chance of anticipating most of the factors which are likely to affect national output. It is obvious, however, that the further into the future one attempts to guess, the greater is the likelihood of introduction of all sorts of new influences, new products, new attitudes — many of which the economist could not possibly anticipate. In short, an economist cannot make a forecast, in the strict sense of the term, for more than about one year into the future.

There is, however, one kind of estimate which can be made several years into the future, and which has many uses for business planning. This type of estimate, usually called a projection, describes what the economy is likely to look like in the future, *if it performs as it has under similar situations in the past.* The economy is always changing so that it may perform somewhat differently in the particular period under consideration than past experience should lead one to believe.

On the other hand, there is a continuity to all life which makes it possible for us to learn from the past. The value of a projection is therefore simply that it tells us what we might expect on the basis of past experience, although it admittedly does not take account of new factors which may make the future different from the past.

We already know a number of important things about the year 1960. We know, for instance, that it will be the second year following a mild recession. We can therefore look back to see what happened in the second year following other mild recessions. We also know that, on the basis of the age composition of our population, the labor force in 1960 will increase by about 1.5%. We know—at least we do if my estimate of business in 1959 is correct—that the economy will start the year 1960 at not far from capacity levels. This would suggest to us a rise in business capital spending, and would also tell us that the increase in national output in 1960 cannot be as great as would be the case if we were starting from a less than full employment level. Finally, we know that 1960 is an election year.

On the basis of these and other factors, here are my projections for the principal segments of the economy in the fourth quarter of 1960. Inventories, toward the end of 1960, are likely to be rising at a $2.5 billion rate, less rapidly that at present and slightly less rapidly than at the end of 1959. Business capital expenditures will probably have reached a $49.5 billion annual rate, $7 billion above the first quarter of this year. I do not expect an appreciable recovery in our exports, so that our net export balance is likely to be very small. Federal Government purchases of goods and services will probably reach a $57.5 billion rate, and state and local government expenditures are likely to be up to $48 billion. Because I do not believe that the American economy during the next two years can continue to absorb the present volume of home building, it seems to me likely that housing expenditures will be down to $19 billion. Consumer expenditures will continue to push forward strongly, reaching an annual rate of about $331 billion by the end of 1960.

If the economy moves in the fashion I have projected, total national output in the fourth quarter of 1960 will be running at an annual rate of $508 billion. Unemployment will be normal for prosperous times—between 4 and 4.5% of the labor force. There will be 3 million more employed persons than at present. There will be very little excess plant capacity. There will, unfortunately, be strong upward pressure on prices, although recent attention to this chronic problem raises some hope that we will be more effective in curbing inflation in the future than we have been in the past.

To sum up my remarks—the business outlook for 1959, and also for 1960 is excellent. I feel that we are assured of rapid progress over the remainder of this year, and present indications are that this progress will be continued in 1960. I am not so inveterate an optimist as to imagine that we will always keep going up with never a recession in the future, nor do I believe by any means that we have solved all our economic problems. The odds during the next two years, however, seem to me to indicate prosperous business conditions and a most encouraging advance in our economic output.

Two Golf Tourneys at Bond Club Field Day

As a new sports feature, the Bond Club of New York will hold two golf tournaments during its 35th annual Field Day on June 5 at the Sleepy Hollow Country Club, Scarborough, N. Y. Separate trophies and prizes will be awarded to those playing the 18-hole upper course and to golfers using the 9-hole short course. The Golf Committee instituted the short play contest for senior members who wish to avoid long waits on the crowded upper course. Both tournaments will be held on a best ball basis.

Arne Fuglestad, Burns Bros. & Denton, Inc., Chairman of the Field Day golf committee, reported a sharp increase in tournament entries from Wall Street golfers because of the two events.

With Myrl D. Maynard

(Special to THE FINANCIAL CHRONICLE)

FREEPORT, Ill.—Ledyard Long has become connected with Myrl D. Maynard & Co., Smith Building.

Warns Banks on Yielding to Inflation Bias

Banks adhering to high standards of safety and sound principles of management are said to find competition rough under the kind of environment that exists today. In making this statement, the head of the American Bankers Association warns inflation is a vicious process which places little premium on financial conservatism and strength. To illustrate this, Mr. Miller notes the lesser importance attached to the safety of government securities or, for that matter, the safety of a deposit in a well managed bank which provides asset quality and liquidity. The banker recalls previous lessons from history when this occurred in warning banking can ill afford to find itself in similar circumstances again. He is convinced fear of chronic inflation is unfounded and counts on wise judgment and leadership ending this menace.

The current environment in which banks are meeting strong competition from other financial institutions reflects the inflationary bias of most of the period since World War II, Lee P. Miller, President of the American Bankers Association, told the 75th annual convention of the Texas Bankers Association meeting in San Antonio, Texas.

Lee P. Miller

Mr. Miller, who is President of the Citizens Fidelity Bank and Trust Company, Louisville, Ky., asserted that, in his opinion, inflation constitutes the greatest danger currently threatening the American way of life.

"Inflation is a vicious process," he continued. "It creates all sorts of distortions that are often obscured and that become understood only after it is too late. Among these are its effects on the financial system. If we understand our environment clearly, the problems we face as individual institutions and as bankers' associations can be more realistically interpreted, and our policies and programs can be made more effective in the long run toward our objectives of preserving and strengthening the role of banking in the future of our system of private enterprise.

Past History's Lessons

"Lessons can be learned from past history, and banks and other financial institutions that ignored what happened in such past periods too often found themselves in difficulty. The same warning should be echoed today. This is said not in spirit to provoke alarm, but in sober reflection upon the importance of preventive medicine.

"The entire history of American banking is one of balancing the need and desire for growth and expansion with standards of safety in a competitive environment that protects the public interest. An inflationary bias tends to create an imbalance in favor of expansion and to compromise standards of safety. That is what is happening today. The intermittent inflationary pressures of recent years have distorted relationships in asset values and between financial being given to the public interest institutions. Less attention is in the safety and strength of financial instiutions and the claims against them. Instead, the emphasis seems to be on growth at the expense of the next fellow, under the comfortable but highly dubious assumption that rising prices under an inflationary bias can take care of things.

"It was only a few decades ago—in a period of rising prices and expansion—that banks were being chartered by the thousands. Financial powers were extended. Management standards and capital strength were not considered too important. Economic needs of the community were ignored. The toll that subsequently was extracted in failures and the destruction of values was shocking, and it took a long time to rebuild strength and confidence upon which economic growth could again be resumed.

Cannot Afford to Repeat Events

"In my opinion, American banking can ill afford to find itself in similar circumstances again. We may look with reassurance to institutional arrangements since the last banking crisis that may help preserve our liquidity and to maintain public confidence when needed, but we cannot depend unduly upon them. The traditions of strength and safety we build and preserve in our institutions on behalf of our depositors, employees, and stockholders will furnish the ultimate test of our survival as free, private banking organizations.

"One of the most insidious manifestations of an inflationary bias is that today so little premium is placed on financial conservatism and strength. To illustrate, United States Government obligations have generally been regarded as the strongest and safest security in the world. They have invariably commanded a premium over other types of investment. Yet it is anomalous that about the only investors willing to buy government securities today are those who want to be able to convert them on short notice into other assets. The absence of credit risk in obligations of our government seems to have little meaning when an inflationary bias exists. The same attitude on the part of investors permeates, to some degree, all sectors of the financial structure. It is no wonder, then, that banking institutions that adhere to high standards of safety and sound principles of management temporarily find the competition rough under the kind of environment that exists today. If an investor does not want the safety of a government bond, why should he, any more so, want the safety of a deposit in a soundly managed bank that through conservative management provides asset quality and liquidity that assure him the availability of his funds? Why should he not turn to risk investment in shares of American businesses, mutual funds, or financial institutions where liquidity and capital protection are not considered as important as banks consider them? The answer is simple. The distortions of an inflationary environment negate the factor of safety for the time being.

The Thing to Do

"I am firmly convinced that fears of persistent inflation in our country over the years ahead are unfounded. I believe that wise judgment and leadership on the part of responsible groups of our society will enable our country to deal effectively with the threat of further inflation. I believe that banking can play a significant role if it repeatedly and consistently—through public pronouncements and policies—challenges the inflation doctrine.

"Lest I be misunderstood, however, I should emphasize that such a philosophy does not imply an unwillingness to be progressive and resourceful. The public wants to be served—with new techniques, services, and facilities. It wants banking to encourage economic growth and personal well-being. Conservatism does not mean lack of desire to serve. But it does mean full appreciation of the need to preserve the strength and stability of the financial system as the arteries through which the blood of industry, commerce, and agriculture flow and through which economic progress may be nourished."

Burgess & Leith to Be N. Y. Exch. Member

BOSTON, Mass.—Burgess & Leith, 53 State Street, members of the Boston Stock Exchange, on May 28 will become members of the New York Stock Exchange with the acquisition of an exchange membership by R. Willis Leith, Jr. Partners of the firm are Royal W. Leith, George S. Burgess, William M. Breed, R. Willis Leith, Jr., Albert W. Moore, and Gordon Peel.

Capital Ventures Formed in Dallas

DALLAS, Tex. — Capital Ventures Corporation has been formed with offices in the Fidelity Union Life Building, to handle corporate finance, special situations, negotiations of original issues, and oil and gas transactions.

Officers are Miles F. Leche, President; Horace A. Leche, Jr., Executive Vice-President; J. R. Leche, Treasurer, and Manson Harris, Secretary.

Qualified Investors

BROOKLYN, N. Y. — Harvey Friedman is conducting a securities business from offices at 3100 Ocean Parkway under the firm name of Qualified Investors.

Forms Inv. Service

Morris Kaplan is engaging in a securities business from offices at 384 East 149th Street, New York City, under the firm name of Investors Service Co.

A. G. Edwards Office

JONESBORO, Ark.—A. G. Edwards & Sons has opened a branch office at 108 West Washington Avenue under the management of Joseph D. Shinn.

Walls Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—Jesse C. Bugg, Howard B. Harman, Jr. and Mathew J. Yates have been added to the staff of Walls Associates, Inc., Candler Building.

Join H. O. Peet Co.

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo. — Richard C. Adler and John M. Holliday have joined the staff of H. O. Peet & Co., 23 West 10th Street, members of the New York and Midwest Stock Exchanges.

Parker and Wester Join Ervin E. Stein

(Special to THE FINANCIAL CHRONICLE)

SACRAMENTO, Calif. — Raymond Parker and Albert J. Wester have become associated with Ervin E. Stein Investments, Inc., 1414 Broadway. Both were partners in Parker, Wester, Taranto & Company.

Now With Hayden, Miller

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Frank M. Hill has become associated with Hayden, Miller & Co., Union Commerce Building, members of the Midwest Stock Exchange. He was formerly with Livingston, Williams & Co.

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Continued from first page

Now Is Always the Most Difficult Time to Invest

machine performed under stress.

It was with feeling of disillusionment bordering on dismay that we came to the conclusion in April of 1959 that it would be timely to rerun our earlier advertisement, "NOW Is Always the Most Difficult Time to Invest"! Seldom has the outlook for business been more clear. We have problems to solve, of course, but there are fewer problems than in many other years. If only the Dow Jones industrial average were at 450 instead of 630, we might feel that our investment problems were a little easier than usual and within our capacity to solve.

We are confronted with an understandable economy and an incomprehensible stock market. All of the old financial indicators read "sell," but we find ourselves tempted to buy. It is disconcerting to find the instruments in our plane going haywire, and we are tempted to land until the sense of vertigo passes.

We Cannot Boycott the Stock Market

Unhappily, we cannot rid ourselves of this confusing problem by boycotting the market until common stock indicators return to normal. Even if we decide never to buy a share of stock at these prices, we will still be trustees responsible for billions of dollars already invested in equities. No one has suggested that we should sell all of them.

We are duty bound to study the stock market and all of the forces which have brought it to this level. No matter how many or how complex they may be, we must try to identify them, and most of all to determine how long they may persist. If they are of a temporary nature, we can weigh them rather lightly. If many of these forces which are working to increase the prices of stocks seem to be of a semipermanent and permanent nature, we may have to reckon with them for a long time to come. An entirely different investment policy might be appropriate in that case.

Accordingly, I shall mention a number of these forces, some old and some new, making an effort to appraise their probable duration. It will be seen that many of them are not transient investment factors such as strikes, drought, a cold winter, or a rainy Easter. There appear to be forces working in the market which will keep stock prices chronically high. There is reason to believe that the yields afforded by equities will continue to be lower than we would like.

This raises the natural question whether the steady growth of our economy and of the population can possibly justify and in time solidify the market values of today. I hope to show that we are fortunate to live in a period which closely approaches a second industrial revolution. Successive scientific breakthroughs have fortunately created products, markets, and opportunities which give some industries and some companies a growth rate to match that of the stock market.

In these times of change and opportunity, the emphasis on selectivity must be greater than ever. These are not times for "management as usual," since rapid changes can be as harmful to one company as they are helpful to another. I hope to point out a few of the developments or trends which might prompt us to change our choices among common stocks.

The desirability of common stocks' having a full share in the rewarding opportunities of today nearly precludes the achievement of a comfortable dividend return. This throws the burden of income production upon the fixed income portions of our portfolios, and to some extent dictates the equity ratios we can maintain. Relying on bonds to produce an adequate income is preferable to "skimming the cream" from the common stock portfolio to serve the same purpose.

1958—The Year When Questions Were Answered

Let us look now at the events of the past year which have had a bearing on the dynamic strength in the stock market. We learned a lot about our economy in 1958 when a good many long-awaited questions were finally answered.

This was the year in which many uncertainties were resolved, and the results of tests became known. We may not have been pleased with all of the events of the year, but at least they had the effect of eliminating uncertainties and making the future more predictable.

(1) In the November elections, the Republican party paid the penalty for having applied the brakes to our economic boom. It is seldom that a Congressional election is more one-sided or more understandable. It was the avowed purpose of the Administration, and of the Federal Reserve Board of course, to slow down the boom and further the fight against inflation. The purpose was worthy, but the penalty was severe. It will be many a year before another Administration has the fortitude to apply the brakes to our economy with enough forcefulness to have an appreciable effect.

It is true that there were other factors in the outcome of the election, including integration in the South and dissatisfaction with the Lebanon and Quemoy affairs. However, there seems to be no question but that the recession, which the Administration considered "necessary medicine," was a major reason for the Democratic landslide.

(2) The 1958 election made the future more predictable for investors in another way. It indicated clearly that the political tide is flowing strongly toward the Democratic party. Many elections are closely contested and inconclusive, but the 1958 results were decisive.

If there were to be a Democratic victory in 1960, it would not necessarily mean that the "spenders" were back in power. The Democratic party at present is evidently determined to slough off that unfavorable title. However, a buyer of stocks is probably safe in assuming that the next Administration at least will not reduce the federal expenditures and is more likely to increase them.

(3) Less than two years ago, many major corporations were worrying about the "stretch out" in federal spending for defense. You may recall that this delay in payments for defense contracts in late 1957 was said to have triggered the recession. The appearance of the first Sputnik brought a quick end to the "stretch out," and there appears to be no possibility of an early recurrence. Investors do not have to reckon with the chance that government expenditures for armaments and defense will be cut back in the foreseeable future.

(4) When the recession began to gain momentum some 18 months ago, we were all wondering whether the controls and safety devices which had been built into our economy over a period of 25 years would prove to be effective. Many of the forces which in earlier years had turned a recession into a depression were present. Not since the war had there been such a test of our improved economic machine.

No one will now deny that our economy shook off the recession with impressive ease. Personal incomes held up well, spending for consumer goods was surprisingly steady, and managements were quick to trim inventories and cut out the fat in their operations. We have every right to draw great satisfaction and assurance from the quick turn and strong recovery which is still continuing.

(5) Not all of the questions which were resolved in 1958 were answered favorably. We learned to our dismay that an economic recession of those proportions was not sufficiently strong medicine to cure inflation. There was an interruption in the wage-price spiral, but there is now an evident possibility of its resumption. If we thought that the recession, which was generally considered to be bitter but much needed medicine, would bring us lower prices and lower wages, we were certainly mistaken. If the wage-price spiral were to resume its upward course this summer, it would start from about the highest level it ever reached. Investors may have been disappointed in the failure of the recession to cure inflation, but they are acting as though they knew what to do in the light of the outcome of that attempt.

(6) The absence of a "run" on the mutual funds was one of the interesting discoveries of the year 1958. Many professional investors, watching the mushroomlike growth of the open-end mutual funds, worried about the day when the mutual funds would be sellers rather than buyers of equities. It seemed quite probable to many of us that the public would one day lose its confidence and cash in its mutual fund shares, which under their terms are even more liquid than common stocks themselves.

It was both surprising and reassuring to observe that there was never a month during the sharp decline in the stock market when the open-end mutual funds were not sellers of equities. For a while, they did not grow at a rapid rate; but a "run" on the funds never developed. We learned from this that investments in mutual funds are not speculations, but are held more often in lieu of savings accounts, perhaps as a nest egg for old age. Investment managers, therefore, may assume that stocks in mutual funds are in strong hands—a fact which could not be taken for granted two years ago.

(7) Prior to the recession, there was similar concern about the common stock buying by pension and profit-sharing funds. It seemed possible that they too might shift from buying to selling, and that their effect upon the stock market would be severe. On the contrary, the records indicate that pension funds continued to buy stocks throughout the period of the recession and were a stabilizing factor in the market.

It is significant that all seven of the factors mentioned above have had the effect of increasing the prices of common stocks. Furthermore, several of these factors seem likely to persist for several years at least, which is a very long period of time in the lives of investment managers.

The Tax Structure and the Stock Market

There are a number of other more or less permanent forces bearing on the demand and supply of stocks and bonds. The corporate tax structure, together with personal income taxes and capital gains taxes, has the simultaneous effect of limiting the supply of stocks while increasing the demand for them. While we are summarizing some of the long-lasting forces which may account for the level of the stock markets, it would be well to mention a number of effects of our tax structure.

Corporate managements have two reasons for preferring to raise capital funds by borrowing rather than through the sale of new stock. Even though their shares may be quoted at extraordinarily high multiples of earnings, industrial executives with whom we have conferred in the trust company rarely will consider an offering of common stock. It seemed for a while as though the relationship of interest rates to dividend rates would eventually bring this situation more nearly to normal, but up to the moment the disparity persists. Interest on short or long term debt is deductible in a corporate income tax return, and even wealthy corporations prefer to borrow fo this reason. Furthermore, the widening practice of offering stock options and various types of stock purchase plans seems to prejudice some managements against the sale of additional shares.

The individual investor too is guided strongly by tax considerations in his choice of common stocks for investment. Capital gains taxes alone affect him in two ways. If he is wealthy, he prefers appreciation at the tax rate applicable to capital gains rather than dividends subject to a higher rate of tax. In extreme cases, this policy is carried so fa that individuals actually avoid dividend income and have a preference for companies paying a poor dividend. This surely tends to prolong this period when common stock dividend yields are extremely low.

Capital gains taxes have had the effect of removing from th market large holdings of low-cost stocks in individual hands. Although we investment managers tell our customers that the avoidance of capital gains taxes is never a sufficient reason to retain a stock, the fact remains that many holdings are becoming more firmly glued to the bottom of the box with every point of increase in the Dow-Jones averages. A long list of fine stocks such as General Electric and DuPont were undoubtedly available for sale in 1939 when the taxable profit was small, and might even have been pried loose from their owners at the level of the stock market in 1949. Paradoxically, they are less likely to be sold in 1959 than ever before, and every added point in the averages merely deepens the freeze. This may not represent good investment judgement, but it is nevertheless a fact.

All this leads us to believe that we may be faced with a chronically high stock market for so long a period ahead that we shall have to learn to live with it. I do not mean that it will not fluctuate downward, for a thorough-going correction is long overdue, but it seems more than likely that good stocks will sell at higher multiples of earnings in the future than they did when we were first learning the investment game. This means that we must face the prospect of more limited dividend returns than we were once able to acquire.

Scientific Breakthroughs Create Markets and Values

We cannot abandon equities as an investment medium simply because they are selling at unaccustomed levels. There will prove to be many stocks which will justify these prices and amply reward the investor who was able to select them. We are very fortunate to be living in a period of concurrent scientific breakthroughs. Breakthroughs create new markets, new products, and new opportunities for profit. Former generations have been lucky to enjoy a single breakthrough. We are the benefactors of many.

In the field of electronics alone, we have had in a few years the opportunities of a long lifetime. Atomic energy constutes a breakthrough, and there has been one of major proportions in antibiotics and other drugs. In the field of plastics and in petro-chemicals, we have seen what constitutes a breakthrough. None of these developments has been fully exploited, and in most of them the great opportunity is still ahead.

These are not times for business as usual nor for management as usual. The opportunities afforded by scientific breakthroughs are available only to inventive men and resourceful and imaginative managements. If there ever was a time to stress management in the choice of corporate securities, it is now. In buying equities at these high prices, the burden of proof is on us. We must guarantee ourselves all the opportunities and all the leadership which now exists.

The names of companies which are active in the fields of electronics, atomic energy, drugs, and petro-chemicals are so well known that I need not repeat the list which has been so carefully combed by every professional buyer of equities. It might be more helpful if we were to discuss developments or trends which might change the status quo either favorably or unfavorably. Most investment policy is based upon the expectation of change, and listed below are some of the changes which would bear watching:

White-Collar Labor-Saving Devices

(1) The entire field of labor-saving devices will continue to be a wonderful source of investment opportunities. Commencing with machine tools and other manufacturing devices, it is now shifting into what might be called the "white-collar labor-saving" field. This has included IBM and other punched card systems which are rapidly widening their area of usefulness. It extended into packaging and mailing devices such as the Pitney-Bowes postage meter.

There is now a development in which both IBM and Eastman Kodak will participate which will supply an electronic librarian for microfilm files. This will be a godsend for major corporations in which the endless functioning of the filing system has come to resemble the machine that made the sea salt! In the field of retailing, we have gone beyond the self-service market and are seeing new uses for vending machines in stores as well as outside of them. These trends are strong, and further progress in the labor-saving area is a certainty. The odds favor investment here.

(2) You may have read recently of a Continental Oil tanker transporting liquified natural gas. This is a very significant achievement which may have far reaching results. Contrary to general belief, the liquified natural gas is not under great pressure, but is merely insulated so that it cannot take on heat and evaporate. This technique may open up markets for natural gas reserves in remote parts of the world. It may bring gas to coastal cities throughout the world where gas has been unavailable or in short supply.

(3) One change which might be disappointing to investors would be any technological development which rendered the telephone dial system obsolete, as all other telephone systems have become because of aggressive research and scientific progress. The telephone systems of our country have been marked by self-imposed obsolescence which led to heavy capital expenditures and the dilution of their stock. If the electronic switchboard were to prove to be another outstanding success

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of Bell Telephone research, it might suggest that the stock had reached another plateau and had not become a growth equity.

(4) After many disappointing years, there is at last hope, at least, that the airlines may reward the patient holders of their stocks. As jet airliners have brought us to the sound barrier, at which the industry must pause for a period of several years or a decade, the airlines may at last be relieved of the burden of aircraft obsolescence. They have been writing off airliners so rapidly and buying new and better ones so steadily that there have been neither earnings nor dividends for the stockholders. There may be an investment opportunity here before too long in an industry marked by very rapid growth in revenues and passenger-miles.

Foreign Competition Will Hurt

(5) The intensification of foreign competition, which we as a matter of policy have aided and abetted since World War II, is a trend which we must not ignore. Although we still export nearly three times the manufactured goods we import, it is the trend which matters. In the past five years, our exports increased only 27% while our imports were up 77%.

Competition is keenest in products manufactured by skilled labor. We are feeling it in sewing machines, typewriters, cameras, radios, and electrical generating equipment. I scarcely need mention foreign automobiles. Some of our own corporations have met the problem by setting up plants overseas, which now ship the finished product to this country. However, this is a serious problem for certain of our industries and companies, and it seems probable that we will suffer the consequences of reequipping Europe before we finally enjoy the benefits of a stronger and wealthier world.

(6) Changes are coming rapidly in the oil industry. The trend toward nationalization and renegotiation has not yet run its course. This is not a development which can be avoided simply by buying domestic oil companies. Nothing is likely to hold the foreign oil off the market for long, and that would possibly be true even if Russia obtained control of major supplies in the Near East. You may know that Russia is building two oil pipelines behind the Iron Curtain, leading westward I understand toward Czechoslovakia and Austria; and it seems probable that oil in Russian hands would find its way to the market, perhaps as another weapon of international economic warfare.

(7) New methods in the making of steel and in the refining and fabricating of other metals have created sizable new uses for gases of many kinds. This includes not only oxygen and hydrogen, but also inert gases for which little demand existed in the past. These developments have rejuvenated more than one company and will have further effect in the future.

(8) We must watch closely the building boom which has been the backbone of our economic recovery. Residential housing starts represent some 40% of all construction; and they are running ahead of basic demand, which is related to family and household formation. There is perhaps a greater risk that commercial building will outrun demand, as those of us who see it now in New York City fear it will. Buildings have a longer useful life than automobiles, for example, where the hangover from a buying binge lasts about three years.

(9) Atomic power is an exciting topic for scientific discussion, but there have been few investment opportunities to be found in this development as yet. The electric utility companies will be very hard-headed about the capital costs and fuel costs of atomic power plants, and will not build them simply because they are new and exciting. The plants which they have already constructed are largely experimental and intended to keep this research and development in their own hands. We should be watchful for any indication that atomic power may be utilized in areas not now contemplated. We expect to see it in the utility industry and in shipping. It might some day be adapted to railroad locomotives, but we are basing our assumptions and our investments on the belief that atomic power will not propel commercial airplanes or automobiles. If there were ever a reason to believe that these assumptions were wrong, some old investment habits would have to be changed very promptly.

The Future for Coal

(10) One old investment habit which we should change is our prejudice against the coal industry. The use of coal in steam electric generating stations some years ago reversed the long downward trend of the coal industry. There is trouble in the industry at the moment, but long range forecasts by both scientists and corporate executives predict a steady and ultimately tremendous increase in the utilization of coal deposits. Even when atomic power provides half of all the energy requirements in our country, it is expected that the demand for coal will be several times what it is today. There will be investment opportunities in coal properties and in the makers of coal-mining equipment. Before buying the coal railroads, however, it would be well to study the progress being made in long range transmission of electricity and in the "wheeling" of power from one service area to the next.

To summarize what I have tried to say about common stocks, we believe that they are high and likely to remain high by any former standard of measurement. This means to us that dividend yields will continue to be rather unsatisfactory on prevailing market prices.

In spite of this, we believe that there are companies which will live up to the prices of their common stocks and justify the confidence investors have placed in them. These will have to be particularly well situated companies and ones which are exceptionally well managed. The problem of selecting these companies has become very difficult for investors and at the same time very important.

If we are right in these premises, then it would be wrong to "skim the cream" from our equity portfolios. It is tempting to listen to those who would sell all stocks yielding less than 3%, and buy only those yielding more than 4%. It seems to us that such a policy would shift the odds heavily against those who adopted it.

Don't Throw Away the Book

This is no time to throw away the book and go overboard on common stock policy. One very persuasive reason is that common stocks provide mighty little income, which is something trustmen are supposed to produce. Furthermore, stocks are by no means on the bargain counter, and fully invested equity positions are best suited to bargain-counter days. We believe that it would be prudent to have some buying power in reserve at these levels. Finally, selectivity has become more difficult in this period of rapid change while the penalty for unwise choices has become unusually heavy.

This brings us to fixed-income securities and I have in mind primarily tax-exempt and corporate bonds. We believe that there is a place for bonds in most trust accounts even though the long term trend of interest rates is slowly upward. Fortunately, the yield afforded even by medium maturities is liberal today, and it is often possible to choose bonds of a length appropriate to the trust account involved. It would probably be a mistake to hold bonds of a longer maturity than necessary to serve your purposes.

Not too long ago, corporate bonds yielded roughly 3% and common stocks perhaps 5%. A trust fund invested equally in bonds and stocks therefore had an overall return of 4%. We are not far from the reverse of that situation today, with bonds approaching 5% and stocks 3%. Perhaps we would be wise to accept this situation and continue to talk a 4% return from a balanced portfolio. If we were to adopt this attitude, we might be less unhappy about the yield afforded by common stocks and a little less prone to make the mistake of reaching for income in the equity portion of the list.

I have not deliberately sidestepped the threadbare question, "What is the correct equity ratio for a trust fund under prevailing conditions? We believe at the Trust Company that there is no one ratio which is right for all accounts. Nor have I meant to imply in my discussion of a balanced fund that a 50% ratio would be correct today. I believe that we are carrying, on the average, a somewhat higher figure than that in trusts under our supervision. We do believe that there should be some common stock buying power in reserve, in relation to whatever may be an appropriate equity ratio in each trust account.

In brief, I have recommended that we hold and utilize the soundest and most promising common stocks, not merely the highest yielding ones. I would rely upon fixed-income securities to fatten up current income, keeping maturities as short as possible while serving that purpose. These may not be startling recommendations, but they differ widely from some of the radical proposals which are been made by others today.

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What Many Bankers Do Not Know About Improving Their Earnings

periods of subnormal loan demand and increased liquidity throughout the banking system. With most banks having surplus funds available for investments, it follows that bond prices will be high, actually far too high, to permit maturity extension on a favorable basis. However, the pressure to increase income has been built up and maturity is extended under the worst possible set of conditions.

Using Agency Obligations

Secondary reserve items should be restricted to Direct Governments, call loans, repurchase agreements, etc., primarily, but earnings can be augmented through the inclusion of moderate amounts of Agency obligations. When you do this, be careful that your Agencies have maturity dates which fit in with your seasonal demands for cash. This does not mean that Agencies are not marketable, for they are, but an important part of secondary reserves should comprise the type of security which is readily convertible into cash at a time when you and every other banker in the country is trying to raise funds. Under such market conditions, the Fed will probably be assisting through buying Bills and aiding directly or indirectly the market for other very short-term Governments. Agencies, however, might be difficult to liquidate "on the wire" and at a satisfactory price.

I think we can sum up the liquidity discussion by stating that a banker must always maintain what he knows will be an adequate degree of true liquidity. If this is done, there will never be any need to sell longer term issues in a period of tight money and at a loss. Neither will there be any need to convert part of an excessive secondary reserve position into the income producing section of the portfolio in a period of easy money. **The only important losses a banker should ever take in his portfolio are those which he takes voluntarily in order to capitalize on a tax situation.**

Before we get too far into the manner in which funds are invested, I think it would be a good idea to establish firmly in our minds exactly what is entailed in the purchase of a bond. We all know a bond is a negotiable piece of paper generally in a thousand dollar denomination and attached to it will be a sheet of coupons bearing various maturity dates. Beyond that point, however, I am afraid that most of us do not realize what we buy when we do invest in bonds. In a general way this confusion centers around yield. On repeated occasions I have been informed by some very highly respected bankers and investment bankers, too, that the yield basis on which you buy a bond has something to do with price, the coupon rate, the term in years, and **it also makes allowance for the reinvestment of income** as received every six months through to the final maturity date of the bond. This is a lot of nonsense. **The reinvestment of income received from a bond is definitely not a factor in determining the yield or price of a security.**

Problem of Premium Issues

However, the most aggravating problem is that of buying bonds at premiums. We must, of course, realize that as long as most investors elect to favor bonds selling close to 100, we are going to have a lesser demand for bonds selling at prices either substantially above or considerably beneath 100. Accordingly, it is necessary to bear this market factor in mind and the realistic portfolio manager should and must take full advantage of the tendency of many investors to avoid securities selling many points above 100. It is logical that if you can step up yield 20 basis points through buying a bond selling at 115 as against one selling at 100, you must be prepared to make a similar concession in price if you should want to sell. However, in the meantime, you have been earning $2 per year more in income per $1,000 invested. How can you possibly go wrong? There are also some extremely interesting angles in connection with discount obligations, but this discussion will be restricted to the so-called premium issues because they pose a basic rather than special problem to bankers.

Before anyone can purchase so-called premium bonds with confidence and be willing to stand up and argue with those who offer completely unjustified criticism of such procedures, **he must know the facts regarding the purchase of a bond.** All investment dealers and bank investment officers have, or certainly should have, a bible which they refer to as a yield book. This is the Bond Value Table as published by the Financial Printing Company of Boston. Yield basis is the common denominator of bond values and practically all municipal and corporate obligations are offered on a yield basis rather than on a price basis. Governments are quoted in terms of thirty-seconds because of the very narrow price differentials which are maintained between the bid and offered sides of the market, but even the prices of Governments are governed by the yield bases on which the respective issues are entitled to sell in relation to the existing interest curve.

Now, how are the yield bases and dollar equivalents arrived at? The yield bases will reflect prevailing interest rates for other securities of comparable quality and maturity. This is logical and simple. However, converting the yield basis into terms of dollars is the crux of the problem. Briefly it amounts to this: whenever you purchase a thousand dollar bond at any given price, **you are buying not only the face amount of the bond, but a series of obligations comprising each of the various coupons and the face amount of the bond.** Our authority for this statement is, in addition to what has been discussed, a letter from the president of the Financial Publishing Company stating in part that **"the value of a bond is the sum of the present worth of the principal computed to maturity and the present worth of a semi-annual series of the coupons."** This is no pet theory of ours; this is a statement of fact by the final authority on the subject and whether dealers, bankers and bank examiners like it or not, that is the way bonds have been bought and sold for a long time and that is the way they are going to be sold in the future. I think it would be interesting to draw a comparison between a bond investment and a direct reduction loan as most of you will be very familiar with the latter. In April, 1958, bond prices were high and yields low. The Treasury 4's due Oct. 1, 1969 were selling to yield 3.10% which produced a dollar price of 108.65. In other words, an 11½-year 4% bond on a 3.10% basis cost $1,086.50. Now the investor was actually acquiring a thousand dollars in the face value of the bond plus 23 semi-annual coupons of $20 each or obligations of Uncle Sam aggregating $1,460. For this, he paid only $1,086.50, but practically everyone, including the bank examiners would have the feeling that a "substantial premium" was paid **and the premium constituted something of a risk.** The truth of the matter is that he paid only $702.05 for the bond itself. Now let us suppose that Joe Doakes walks into a bank to make a loan and the banker agrees to lend him $1,086.50 for 11½ years at a 3.10% rate. Of course, I know enough about bank rates to realize it might be closer to 10.3%, but let us keep it equivalent to the bond rate. The banker would receive a note from this customer in an amount of $1,460 and **this would be recorded on the books of the bank as an asset in that amount.** The difference between the $1,460 and the amount credited to the man's account, or $373.50 would appear as unearned discount.

Now why is it that some examiners will have no objection to a bank recording this loan to an individual as involving an asset of $1,460 with an offsetting unearned discount entry on the books, but they will criticize, and so will many top management men and board members, the recording on the books of a loan to the government of $1,086.50 when it is secured by direct negotiable obligations of Uncle Sam in the amount of $1,460. There is absolutely no sound basis upon which anyone can possibly criticize or even comment upon the purchase of a government bond for $1,086.50 when they would consider the purchase of a similar obligation of an individual, **involving a definite credit**

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risk, as being a perfectly normal banking function.

There is only one answer to this. There is a complete lack of understanding on the part of many as to what an investment in so-called premium bonds really is. This is something which the National Association of Bank Auditors and Comptrollers can do a great deal about. The NABAC can break down this ridiculous prejudice through giving adequate publicity to the real facts. It can lead in the educating of bank officials and it is big enough and strong enough to demand that bank examiners be acquainted with investment facts before they offer unjustified comments regarding bonds purchased at prices above 100. This is something which no individual bond portfolio man can possibly fight on his own. If we, as security dealers, attempted it we would be faced with the bureaucratic thinking that we had an axe to grind. We would get nowhere at all. This is something **that must be done by an organization** and I feel very strongly that NABAC is perhaps the only organization in the banking field capable of handling the job. Now what does this mean in dollars and cents? Frankly, I don't know, but it could be a huge amount. An additional 10 basis points on $100 millions over a five-year period would mean $500,000 and I don't need to tell you $100 million is only a fraction of total bank investments.

Maturity Spacing

Next let us cover the problem of maturity spacing and this is a subject that is highly provocative in that theory and actual experience clash headon. A very popular approach is to strive for 10% maturing each year.

Going back 30 years or so banks had very few Governments and none too broad markets for the bonds which made up the bulk of a portfolio. Under such conditions, a spacing of maturities was probably as good an arrangement as any.

However, under modern conditions, this theory can do no more than guarantee average results as you refund each maturity into another 10-year obligation as it matures.

The only thing that lifts a man above the average is the desire to achieve the best results, and any pattern which stifles this desire has no place in modern banking. Any clerk can achieve average results by automatically reinvesting the proceeds of maturing issues into a 10-year maturity. This requires no executive ability. Neither is there any justification for paying an advisor a fee for coming up with such profound thinking.

Liquidity must be taken care of without any thought to income. Remaining funds should not be concentrated in any one issue or range. You will find some issues holding a greater measure of appeal than others of comparable maturity. It is in these that your funds should be concentrated.

In the municipal list a 10-year roll over program is widely followed and it merely restricts earnings. When prices are high and yields are low you are forced by reason of maturities, to buy 10-year bonds. **It would seem far better to review each holding as it reaches the three year mark and refund it if the current market is favorable. If not, it could be retained for another year or so and then reviewed again. Such a plan enables you to exercise investment judgment. A very broad guide would be to pass up refundings when the Federal Reserve Board is pursuing an easy money policy and refund whenever the Fed is making money tight and creating liberal bond yields.**

Remember, a bond account is like an automobile—you have to drive it, if you want to get anywhere.

Yield Spread Trap

Associated to a considerable degree with the maturity spacing of a portfolio is what is described as "The Yield Spread Trap." A study of the various price trends which have existed in the bond market over the past 20 years and also that of the various major trends in portfolio adjustment reveals that some of the big mistakes were brought to light at certain points, such as the sharp decline in Government bond prices in the Spring of 1946 and again in the last half of 1958. However, the groundwork for the serious portfolio problems created by these market declines was really laid many months or years in advance.

For example, some bankers followed the practice from 1940-45 of investing some of their new deposits for income in the customary bank range of from one to 10 or possibly even one to 15-year range. They did not find themselves in any hopeless earnings position in 1945-46. Others, However, failed to build earnings and were forced to disregard completely the very obvious and great price risk inherent in the 2½s Sept. 15, 1972-67 and made heavy purchases in the 106½ to 109½ price range to produce yields as low as 1.95%. The mistake was not made when the bank 2½s were bought at high prices but rather in the two or three preceding years when increasingly large amounts of money were placed in very short-term obligations and, as short-term yields continued to shrink, the pressure for earnings forced the most conservative bankers to assume huge risks in order to obtain the minimum necessary volume of operating income.

Another excellent example occurred during 1953 when bond prices were quite low and yields as high as 3½% were readily available in the five- to 10-year category. Because of the high rates and lack of buyers for five- to ten-year Governments, the Treasury Department was following the practice of rolling over a very high proportion of all maturities into one-year obligations thus making available to the banks huge amounts of 1954 maturities. The rates on these short-term issues were **relatively** attractive and very few bankers took any notice of the sharp rise in volume of short-term obligations. Only a handful sensed that this was a time to buy income and undertook voluntary refunding operations to avoid an overconcentration in short-term securities. The majority reasoned that 1954 maturities would be so huge that the Treasury **would have to be very liberal. Another form of speculation.** In 1954 money became extremely easy and the Treasury Department offered holders of maturing issues the seven year 2½s Nov. 15, 1961, the nine-year 2½s Aug. 15, 1963, the 2⅛s Nov. 15, 1960 and the 1⅞s Feb. 15, 1959 in rapid succession. Here again most bankers took what was offered and within the space of a very few months many portfolios which had been top heavy with short-term obligations were converted into lists tragically overbalanced with five- to nine-year issues at low yields. Then the bond market went into a prolonged downward trend. Much of the depreciation which developed in 1955-57 could really be traced to the failure of bankers to extend voluntarily in 1953. Then their willingness to take whatever the Treasury Department offered in 1954 irrespective of whether it fitted their needs or not, was the clincher.

As a final example, we had the debacle of June 15, 1958 which is still with us. All we need to do is to go back to the third quarter of 1957 when bankers were given the option of buying either a one-year, five-year or 10-year 4% security at par. Because of nervousness which very understandably accompanies a weak market, most obligations which matured in 1957 were rolled over into the 4s due Aug. 1, 1958 or into other short-term offerings. When mid 1958 arrived, June 15 maturities were exchangeable for 11-month 1¼s or seven-year 2⅝s. The 4s Aug. 1, 1958 were refunded with the 1⅝s due Aug. 15, 1959. At this point, portfolio managers who had been ultraconservative in 1957 and refused to take the five- or 10-year 4% issues found themselves with a very difficult choice. They could either stay in a one-year position and cut income sharply by refunding into 1¼s or 1⅝s, or they could extend maturity seven years to obtain a 2⅝% coupon. Those who made the extension at that time now have very heavy losses. There are cases where banks were forced to cut their interest rate from 3% to 2% as a result of the shrinkage in income. On the other hand, those who were perhaps less conservative in 1957 and refunded some part of their maturities into the five-year of 10-year 4s have had a constant flow of earnings at a full 4% rate and **no important** depreciation exists on the investment. Thus, while the problem was brought to light with the decline in the market after mid 1958, the basis for the difficulty was really laid in 1957. We think we are correct in characterizing the plight of the banker forced to make up his mind between an 11-month 1¼ or a seven-year 2⅝ as being caught in a yield-spread trap. The differential in yield is so wide that he will very probably take the longer-term security. The tragic part, however, is that when the one year rate and the five year rate were identical at 4%, the decision was generally to take the one year security because **there was no point in extending unless income could be increased.** Actually the thinking under such conditions should be to nail down an extremely attractive rate for as long a period as is reasonable and not to be caught with too heavy a short-term position.

Banks Pay Out Interest, Too

In recent years, the rate of interest paid on time deposits has become an important factor in the operating expense of the average commercial bank. As interest expense has risen there has developed a much greater interest in the higher coupon Government issues presumably on the theory that if you are paying 3% you must collect more than that to make money. In some cases, where loan volume has not been too great and the volume of time deposits has been high, management has probably had little choice but to buy higher coupon issues irrespective of other considerations.

By "other considerations," we refer to the net yield after taxes on the various issues in any given maturity range. An outstanding example of this is a comparison of the net yield after tax from the 4s Aug. 15, 1962 with that of the 2¼s June 15, 1962 callable 1959. The former yields 1.86% after tax, whereas the latter yields 2.45%. In dollars this means $24.50 per year on every $1,000 invested versus only $18.60. In other words, figuring the investment to maturity, a banker who is in a position to forego immediate operating income will actually add 32% more to his net earning power through favoring the lower coupon 2¼s. Reducing this to dollars and basing the calculation on a $1 million investment over a three-year period, net earnings after taxes would be, according to our calculation, $20,847 greater from the 2¼s. This is after taxes.

This is another area in which NABAC could take the lead in helping banks to improve their overall earning power. The wide spread in net yield after taxes between these two issues is something that will not continue indefinitely and we believe it reflects primarily a popular demand for the higher coupon bonds which may not be justified in every case by a true necessity for current operating income. Certainly any bank in a position to forego immediate operating income for a matter of a very few years can earn substantially more through favoring some of the lower coupon issues. This might even eliminate the need to sell additional stock in some cases.

Auditors and comptrollers can be of very valuable assistance to the portfolio man in cooperating with him to determine just how far he should go in adding to his state, municipal, and housing authority securities, the income from which is free of all Federal Income Taxes.

Very frequently, we will encounter situations where the loan volume of a bank will be sufficiently low to permit, and in some instances almost demand, that part of the Government position be converted into municipals in order to develop fully the earning power of the bank. In other cases, we find that management has gone to the other extreme and has added so heavily to the tax exempt list that there is very little if any income reported for Federal Tax purposes. It is possible that in some cases, overall earnings may be just as high as would be the case if the bank did not have quite as large a position in tax exempts and as long as no serious losses develop, no great amount of harm is done. However, there are definite credit risks built in to every loan and mortgage portfolio in the country and these will come to light sooner or later in any downtrend in business. Some showed up in the relatively brief and mild recession of 1958.

It is at a time such as this that bankers whose institutions are not in the 52% tax bracket will find it rather burdensome to absorb losses on either loans or investments. It may be perfectly true that many of these banks have built up a Bad Debt Reserve out of income with Uncle Sam having stood 52% of the cost. However, using up these reserves to take care of losses and not being able to restore them with 52% being recoverable taxwise is just as costly as not having the reserve.

Alternate Year Bond Profits And Losses

One other consideration is that of taking bond profits and losses in approximately alternate years. We will cover this further at a later point, but if a bank has no appreciable amount of income subject to the 52% corporation tax, it is effectively barred from following this highly profitable procedure.

Treasury Tax and Loan Account Abused

The Tax and Loan Account over the years has been a very profitable operation for commercial banks. Of late, however, many bankers who have followed the practice of subscribing to all the financing through the Tax and Loan Account have become somewhat concerned about practically all new issues selling at a discount immediately they are quoted on the open market. We believe that many of these discounts are practically forced on the market **due to excessive subscriptions by certain institutions enjoying the benefit of a Tax and Loan Account.** We don't think the average out-of-town banker subscribes to any more than he feels he can handle and we are in a fairly good position as a primary dealer in Governments to know where the bulk of the discount offerings come from. The Tax and Loan Account was devised with the idea that it would be mutually beneficial to the Treasury Department and to the banks who elected to make use of the facility. We are afraid the desire for profit is encouraging operations which cannot possibly be considered mutually beneficial to the Treasury and to commercial banks. We believe the continued abuse of the Treasury Tax and Loan Account can lead to other arrangements which may detract from bank earnings.

Rights values traditionally exist in a fairly strong market where the trend is toward higher prices whereas in a declining market, rights values seldom exist.

In the matter of economics versus mathematics, we believe that both are essential to successful portfolio management but when the thinking of an economist dictates portfolio policy, the bank may be betting on the economist's ability to see into the future when it adjusts its portfolio in line with his thinking. On the other hand, when mathematics are given at least equal or greater weight, the changes which are made in the portfolio will usually represent capitalizing upon opportunities provided by changes which have already taken place. In other words, **the gamble is eliminated.**

Taking Profits and Losses For Profit

Perhaps the most important area in which auditors and comptrollers can cooperate with the bond man is in that of taking profits and losses. Many play an important part in determining what profits or losses should be taken and while some are not too well versed in investment matters, their views will dominate or at least influence tax operations. Many of those present may think it a ridiculous and irresponsible statement for me to say that a relatively large number of banks in the country have never followed the practice of taking profits in one year at a 25% capital gains tax rate and losses in another recovering 52% of the loss in the form of tax savings.

I am not saying that these banks have **never** taken a loss or a profit on securities, but rather that **they have never followed any basic policy** designed to capitalize on the 27% differential in their favor. Many of these banks are not small country banks, but institutions listing their assets well up in the tens of millions category. This, too, is an area in which an organization such as NABAC could conduct an educational program to convince management and board members that the earnings being thrown away through lack of appreciation of what can be done in this direction may very well represent a deficiency in capital at some future date which will have to be eliminated through sale of new stock and a consequent dilution in the interest of present stockholders. There are many phases to tax program work and we have outlined two examples to provide an idea of what the potential is. As stated earlier, it would take a great amount of space to illustrate all of the various types of operations which can be engaged in depending upon market conditions. As a concrete example, we show the difference in overall earnings between the banker who had one

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million 2½s Nov. 15, 1961 on his books at par on June 20, 1957 and still has the same investment today and the banker who utilized this block of bonds in a typical tax operation involving extension of maturity in a weak market in combination with the purchase of optional bonds and then the shortening of maturity and reinvestment in definite maturity obligations in a period of market strength. The banker who held the one million 2½s for the past two years now shows a depreciation of $38,750 on a holding that is producing $25,000 a year in income. The banker who has taken loses twice and profits once during the intervening period now has a par amount of $1,105,000 2½s June 15, 1967-62 on his books at approximately current market levels and that is 89⅜s. He is now earning at an annual rate of $27,625—versus $25,000 and has a free bond reserve of $30,257 net after taxes. This reserve incidentally would be sufficient to protect against a further price decline in the 2½s June 15, 1967-62 down to the 83 level. It is criminal for bankers to refuse to modernize their thinking and NABAC can bring some of them to their senses.

Coordinating Bad Debt Reserve

The final area in which NABAC can influence better bank earnings is in that of coordinating the transfers to the Bad Debt Reserve with portfolio operations for tax purposes. This may appear to be a rather complicated problem but I think the average auditor or comptroller will grasp it quite readily. Most banks are in the process of building up their Bad Debt Reserve to the maximum permissible by law and their moves in this direction are encouraged by the fact that these transfers to the Bad Debt Reserve tend to build capital funds and the government stands 52% of the cost. All of this is perfectly true but it is possible to do **an even better job** with a little more thought and effort. We cover this in reasonable detail and show one of our basic recommendations for the 1957-58 period. We urged that the transfer to the Bad Debt Reserve be held up in 1957 and the same amount be used to absorb further bond losses and simultaneously set up a guaranteed profit in 1958. Those who did this got a $27,500 reserve instead of one of only $12,500 for a $6,000 charge to earnings.

This, however, is going back into the past. Accordingly, we illustrate a program substituting bond losses for a transfer to the Bad Debt Reserves in 1959 and the setting up of guaranteed profits for 1960. A banker who is willing to reduce operating earnings for 1959 by $11,100 can set up a Bad Debt Reserve in 1959 of $23,125. This would be the customary procedure. However, if instead of taking the transfer to the Bad Debt Reserve, the banker takes a further bond loss of $23,125 at a net cost to stockholders of $11,100, he can set up what we believe can be termed a guaranteed profit by the end of 1960 of $23,580 net after 25% tax and earmark this to be used only as an offset to an operating charge in a similar amount to set up a Bad Debt Reserve in 1960. With this amount of net profit flowing into earnings, the banker could charge earnings with the same amount, $23,580, in order to set up a transfer to the Bad Debt Reserve and it would not affect overall earnings for 1960 since the bond profit and the charge to set up the Bad Debt Reserve would offset each other. If earnings are charged with $23,580, a transfer to the bond reserve of approximately $49,100 could be made because the bank stands only 48% of the cost. **Thus, in return for taking a net loss in 1959 of $11,100 and flowing this through the bond account** it is possible to produce a Bad Debt Reserve in 1960 of $49,100. If it was handled in the customary manner, the reserve would only be $23,125.

Summary

In this paper I have attempted to discuss some of the more important areas in which we know from experience that bank earnings could be improved. To accomplish this it is necessary that cooperation from the supervisory authorities be obtained and that top management also be made more fully aware of what the potential is. Investment houses such as ours can call some of these things to the attention of bankers, but we do so in the full realization that many are apt to feel we may have an axe to grind. These thoughts we attempt to show, are based upon fact rather than fancy.

Certainly, if more bankers and bank supervisory authorities understood thoroughly what yield is and what a bank acquires when a bond is purchased, they would be less inclined to avoid bonds above par and bank earnings would reflect the more liberal yields available from so-called premium bonds. In the tax operation field there is a tremendous amount of room for improvement in technique. Too many investors consider the heart of a tax operation to be the selection of those issues on which profits and losses are to be taken. Actually, the selection of replacements is of far greater importance and it requires extreme care. Finally, we have the mathematical advantage of combining transfers to the Bad Debt Reserve with portfolio profit and loss operations under which type of program, transfers to the Bad Debt Reserve will be made only during years in which bond profits are taken.

Given the proper sponsorship by an organization such as the NABAC and working from facts which are supplied by the Financial Publishing Company of Boston, or relatively simple mathematical calculations in the case of tax operations and the Bad Debt Reserve, an educational program can be inaugurated which will lead to a material improvement in the earning power of many banks throughout the country.

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The State of Trade and Industry

clearings will be 3.2% above those for the corresponding week last year. Our preliminary totals stand at $24,573,277,131 against $23,-615,945,321 for the same week in 1957. Our comparative summary for the principal money centers follows:

Week Ended May 16—	1959	1958	%
New York	$12,219,312,615	$12,278,846,876	— 0.5
Chicago	1,300,292,994	1,223,586,651	+ 6.3
Philadelphia	1,200,000,000	1,073,000,000	+11.8
Boston	751,809,637	704,577,284	+ 6.7

Strike Would Affect More Steel Producers Than 1956 Stoppage

A steel strike would hit output harder this year than ever before—unless steel labor decides on a "divide-and-conquer" walkout, according to "The Iron Age," national metalworking weekly.

"Iron Age" said that an all-out strike would leave fewer mills operating than was the case in 1956. It gave these reasons:

(1) More mills have June 30 contract expiration dates than in 1956. Best example: Kaiser Steel Corp., which in 1956 had a contract that expired one month after that of most other producers. It operated during the 34-day strike. That wouldn't be the case this year—barring a "peacemeal" or "selected" walkout.

(2) There is less certainty that steel labor would honor contract extensions even if they were given at the outset of a strike. "If there is a bitter strike, we'll probably be closed," said one mill that operated last time.

"Iron Age" said some mills—those not under contract with the union—are certain to operate regardless of a strike's duration. Others will escape at the outset but if the strike should be a long one they are almost certain to be hit. A few companies would operate at the sufferance of the union, especially if the mill's financial structure is shaky.

Meanwhile, steel demand and consumption are exceeding all expectations, even excluding that resulting from strike hedging. A secondary wave of new orders has hit the mills. This business represents steel for delivery in the third quarter—strike or no strike. Steel users figure that it's smart to be on the books in view of the unexpectedly high rate of steel use. Inventories by June 30, possible strike deadline, simply won't be as high as many users had hoped for.

Steel management hopes to regain the initiative in its public relations battle with the union when Roger Blough, Chairman of U. S. Steel Corp., speaks this week before the National Press Club in Washington.

Mr. Blough, chief architect of the steel companies' strong stand for no wage increase-no price increase this year, is expected to lay it on the line in his talk. The speech is designed to offset the effect of the "social visit" David J. McDonald, steel labor chief, had last week with President Eisenhower in New York.

Steel Imports May Threaten U. S. Markets and Jobs In Long Strike

If we have a 60-day steel strike, steel imports may hit 400,000 tons in the second month of a walkout, "Steel" magazine predicted May 18. During the first 30 days, imports would hold at about 240,000 tons, the current monthly rate.

The metalworking magazine warned that import inroads could cause a permanent loss of markets to domestic mills and a permanent loss of jobs to U. S. steelworkers.

All steelmaking nations will strain to make more of the metal available for sales to the U. S. just to get the import door open wider. Foreign producers' prices would porbably rise during a steel strike, but their quotations will still be under domestic levels.

The fact that a long walkout could "educate" American users about steel from abroad has U. S. producers worried but not enough to make major contract concessions in the negotiations now going on. They think a more equitable contract is the key to eventually becoming more competitive with foreign producers. Hourly steel wages in the U. S. are three to eight times those of the major competitors abroad.

There is no evidence which indicates a peaceful steel settlement by labor and management, "Steel" said. It looks for a six to nine week strike to be settled by a package costing between 6 and 11 cents per manhour. Odds are that steel prices will rise after midyear but the increase will be small. Each penny in higher employment costs means 18 cents a ton in higher steelmaking costs immediately. An equal amount wil be added by higher costs of goods and services purchased.

Labor Secretary James P. Mitchell sees the government following an official hands-off policy in the steel talks, according to a "Steel" interview. He thinks both labor and management are showing a great deal of statesmanship. On other issues:

He questions the value of a productivity index to wage negotiations.

He believes worker ownership plans can be desirable.

He thinks much more planning is needed to handle the effects of automation, but that it will build more jobs in the long run.

Record breaking steel shipments in May will carry the industry to its biggest quarter in history, "Steel" said. Second quarter shipments will be more than 25 million net tons. Best previous: 23.6 million shipped in the second quarter, 1956.

May shipments of 8.5 million to 8.75 million tons will set a monthly record. The record is last month's 8.3 million tons. June shipments will dip to 8.3 million because: (1) Steelmakers will have to start banking furnaces towar dthe end of the month if a walkout seems inevitable. (2) Wildcat strikes may hamstring production. (3) The month has fewer shipping days than May. (4) Transportation problems will delay shipments.

Last week, steelmakers operated their furnaces at 95% of capacity and turned out 2,690,000 ingot tons, the largest production ever recorded. The 12 district steelmaking ingot rates varied between 92 and 105% of capacity.

The magazine's price composite on No. 1 heavy melting grade of steelmaking scrap declined 34 cents last week to $33.33 a gross ton, lowest in over a year.

Steel Output Based on 94.4% of Capacity

The American Iron and Steel Institute announced that the operating rate of the steel companies will average *166.5% of steel capacity for the week beginning May 18, equivalent to 2,674,000 tons of ingot and steel castings (based on average weekly production for 1947-49) as compared with an actual rate of *163.8% of capacity and 2,631,000 tons a week ago.

Actual output for the week beginning May 11, 1959, was equal to 92.9% of the utilization of the Jan. 1, 1959, annual capacity of 147,633,670 net tons. Estimated percentage for this week's forecast is 94.4%.

A month ago the operating rate (based on 1947-1949 weekly production) was *164.7% and production 2,646,000 tons. A year ago the actual weekly production was placed at 1,523,000 tons, or *94.8%.

*Index of production is based on average weekly production for 1947-1949.

Auto Industry Developing Record High Inventory

The auto industry expects to reach the steel industry's June contract deadline with its highest mid-year new car inventory in history, "Ward's Automotive Reports" said on May 15.

"Ward's" said that with auto production the week ended May 16 continuing to run ahead of record-high sales, the April 30 897,000-unit new car stockpile is earmarked for approximately 930,000 units by the end of May and an estimated 940,000 by June 30.

Previously, the June 30 new car stockpile totaled 696,000 in 1958, preceded by 734,000 in 1957 and 695,000 in 1956. "Ward's" commented that the inventory, which caused hardly a ripple of excitment on April 30 when it set a new month-end record for the auto industry, promised to take on deeper meaning with approach of the summer season and a possible bog-down in the steel industry.

"Ward's" said combined production of cars and trucks was scheduled for a 1959 high of 162,443 units, exactly 200 more vehicles than the record of 162,243 set in the week ended May 9.

The car program of 135,268 units, up 0.4% over earlier week's (134,763) and 54.8% above the corresponding week last year (87,407) was only 0.5% off the 1959 peak of 135,953 established Jan. 12-17.

Truck volume of 27,175 was only 1.1% below preceding week's 1959 high of 27,480 and soared 62.2% over the corresponding week in 1958 (16,755). The recent week's effort, according to "Ward's," was the highest truck-making effort since Dec. 3-8, 1956 (27,870).

"Ward's" said five car makers—Ford Division at seven plants, Edsel at Louisville, Chevrolet at Flint, Pontiac at its Michigan site and Rambler at Kenosha, Wis.—planned Saturday assembly in the May 16 week as 20% of the nation's auto factories scheduled overtime.

There were some four-day routines, however, including Chevrolet at Baltimore, Buick-Oldsmobile-Pontiac at Atlanta and Dodge and Imperial in Detroit.

Electric Output 12.7% Above 1958 Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, May 16, was estimated at 12,684,000,000 kwh., according to the Edison Electric Institute.

For the week ended May 16, output increased by 25 million kwh. above that of the previous week and showed a gain of 1,427,-000,000 kwh. or 12.7% above that of the comparable 1958 week.

Car Loadings 26.5% Above Corresponding 1958 Week

Loadings of revenue freight for the week ended May 9, totaled 677,398 cars, the Association of American Railroads announced. This was an increase of 141,819 cars or 26.5% above the corresponding week in 1958, but a decrease of 45,919 cars, or 6.3% below the corresponding week in 1957.

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Loadings in the week of May 9, were 3,275 cars, or 0.5% above the preceding week.

Lumber Shipments 1.2% Above Production For May 9 Week

Lumber shipments of 476 mills reported to the National Lumber Trade Barometer were 1.2% above production for the week ended May 9. In the same week new orders of these mills were 10.9% 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 43 days' production.

For the year-to-date, shipments of reporting identical mills were 2.7% above production; new orders were 4.9% above production.

Compared with the previous week ended May 2, production of reporting mills was 0.7% above; shipments were 7.4% below; new orders were 1.1% below. For the latest week, as against the corresponding week in 1958, production of reporting mills was 6.8% above; shipments were 2.7% above; and new orders were 13.7% above.

Upturn in Business Failures Noted

Commercial and industrial failures climbed to 311 in the week ended May 14 from 265 in the preceding week, reported Dun & Bradstreet, Inc. While casualties did not rebound to last year's level of 327, they were the highest in five weeks and exceeded considerably the 264 in the comparable week of 1957. Eight per cent more businesses failed than in prewar 1939 when there were 289.

Failures involving liabilities of $5,000 or more rose to 275 from 237 in the previous week but did not reach the 290 of this size a year ago. An increase also occurred among small casualties, those with liabilities under $5,000, which edged to 36 from 28 a week earlier and compared with 37 in the similar week of 1958. Liabilities ranged above $100,000 for 30 of the failing concerns, as against 26 in the preceding week.

Wholesale Commodity Price Index Moves Up Moderately

Higher prices on most grains, hogs, lambs and sugar helped the general commodity price level rise moderately this week, offsetting declines on coffee, butter and steers. The Daily Wholesale Commodity Price Index, compiled by Dun & Bradstreet, Inc., stood at 276.52 (1930-32=100) on May 18, compared with 275.89 a week earlier and 280.58 on the comparable date a year ago.

Following steady declines in the prior week, most grain prices moved up in the latest week. Purchases of corn expanded and offerings in most markets were light resulting in a moderate increase in prices; there were increases in both domestic and export buying of corn.

Although the call for wheat sagged during the week, prices were steady; trading was influenced by larger receipts, sluggish flour trading, and lower export volume. Transactions in oats picked up appreciably and prices finished the week slightly higher. Interest in rye lagged during the week, and prices were down fractionally. Strength in the oil market and light marketings held soybean prices close to the prior week.

There was a moderate decline in domestic and export buying of flour this week, but prices were steady to slightly higher. Rice prices were steady this week and supplies were light. Domestic sales moved up and export buying was noticeably higher, with sales made to Egypt, Pakistan and Cuba.

Trading in sugar picked up at the end of the week and prices were up slightly. There was a seasonal decline in coffee transactions and prices dipped fractionally. Wholesalers reported a moderate rise in purchases of cocoa and prices edged slightly higher.

Although hog trading was unchanged from a week earlier, prices climbed somewhat during the week; hog receipts in Chicago were up slightly from the prior week and a year ago. Cattle receipts were little changed, but trading dipped and prices were down somewhat. The salable supply of lambs was limited, but volume was steady and prices were slightly higher. In contrast to the rise in hog prices, lard prices were down somewhat.

Following declines in the middle of the week, cotton prices on the New York Cotton Exchange moved up at the end of the period and finished slightly higher than a week earlier. The 1958 cotton crop amounted to 11,512,000 bales, compared with 10,964,000 bales in 1957, according to the United States Department of Agriculture.

Wholesale Food Price Index Rises Fractionally

Following two weeks of declines, the Wholesale Food Price Index, compiled by Dun & Bradstreet, Inc., rose fractionally on May 12. The index stood at $6.14, compared with $6.13 a week earlier, for an increase of 0.2%. It was down 7.3% from the $6.62 of the corresponding date a year ago.

Higher in price this week were wheat, oats, hams, lard, sugar, cottonseed oil, cocoa, steers and hogs. Lower in price were rye, eggs and potatoes.

The Dun & Bradstreet, Inc. Wholesale Food Price Index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use. It is not a cost-of-living index. Its chief function is to show the general trend of food prices at the wholesale level.

Mother's Day, Strike End Boost Retail Sales

A final upsurge in the buying of gifts for Mother's Day boosted overall retail trade this week moderately over both the prior week and the comparable period a year ago. While the most noticeable year-to-year gains were in women's apparel, volume in men's clothing and furniture was up substantially. Settlement of the United Parcel Service Strike in New York City helped sales of major appliances in that area rise at the end of the week. Purchases of new passenger cars remained at a high level and sharp year-to-year gains were sustained, according to scattered reports.

The total dollar volume of retail trade in the week ended May 13 was 3 to 7% higher than a year ago, according to spot estimates collected by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1958 levels by the following percentages: West North Central +8 to +12; East North Central +7 to +11; Mountain +6 to +10; South Atlantic +3 to +7; Pacific Coast +2 to +6; East South Central 0 to +4; New England and Middle Atlantic —1 to +3; West South Central —3 to +1.

Nationwide Department Stores Sales Up 14% For May 9 Week

Department store sales on a country-wide basis as taken from the Federal Reserve Board's Index for the week ended May 9, increased 14% above the like period last year. In the preceding week, for May 2, an increase of 6% was recorded. For the four weeks ended May 9, a gain of 8% was registered.

The Board could not obtain information regarding New York City department store sales for the week ended May 9. As a matter of fact, no data have been used for any week since the one ending April 17 because of the United Parcel Service strike. Now that the dispute has ended, it is to be expected that compilation of the sales figures will be resumed.

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The Security I Like Best

Baltimore; and WCOP, Boston, each of which ranks among the top three rated radio stations in those areas. The most recent purchase of Radio Station WAGA, AM-FM, Atlanta, which was announced in April, subject to FCC approval, will make the fifth radio station acquired by Plough. To quote Plough's Financial Vice-President, "ownership of the stations is definitely highly profitable," in addition to being an important adjunct to the corporate plan of diversification of assets and sources of earnings.

(5) Recognized Sales Potentials of Advertising: Advertising for Plough products normally appears in from 600 to 700 newspapers each week. Over $125,000,000 has been spent over the past 50 years to build the present sales demand for Plough products. While the company continues to be a large and consistent user of newspaper advertising, its scope of media has been enlarged to include national magazines, radio, television, outdoor billboards, professional journals and direct mail.

(6) Introduced St. Joseph Almanac-Calendar: Plough, Inc. has the largest private printing plant in the entire Mid-South, excluding the newspapers, and prints and distributes over seven million St. Joseph Almanac-Calendars, which are purchased by more than 18,000 druggists and distributed free by them to the public. These calendars are in one out of every 8 homes in America, and in addition to bearing the imprint of the local druggists, have one or more Plough products pictured on each page.

(7) Acquired Coppertone Suntan Products: With the advent of "leisure time" living, the Coppertone acquisition promises to be one of the most profitable areas for development. According to an independent market analyst, Coppertone accounted for 37% of total suntan lotion sales in 1958. The balance was divided among 10 other brands. Coppertone is a "hot" item and Plough has the facilities to get the product to the public, through sales and advertising. Plough's 100 man sales force is nation-wide and sells to 7,500 wholesalers and also 65,000 direct retailers.

Plough, Inc. has made eight acquisitions in the past several years. They are: The Musterole and Zemo Companies; Dr. Edwards' Olive Tablets; Radio Stations WCOP, Boston, and WCAO, Baltimore; Coppertone; Solarcaine; and Creolin. Preliminary agreements have been signed for the purchase of Radio Station WAGA, Atlanta, and for the Pass Dye Company. By experience, Plough knows the savings in overhead, sales cost and general and administrative costs that result when new items are added to the line. Added sales also help level out seasonal productions patterns and provide advantages in such areas as purchasing, advertising, research and financing. The Company's acquisition program has been responsible for approximately half of the growth in sales and earnings in recent years, with the balance resulting from an aggressive program of new product development and the promotion of existing lines.

At present, Plough does not compete in the ethical drug field. The home remedy type of products has proven extremely successful and profitable for Plough and there are no indications of a slackening in demand for these items. It is now felt by Plough's management that the company's best interests can be served by entering the ethical drug field, and they have been looking into a number of ethical companies.

In 1958, sales, earnings and earnings per share increased for the seventh consecutive year. Net sales of $31,517,125 in 1958 reflected a 7.11% increase over 1957 with after tax earnings increasing 13.82% to $2,304,562. As a matter of comparison, a survey by a leading investment advisory service of seven drug companies, whose product mix is predominantly proprietary, showed a 6.4% average increase in sales resulted in a 6% average increase in earnings in 1958. Plough's working capital position is strong at $9,119,981 with a current ratio of 3.24:1 reflecting a continuation of the improving trend begun in 1952. Net sales for the first quarter of 1959 by the company were $8 million compared to first quarter sales of $7,775,000 in 1958. Net earnings after taxes for the same period were estimated at $590,000 compared to $550,000 in 1958. In September, the dividend rate was increased from 15 cents to 20 cents per quarter and was the fourth consecutive annual increase. Based on the recent market of $37½ (New York Stock Exchange), the 80 cents dividend provides a yield of 2.13% and represents a dividend payout of 42.6%. Earnings of $1.88 per share in 1958 represent a price/earnings ratio of 19.95 times. For comparison, the average price/earnings ratio for six comparable companies is 24.69 and the average yield on the same companies is 2.22%. The average dividend payout on the six companies is 53.7%.

Projections based on an 11% annual increase in sales and a 12% annual increase in net income after taxes would result in sales of $43,125,000 and net income after taxes of $3,250,000 by 1961. This would maintain profit margins at slightly better than the current rate of 7.29%. Plough's profit margins have improved steadily since 1953, when the pretax margin was 5.5% and the after tax margin was 3.0% to its present 13.7% and 7.3%. Per share earnings on this basis would amount to $2.65, assuming no additional shares were listed during the period.

Plough's recent achievements justify a more liberal projection of sales and earnings. A 15% annual increase in sales and a 16% annual increase in net income after taxes does not appear excessive and would also maintain profit margins at slightly better than the current rate. On this basis, sales and net income after taxes would increase 52% and 56% respectively by 1961. During the most recent 3 year period (1955-1958) sales increased 50% and net income after taxes increased 217%. Earnings per share on the basis of a 15% annual increase in sales and a 16% annual increase in net income after taxes would amount to $2.93 in 1961. Capitalizing these earnings at 20 times (current price/earnings ratio for six comparable companies is 24.69) would result in a valuation in late 1961 of $53 on the conservative projections and $58.60 on the more liberal projections. These valuations would represent a 41% to 56% increase in market value by late 1961. Plough's dividend payout would justify a dividend rate of $1.15 to $1.25 at that time.

It should be noted, however, that Plough's acquisition program has necessitated the issuance of additional shares which resulted in dilution of per share earnings. Some dilution might be expected in future acquisitions, although in the past record, earnings per share increased even with the increased number of shares.

All these factors point out that Plough's outlook is better now than at any time in its 50 year history. For the investor interested in well-defined growth in a stable, consumer industry, Plough, Inc. should be considered.

	1958	1957	1956	1955
Net Sales*	$31,517	$29,473	$24,472	$21,004
Net Income Before Taxes*	4,305	4,005	2,329	1,507
Net Income After Taxes*	2,305	2,025	1,204	727
Earnings Per Share†	$1.88	$1.66	$1.05	$0.81
After Tax Profit Margin	7.29%	6.86%	4.92%	3.46%
Price Range: High	39½	21¾	16	13⅞
Low	19¼	14	13	8⅛

*Thousands. †Based on shares outstanding at end of each year.

Coil Winders, Inc. Common Stock Sold

Bertner Bros. and Earl Edden Co., both of New York City, on May 15 publicly offered 150,000 shares of common stock (par 20 cents) of Coil Winders, Inc. at $2 per share. The offering has been completed, all of said shares having been sold.

The net proceeds will be used to purchase electronic test machinery and equipment; to retire loans and notes outstanding; for research and development; and for working capital.

Coil Winders, Inc., with offices located at 40 New York Avenue, Westbury, N. Y., was incorporated in New York on Aug. 3, 1946. It manufactures components for the United States Government and the electronic industry for such end equipment as computers, radar, missiles, and communication, navigation and telephone equipment. It designs and manufactures inductor components, which include transformers, toroids RF (Radio Frequency) coils, traveling wave tube field coils, klystron field coils, and focus and deflection coils.

The outstanding capitalization giving effect to the new financing will total 428,500 shares.

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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 24	§94.4	*92.9	93.5	56.4
Equivalent to—					
Steel ingots and castings (net tons)	May 24	§2,574,000	*2,631,000	2,646,000	1,523,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	May 8	7,200,225	7,112,525	7,134,125	6,249,685
Crude runs to stills—daily average (bbls.)	May 8	¶7,722,000	7,702,000	8,092,000	7,255,000
Gasoline output (bbls.)	May 8	27,003,000	27,141,000	28,268,000	25,416,000
Kerosene output (bbls.)	May 8	1,759,000	1,743,000	2,107,000	1,568,000
Distillate fuel oil output (bbls.)	May 8	11,995,000	12,375,000	12,602,000	11,130,000
Residual fuel oil output (bbls.)	May 8	6,517,000	6,552,000	6,788,000	6,651,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	May 8	208,419,000	209,593,000	214,594,000	201,235,000
Kerosene (bbls.) at	May 8	21,616,000	21,076,000	19,281,000	19,114,000
Distillate fuel oil (bbls.) at	May 8	87,655,000	85,584,000	78,994,000	78,287,000
Residual fuel oil (bbls.) at	May 8	55,553,000	54,500,000	57,393,000	59,120,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	May 9	677,398	674,123	618,359	535,579
Revenue freight received from connections (no. of cars)	May 9	590,311	588,544	568,620	495,354
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	May 14	$415,600,000	$403,300,000	$371,300,000	$435,399,000
Private construction	May 14	190,400,000	177,900,000	167,700,000	200,517,000
Public construction	May 14	225,200,000	225,400,000	203,600,000	234,882,000
State and municipal	May 14	168,200,000	178,600,000	176,000,000	181,550,000
Federal	May 14	57,000,000	46,800,000	27,600,000	53,332,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	May 9	8,405,000	*8,235,000	7,985,000	6,272,000
Pennsylvania anthracite (tons)	May 9	318,000	330,000	336,000	396,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	May 9	158	*140	130	138
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	May 16	12,684,000	12,659,000	12,609,000	11,257,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	May 14	311	265	304	327
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	May 12	6.196c	6.196c	6.196c	5.967c
Pig iron (per gross ton)	May 12	$66.41	$66.41	$66.41	$66.49
Scrap steel (per gross ton)	May 12	$33.83	$33.83	$35.17	$32.67
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	May 13	31.175c	31.125c	31.250c	24.225c
Export refinery at	May 13	28.750c	28.275c	29.550c	22.250c
Lead (New York) at	May 13	12.000c	11.500c	11.000c	12.000c
Lead (St. Louis) at	May 13	11.800c	11.300c	10.800c	11.800c
‡Zinc (delivered) at	May 13	11.500c	11.500c	11.500c	10.500c
Zinc (East St. Louis) at	May 13	11.000c	11.000c	11.000c	10.000c
Aluminum (primary pig. 99.5%) at	May 13	24.700c	24.700c	24.700c	24.000c
Straits tin (New York) at	May 13	103.000c	102.500c	102.250c	94.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	May 19	83.29	83.71	84.57	96.25
Average corporate	May 19	87.18	87.86	89.37	96.07
Aaa	May 19	90.34	90.91	92.64	102.80
Aa	May 19	89.09	89.92	91.19	99.52
A	May 19	86.91	87.99	89.78	95.62
Baa	May 19	82.90	83.03	84.04	87.18
Railroad Group	May 19	86.24	86.91	88.13	91.48
Public Utilities Group	May 19	86.38	86.78	89.23	97.78
Industrials Group	May 19	89.23	89.92	90.63	99.20
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	May 19	4.14	4.10	4.01	2.82
Average corporate	May 19	4.62	4.57	4.46	4.00
Aaa	May 19	4.39	4.35	4.23	3.58
Aa	May 19	4.48	4.42	4.33	3.78
A	May 19	4.64	4.56	4.43	4.03
Baa	May 19	4.95	4.94	4.86	4.62
Railroad Group	May 19	4.69	4.64	4.55	4.31
Public Utilities Group	May 19	4.68	4.65	4.47	3.89
Industrials Group	May 19	4.47	4.42	4.37	3.80
MOODY'S COMMODITY INDEX	May 19	386.2	386.6	392.0	400.7
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	May 9	332,434	374,448	296,719	285,090
Production (tons)	May 9	313,894	320,662	312,695	264,699
Percentage of activity	May 9	94	94	94	86
Unfilled orders (tons) at end of period	May 9	525,674	507,369	482,117	383,220
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	May 15	110.61	110.64	111.01	109.91
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS					
Transactions of specialists in stocks in which registered—					
Total purchases	April 25	2,607,380	2,568,930	1,996,400	1,623,210
Short sales	April 25	446,100	380,890	369,580	359,290
Other sales	April 25	2,201,390	2,202,400	1,566,260	1,333,040
Total sales	April 25	2,647,490	2,583,290	1,935,840	1,692,330
Other transactions initiated on the floor—					
Total purchases	April 25	376,270	370,890	383,300	474,940
Short sales	April 25	80,100	17,300	21,700	49,700
Other sales	April 25	355,270	429,720	434,120	402,890
Total sales	April 25	435,370	447,020	455,820	452,590
Other transactions initiated off the floor—					
Total purchases	April 25	694,710	770,373	562,540	578,840
Short sales	April 25	133,250	105,750	71,660	151,680
Other sales	April 25	875,100	935,708	552,070	648,942
Total sales	April 25	1,008,350	1,041,458	623,730	800,622
Total round-lot transactions for account of members—					
Total purchases	April 25	3,678,360	3,710,193	2,942,240	2,676,990
Short sales	April 25	659,450	503,940	462,940	560,670
Other sales	April 25	3,431,760	3,567,828	2,552,450	2,384,872
Total sales	April 25	4,091,210	4,071,768	3,015,390	2,945,540
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 25	2,297,540	2,084,417	1,420,266	1,307,769
Dollar value	April 25	$138,508,521	$123,185,441	$70,874,815	$54,737,326
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	April 25	1,967,040	1,851,193	1,301,227	1,101,334
Customers' short sales	April 25	8,809	4,413	5,912	18,847
Customers' other sales	April 25	1,958,231	1,846,780	1,295,315	1,082,487
Dollar value	April 25	$111,918,848	$104,514,177	$64,042,553	$46,137,901
Round-lot sales by dealers—					
Number of shares—Total sales	April 25	529,790	522,970	368,660	290,380
Short sales	April 25				
Other sales	April 25	529,790	522,970	368,660	290,380
Round-lot purchases by dealers—Number of shares	April 25	692,910	668,420	467,240	510,660
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 25	737,730	575,360	529,060	1,000,750
Other sales	April 25	17,619,350	17,858,190	13,150,930	13,325,820
Total sales	April 25	18,357,130	18,433,550	13,679,990	14,326,570
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	May 12	119.6	119.6	119.9	119.5
Farm products	May 12	90.9	91.4	92.5	98.6
Processed foods	May 12	107.9	*107.6	107.3	112.8
Meats	May 12	102.8	102.0	101.8	114.4
All commodities other than farm and foods	May 12	127.9	*127.9	128.1	125.4

*Revised figure. ¶Includes 885,000 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
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR—Month of April (in millions):			
Total new construction	$4,197	$3,792	$3,636
Private construction	2,918	2,698	2,551
Residential buildings (nonfarm)	1,714	1,530	1,289
New dwelling units	1,340	1,215	945
Additions and alterations	318	261	296
Nonhousekeeping	56	54	48
Nonresidential buildings	629	628	677
Industrial	156	161	218
Commercial	272	265	263
Office buildings and warehouses	146	144	163
Stores, restaurants, and garages	126	121	100
Other nonresidential buildings	201	202	196
Religious	67	67	61
Educational	40	41	42
Hospital and institutional	46	47	50
Social and recreational	36	34	28
Miscellaneous	12	13	15
Farm construction	124	111	126
Public utilities	438	416	446
Railroad	26	21	24
Telephone and telegraph	71	70	82
Other public utilities	341	325	340
All other private	13	13	13
Public construction	1,279	1,094	1,085
Residential buildings	92	93	62
Nonresidential buildings	383	366	374
Industrial	30	29	31
Educational	228	219	238
Hospital and institutional	36	34	31
Administrative and service	51	48	39
Other nonresidential buildings	38	36	35
Military facilities	118	105	80
Highways	430	295	335
Sewer and water systems	115	111	111
Sewer	70	68	65
Water	45	43	46
Public service enterprises	37	31	33
Conservation and development	84	75	79
All other public	20	18	11
COTTON GINNING (DEPT. OF COMMERCE):			
Final report (running bales)	11,435,323		10,880,378
COTTON SPINNING (DEPT. OF COMMERCE):			
Spinning spindles in place on March 29	20,409,000	20,388,000	20,942,000
Spinning spindles active on March 29	17,637,000	17,642,000	17,682,000
Active spindle hours (000's omitted) Mar. 29	10,743,000	8,743,000	7,984,000
Active spindle hours for spindles in place Mar.	429.7	437.2	399.2
MONEY IN CIRCULATION—TREASURY DEPT.			
As of Feb. 28 (000's omitted)	$31,129,000	$31,125,000	$30,554,000
MOODY'S WEIGHTED AVERAGE YIELD OF 100 COMMON STOCKS — Month of April:			
Industrials (125)	3.11	3.28	4.19
Railroads (25)	4.42	4.60	6.38
Utilities (not incl. Amer. Tel. & Tel.) (214)	3.87	3.80	4.46
Banks (15)	3.98	3.95	4.76
Insurance (10)	2.57	2.53	3.08
Average (200)	3.29	3.43	4.35
MOTOR VEHICLE FACTORY SALES FROM PLANTS IN U. S.—AUTOMOBILE MANUFACTURERS' ASSN.—Month of April:			
Total number of vehicles	694,789	686,439	391,678
Number of passenger cars	579,316	576,365	316,911
Number of motor trucks	115,208	109,804	74,427
Number of motor coaches	265	270	340
NEW YORK STOCK EXCHANGE—			
As of March 31 (000's omitted):			
Member firms carrying margin accounts—			
Total customers' net debit balances	$3,458,000	$3,410,000	$2,776,150
Credit extended to customers	153,000	157,000	110,741
Cash on hand and in banks in U. S.	379,000	374,000	312,395
Total of customers' free credit balances	1,258,000	1,190,000	954,350
Market value of listed shares	283,201,861	282,104,946	207,795,213
Market value of listed bonds	106,638,269	107,215,337	114,816,119
Member borrowings on U. S. Govt. issues	416,000	412,000	275,253
Member borrowings on other collateral	2,095,000	2,066,000	1,941,152
PERSONAL INCOME IN THE UNITED STATES (DEPARTMENT OF COMMERCE)—Month of March in billions:			
Total personal income	$368.6	*$365.4	$348.7
Wage and salary receipts, total	249.6	*246.9	232.6
Commodity producing industries	104.6	*102.7	95.3
Manufacturing only	82.8	*81.5	74.9
Distributing industries	65.8	*65.3	62.9
Service industries	34.9	34.7	33.3
Government	44.3	44.2	41.1
Other labor income	9.5	9.5	8.9
Business and professional	32.6	32.4	30.5
Farm	13.5	*13.4	14.6
Rental income of persons	12.5	12.5	12.1
Dividends	12.6	12.5	12.4
Personal interest income	20.0	19.8	19.3
Transfer payments	26.1	*26.1	24.8
Less employees' contribution for social insurance	7.8	*7.7	6.6
Total nonagricultural income	351.2	*348.2	330.5
PORTLAND CEMENT (BUREAU OF MINES)—Month of March:			
Production (barrels)	24,329,000	16,710,000	18,038,000
Shipments from mills (barrels)	23,011,000	14,785,000	17,486,000
Stocks at end of month (barrels)	37,759,000	36,605,000	36,734,000
Capacity used (per cent)	72	54	58
PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE—1910-1914=100—As of March 15:			
All farm products	244	243	256
Crops	222	218	232
Commercial vegetables, fresh	284	264	339
Cotton	255	239	220
Feed, grains and hay	155	154	149
Food grains	205	203	225
Fruit	218	225	225
Oil-bearing crops	223	221	230
Potatoes	117	123	269
Tobacco	505	505	475
Livestock	263	265	277
Dairy products	249	259	254
Meat animals	327	322	335
Poultry and eggs	153	158	186
Wool	197	197	234
RAILROAD EARNINGS CLASS I ROADS (ASSOCIATION OF AMERICAN RRs.)—Month of March:			
Total operating revenues	$857,914,994	$748,269,119	$767,649,226
Total operating expenses	655,547,301	609,210,746	623,581,702
Taxes	95,295,800	74,185,789	74,200,571
Net railway operating income before charges	79,139,549	39,793,694	44,165,965
Net income after charges (estimated)	58,000,000	19,240,000	24,400,000
REAL ESTATE FINANCING IN NONFARM AREAS OF U. S. — HOME LOAN BANK BOARD—Month of Jan. (000's omitted):			
Savings and loan associations	$870,081	$982,801	$627,560
Insurance companies	120,843	142,671	110,729
Banks and trust companies	453,677	507,744	322,407
Mutual savings banks	123,169	164,640	97,711
Individuals	300,641	299,427	279,850
Miscellaneous lending institutions	484,084	531,300	343,691
Total	$2,352,495	$2,628,583	$1,781,948

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Academy Life Insurance Co.
March 31 filed 310,000 shares of common stock (par 30 cents) to be offered for subscription by common stockholders on the basis of 0.525 shares of additional stock for each share held of record April 24, 1959 (for a 20-day standby). **Price**—To be supplied by amendment. **Proceeds**—For additional working capital. **Office**—405 Exchange National Bank Bldg., Denver, Colo. **Underwriters**—Boettcher & Co., Inc. and Bosworth, Sullivan & Co., Inc., both of Denver, Colo.

• Accurate Specialties, Inc., Queens, N. Y. (6/8-12)
May 12 filed 95,000 shares of common stock (par 10 cents). **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.

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.

★ Alsco, Inc. (6/15-19)
May 15 filed $4,000,000 of 5½% convertible subordinated debentures due June 1, 1974. **Price**—100% of principal amount. **Proceeds**—To reduce short-term bank loans; to liquidate the balance of loans from the Estate of Dora Sugar Weinstock advanced for construction purposes; to prepay an instalment on funded indebtedness; to redeem all outstanding 1,089 shares of $100 par preferred stock of a subsidiary; for capital expenditures; and for working capital. **Office**—225 South Forge St., Akron, Ohio. **Underwriters** — Hirsch & Co. and Bache & Co., both of New York; and Equitable Securities Corp., Nashville, Tenn.

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 Bakeries Co. (6/17)
May 19 filed 60,000 shares of common stock (no par). **Price**—To be supplied by amendment. **Proceeds** — To selling stockholders. **Office**—919 No. Michigan Ave., Chicago, Ill. **Underwriter**—Merirll Lynch, Pierce, Fenner & Smith, Inc.

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 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 Commercial Corp.
May 14 (letter of notification) 250,000 shares of preferred stock (par 50 cents) and 50,000 shares of Class A common stock (par 10 cents) to be offered in units of five shares of preferred stock and one Class A common share. **Price**—$6 per unit. **Proceeds** — For general business purposes. **Office**—744 Broad St., Newark, N. J. **Business**—To finance accounts receivable. **Underwriter**—Phoenix Securities, Montclair, N. J.

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 Pictures Corp. of Hollywood
May 11 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To purchase a production of Blind Men's Eyes and Untamed Sex and for working capital. **Office**—1633 N. Gardner Street, Hollywood, Calif. **Underwriter**—None.

American Telemail Service, Inc.
Feb. 17, 1958, filed 375,000 shares of common stock (par $1). **Price**—$4 per share. **Proceeds**—To purchase equipment and supplies and for working capital and other corporate purposes. **Office**—Salt Lake City, Utah. **Underwriter**—Amos Treat & Co., Inc., 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.

★ Arnav Aircraft Associates, Inc.
May 14 (letter of notification) 150,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—To repay certain indebtedness, to finance increased inventories, for working capital, etc. **Business**—Manufacturers of hydraulic fluid line fittings and related products for the aircraft and missile industries. **Office**—32 Industrial Ave., Little Ferry, N. J. **Underwriter**—Hamilton, Waters & Co., Inc., Hempstead, L. I., N. Y.

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. (5/22)
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. (5/25)
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 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. (5/25-28)
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. Kletz & Co., Inc. and Amos Treat & Co., Inc., both of New York.

★ Ballard Aircraft Corp.
April 17 filed 300,000 shares of common stock (par $1). **Price** — $3.25 per share. **Proceeds** — To develop and manufacture aircraft embodying the body lift principle, etc. **Underwriter**—Weil & Co., Washington, D. C.

Baltimore Gas & Electric Co.
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.

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. (5/28)
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.

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**—

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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); Eastman Dillon, Union Securities & Co. **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.

● **California Interstate Telephone Co. (5/26)**
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.

★ **Callair, Inc., Afton, Wyo.**
May 12 (letter of notification) 200,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To pay notes and accounts payable, to purchase tooling and increase inventory, and for working capital. **Underwriter**—None.

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 (5/25-29)**
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.

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.

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NEW ISSUE CALENDAR

May 22 (Friday)

Associated Testing Laboratories, Inc.____Common
(George, O'Neill & Co., Inc.) $499,998

Lytle Corp.____Common
(Joseph Walker & Sons and Clark, Landstreet & Kirkpatrick, Inc.) $1,400,000

May 25 (Monday)

American Commercial Barge Line Co.____Common
(F. Eberstadt & Co.) 400,000 shares

Atlantic Research Corp.____Common
(Johnston, Lemon & Co.) 110,000 shares

Avnet Electronics Corp.____Common
(Michael G. Kletz & Co., Inc. and Amos Treat & Co., Inc.) $1,006,250

Century Brick Corp. of America____Common
(Summit Securities, Inc.) $300,000

Crown Self-Service Stores, Inc.____Common
(Charles Plohn & Co.) $1,250,000

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

Levine's, Inc.____Common
(Kidder, Peabody & Co.) 110,000 shares

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

Reon Resistor Corp.____Common
(Charles Plohn & Co.) $300,000

Telecomputing Corp.____Common
(Blyth & Co., Inc.) 500,000 shares

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)

California Interstate Telephone Co.____Common
(William R. Staats & Co.) 150,000 shares

Consolidated Edison Co. of New York, Inc.____Bonds
(Bids 11 a.m. EDT) $75,000,000

Electro-Mechanical Specialties Co., Inc.____Common
(Myron A. Lomasney & Co.) $300,000

Fleming Co., Inc.____Common
(White, Weld & Co.) 100,000 shares

Miami Extruders, Inc.____Common
(Aetna Securities Corp. and Roman & Johnson) $525 000

Paco Products, Inc.____Preferred
(A. M. Law & Co. and Clark, Landstreet & Kirkpatrick, Inc.) $100,000

Shoreham Motor Hotel, Inc.____Common
(Charles E. Thenebe & Associates) $300,000

May 27 (Wednesday)

Crucible Steel Co. of America____Preferred
(Offering to stockholders—underwritten by The First Boston Corp.) $9,988,500

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)

Billups Western Petroleum Co.____Debentures
(The Johnson, Lane, Space Corp.) $5,000,000

Electronics Capital Corp.____Common
(Hayden, Stone & Co.) $12,000,000

Southern Electric Generating Co.____Bonds
(Bids 11 a.m. EDT) $25,000,000

Sterling Television Co., Inc.____Class A
(R. A. Holman & Co., Inc.) $200,000

May 29 (Friday)

Bank of Commerce, Washington, D. C.____Common
(Offering to stockholders) $300,000

Reiter-Foster Oil Corp.____Debentures
(Offering to stockholders—underwriter by Emanuel Deetjen & Co., $1,500,000

June 1 (Monday)

Continental Tobacco Co., Inc.____Common
(Best Securities, Inc.) $125,000

Consolidated Petroleum Industries, Inc.
Preferred & Common
(Frank Lerner Co.) $300,000

Dalton Finance, Inc.____Debentures
(Paul C. Kimball & Co.) $500,000

Hirsch (P. N.) & Co.____Common
(Newhard, Cook & Co.) 132,500 shares

Investment Corp. of Florida____Common
(Aetna Securities Corp and Roman & Johnson) $1,237,500

Investors Funding Corp. of New York____Debens.
(Offering not underwritten) $500,000

Nuclear Electronics Corp.____Common
(Charles Plohn & Co.) $750,000

Polarad Electronics Corp.____Common
(Kidder, Peabody & Co.) 100,000 shares

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

Purepac Corp.____Common
(Richard Bruce & Co., Inc.) $780,000

Telectro Industries Corp.____Common
(Milton D. Blauner & Co., Inc.) $600,000

Teleflex Ltd.____Common
(Drexel & Co.) 75,000 shares

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

June 4 (Thursday)

Connecticut Water Co.____Common
(Offering to stockholders—underwritten by Putnam & Co.) 38,004 shares

Spiegel, Inc.____Debentures
(Offering to stockholders—underwritten by Wertheim & Co.) $15,417,500

June 8 (Monday)

Accurate Specialties, Inc.____Common
(Milton D. Blauner & Co., Inc. and Stanley Heller & Co.) $237,500

Electronic Engineering Co.____Common
(Kidder, Peabody & Co., Inc.) 100,000 shares

Food Mart, Inc.____Common
(Shearson, Hammill & Co.) 162,025 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

Spartans Industries, Inc.____Common
(Shearson, Hammill & Co. and J. C. Bradford & Co.) 200,000 shares

San Diego Imperial Corp.____Common
(White, Weld & Co. and J. A. Hogle & Co.) 1,400,000 shares

Superior Window Co.____Preferred
(Cruttenden, Podesta & Co.) $500,000

Superior Window Co.____Class A Common
(Cruttenden, Podesta & Co.) $500,000

Thriftimart, Inc.____Debentures
(Reynolds & Co., Inc. and Lester Ryons & Co.) $8,000,000

Worthington Products, Inc.____Debens. & Com.
(B. Fennekohl & Co.) $150,000

June 9 (Tuesday)

Duke Power Co.____Preferred
(Bids 11 a.m. EDT) $25,000,000

June 10 (Wednesday)

Aerojet-General Corp.____Common
(Kidder, Peabody & Co.)

June 15 (Monday)

Alsco, Inc.____Debentures
(Hirsch & Co.; Bache & Co. and Equitable Securities Corp.) $4,000,000

Compudyne Corp.____Common
(Milton D. Blauner & Co., Inc. and Hallowell, Sulzberger, Jenks, Kirkland & Co.) $642,213

Medearis Industries, Inc.____Common
(Amos Treat & Co., Inc.) $750,000

Wellington Electronics, Inc.____Common
(Charles Plohn & Co.) $1,440,000

June 16 (Tuesday)

Herold Radio & Electronics Corp.____Debentures
(Ira Haupt & Co.; Hirsch & Co. and Amos Treat & Co., Inc.) $1,500,000

St. Joseph Light & Power Co.____Bonds
(Bids to be invited) $4,500,000

United Gas Improvement Co.____Bonds
(Bids to be invited) $10,000,000

June 17 (Wednesday)

American Bakeries Co.____Common
(Merrill Lynch, Pierce, Fenner & Smith) 60,000 shares

June 18 (Thursday)

Worcester Gas Light Co.____Bonds
Bids 11 a.m. EDT) $5,000,000

June 19 (Friday)

Plastic Materials & Polymers, Inc.____Common
(Pilor, 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 14 (Tuesday)

Jersey Central Power & Light Co.____Bonds
(Bids to be invited) $8,000,000

July 22 (Wednesday)

Northern States Power Co. (Minn.)____Common
(Offering to stockholders—bids to be invited) 714,000 shares

August 4 (Tuesday)

Pennsylvania Electric Co.____Bonds
(Bids to be invited) $15,000,000

September 10 (Thursday)

Georgia Power Co.____Bonds
(Bids to be invited) $18,000,000

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Commerce Oil Refining Corp.
Dec. 16, 1957 filed $25,000,000 of first mortgage bonds due Sept. 1, 1968, $20,000,00 of subordinated debentures due Oct. 1, 1968 and 3,000,000 shares of common stock to be offered in units as follows: $1,000 of bonds and 48 shares of stock and $100 of debentures and nine shares of stock. **Price**—To be supplied by amendment. **Proceeds** — To construct refinery. **Underwriter**—Lehman Brothers, New York. **Offering**—Indefinite.

Commercial 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.

★ **Compudyne Corp. (6/15-19)**
May 15 filed 214,071 shares of common stock (par 25 cents), of which 172,000 shares are to be offered for the account of the company and 42,071 shares for the account of a selling stockholder. **Price**—$3 per share. **Proceeds**—To continue development of products and control techniques for incorporation into the company's present control systems: and for working capital. **Office**—404 South Warminster Rd., Hatboro, Pa. **Underwriters**—Milton D. Blauner & Co., Inc., New York; and Hallowell, Sulzberger, Jenks, Kirkland & Co., Philadelphia, Pa.

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.

★ **Connecticut Water Co. (6/4)**
May 15 filed 38,986 shares of common stock (no par), of which 38,004 shares are to be offered for subscription by common stockholders of record June 3, 1959, at the rate of one new share for each four shares or fractions thereof then held; rights to expire on or about June 23. The remaining 982 shares are to be offered for subscription by employees. **Price**—To be supplied by amendment. **Proceeds**—To repay in part the company's outstanding bank loans; to finance part of its 1959 construction program, and for other corporate purposes. **Underwriter**—Putnam & Co., Hartford, Conn.

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.**
April 29 filed $7,616,500 of 4½% convertible subordinated debens. due June 1, 1984, being 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**—At par. **Proceeds**—To pay bank loans. **Office**—Pasadena, Calif. **Underwriter**—Blyth & Co., Inc., New York and San Francisco.

● **Consolidated Natural Gas Co.**
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**—$47 per share. **Proceeds**—Additions to Treasury funds and to finance construction. **Underwriter** — None. **Offering**—Expected today (May 21).

● **Consolidated Petroleum Industries, Inc. (6/1)**
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. (6/1-5)**
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**—363 E. 87th Street, Chicago, Ill. **Underwriter**—Charles Plohn & Co., New York.

● **Crucible Steel Co. of America (5/27)**
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. (6/1-5)**
March 9 filed $500,000 of 7% subordinated debentures, due Jan. 2, 1974, with attached warrants for the purchase of 100,000 shares of class A common stock. **Price**—At face amount (in units of $500 each). **Proceeds**—To finance making of additional loans and to reduce short-term debt. **Office**—3800-34th St., Mt. Rainier, Md. **Underwriter**—Paul C. Kimball & Co., Chicago, Ill., on a best efforts basis.

D. C. Transit System, Inc. (Del.)
March 23 filed 350,000 outstanding shares of class A common stock (par 20 cents) being offered by Trans Caribbean Airways, Inc., which owns all of this stock, to the holders of its outstanding class A stock, and holders of its outstanding 5½% convertible subordinated debentures of record April 22, on the basis of one share of class A stock for each three shares of the class A stock of Trans Caribbean which such holders either hold as stockholders or to which they are entitled upon conversion of their debentures (with an oversubscription privilege); rights to expire on May 22. Employees of Trans Caribbean and its subsidiaries will have the right to purchase up to 100,000 of the said 350,000 shares. **Price**—$10 per share. **Proceeds**—To selling stockholder. **Offices**—160 Central Park South, New York 19, N. Y., and 3600 M St., N. W., Washington, D. C. **Underwriter**—None.

● **DeJur-Amsco Corp.**
March 31 filed 225,000 shares of class A stock (par $1). **Price**—To be supplied by amendment. **Proceeds** — To selling stockholders. **Underwriter**—H. M. Byllesby & Co., Inc., New York and Chicago.

● **DeJur-Amsco Corp.**
March 31 filed $1,000,000 of convertible subordinated debentures due 1974. **Price**—To be supplied by amendment. **Proceeds** — To retire mortgage loans and bank notes and to provide additional working capital and for general corporate purposes. **Underwriter**—H. M. Byllesby & Co., Inc., New York and Chicago.

Derson Mines Ltd.
June 5 filed 350,000 shares of common stock. Price—$1 per share. Proceeds—For new equipment, repayment of loan, acquisition of properties under option, and other corporate purposes. Office—Toronto, Canada, and Emporium, Pa. Underwriter—None

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.**
April 8 filed $947,200 of 5½% convertible subordinated debentures, due May 15, 1971, being 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 June 1. **Price**—100% per principal amount. **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.

● **Duke Power Co. (6/9)**
May 6 filed 250,000 shares of preferred stock, series B (par $100). **Proceeds**—To finance 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.

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.
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. (5/26)**
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. (5/28)**
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 $3,815,800 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.**
April 16 filed 703,485 shares of common stock (par $2.50) being 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** — $25 per share. **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. **Under-**

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writers — 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 at Room 2033, Two Rector St., New York, N. Y.

● Florida-Southern Land Corp. (5/25-29)
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.

★ Food Mart, Inc. (6/8-12)
May 15 filed 162,025 shares of common stock (par $2). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Office**—1000 Robert E. Lee Rd., El Paso, Tex. **Underwriter**—Shearson, Hammill & Co., New York.

Foundation Investment Corp., Atlanta, Ga.
Jan. 13 filed 231,988 shares of common stock to be offered for subscription by stockholders; unsold portion to be offered publicly. **Price**—$12.50 per share. **Proceeds**—To repay notes. **Office**—515 Candler Bldg., Atlanta, Ga. **Underwriter**—None. Statement effective April 2.

● Franklin Electric Co., Inc.
May 12 filed 40,000 shares of common stock (no par), of which 20,000 shares are to be offered for account of 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 (par 50 cents). **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.

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 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. Statement effective May 12.

★ Giant Food Properties, Inc., Washington, D. C.
May 19 filed $680,000 5½% sinking fund debentures (GT series), due Dec. 1, 1971, together with 74,800 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—To Richard Borden Industries, Inc., the selling stockholder. **Underwriters**—Auchincloss, Parker & Redpath, Washington, D. C.; and Kidder, Peabody & Co., New York.

★ Gilpin (Henry B.) Co., Baltimore, Md.
May 19 filed $725,000 6% convertible subordinated debentures due June 1, 1974, and 17,500 shares of class A common stock. **Price**—To be supplied by amendment. **Proceeds**—To repay notes payable and for other corporate purposes. **Underwriter**—Alex. Brown & Sons, Baltimore, Md.

● Glickman Corp.
March 13 filed 3,357,700 shares of common stock. **Price**—$10 per share. **Proceeds** — For properties, furniture, fixture and leasehold improvements and other expenses. **Office**—565 Fifth Ave., New York, N. Y. **Underwriter**—Bache & Co., New York, N. Y. Statement withdrawn May 20.

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.

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.

★ Herold Radio & Electronics Corp. (6/16-19)
May 18 filed $1,500,000 of 6% convertible subordinated debentures due June 15, 1974. **Price**—100% of principal amount. **Proceeds**—To reduce notes payable, excise taxes, payroll taxes and other current liabilities. **Office**—716 South Columbus Ave., Mount Vernon, N. Y. **Underwriters**—Ira Haupt & Co., Hirsch & Co. and Amos Treat & Co., Inc., all of New York.

Hickerson Bros. Truck Co., Inc.
March 11 (letter of notification) 285,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To pay existing liabilities; for additional equipment; and for working capital. **Office**—East Tenth Street, P. O Box 68, Great Bend, Kan. **Underwriter**—Birkenmayer & Co., Denver, Colo.

Highway Trailer Industries, Inc.
Nov. 24 filed 473,000 outstanding shares of common stock (par 25 cents). **Price**—At prices generally prevailing on the American Stock Exchange. **Proceeds** — To selling stockholders. **Office** — 250 Park Avenue, N. Y. **Underwriter**—None.

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.

★ Holliday Mines, Inc., Noxon, Mont.
May 12 (letter of notification) 700,000 shares of common stock (par two cents). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Underwriter**—None.

Home-Stake Production Co., Tulsa, Okla.
Nov. 5 filed 116,667 shares of common stock (par $5). **Price**—$6 per share. **Proceeds**—For working capital and general corporate purposes. **Office** — 2202 Philtower Bldg., Tulsa, Okla. **Underwriter**—None.

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.

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 Recreation Corp.
May 14 filed 2,750,000 shares of common stock (par 50 cents). Of this total, 250,000 shares are under option to Webb & Knapp, Inc., exercisable at $10 per share, the shares to be offered for public sale through the underwriters if the option is not exercised. **Price** — $11 per share. **Proceeds**—For construction and acquisition. **Office** 60 State St., Boston, Mass. **Underwriter**—Paine, Webber, Jackson & Curtis, New York and Boston.

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.

● Investment Corp. of Florida (6/1-5)
April 13 filed 275,000 shares of common stock. **Price**—$4.50 per share. **Proceeds**—For acquisition and development of land in Florida. **Office** — 1750 East Sunrise Boulevard, Fort Lauderdale, Fla. **Underwriters**—Aetna Securities Corp., New York; and Roman & Johnson, Fort Lauderdale, Fla.

Investors 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.

★ Investors Research Fund, Inc., Santa Barbara, Calif.
May 18 filed (by amendment) an additional 215,940 shares of common stock. **Price**—At market. **Proceeds**—For investment.

Irando Oil & Exploration, Ltd.
April 24 filed 225,000 shares of common stock. **Price**—90 cents per share. **Proceeds**—To defray the costs of exploration and development of properties and for the acquisition of other properties; also for other corporate purposes. **Office**—1950 Broad St., Regina, Sask., Can. **Underwriter** — Laird & Rumball, Regina, Sask., Can.

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.

★ Kaltman (D.) & Co., Inc.
May 13 filed 1,406,141 shares of common stock (par 50 cents) to be offered by Noma Lites, Inc., to the holders of its 745,184 outstanding common shares at the rate of 1.9 shares of Kaltman common for each share of Noma common stock held. The subscription period will be approximately two weeks. **Price** — To be supplied by amendment. **Proceeds**—To selling stockholder. **Underwriter**—Bear, Stearns & Co., New York.

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★ Keystone Custodian Funds, Inc., Boston, Mass.
May 18 filed (by amendment) an additional 1,000,000 shares of Keystone Custodian Certificates of Participation, series S4. **Price**—At market. **Proceeds**—For investment.

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.
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. **Offering**—Expected today (May 21).

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 (5/25-29)
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.

★ Link-Belt Co.
May 14 filed 24,659 shares of common stock, to be offered for sale to a selected group of officers and employees of the company and its subsidiaries. **Price**—$47 per share.

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. (5/22-25)
April 16 filed 100,000 shares of common stock (no par). **Price**—$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.

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.

★ Medearis Industries, Inc. (6/15-19)
May 14 filed 200,000 shares of common stock (par 20 cents). **Price**—$3.75 per share. **Proceeds**—For general corporate purposes. **Office** — 42 Broadway, New York, N. Y. **Underwriter**—Amos Treat & Co., Inc., New York.

● Miami Extruders, Inc. (5/26)
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.

Millsap Oil & Gas Co.
Dec. 23 filed 602,786 shares of common stock. **Price**—$1 per share. **Proceeds** — For additional working capital. **Office**—Siloam Springs, Ark. **Underwriter**—None.

● Missouri Utilities Co.
April 14 (letter of notification) 10,540 shares of common stock (par $1) being offered for subscription by stockholders on the basis of one share for each 31 shares held on May 6 (with an oversubscription privilege); rights to expire on May 25. **Price** — $26 per share. **Proceeds**—To reduce bank loans. **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 Ultrasonics Corp.
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 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 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.

★ National Steel Corp.
May 13 filed 49,000 shares of capital stock, to be offered under National's Stock Investment Plan for Salaried Employees of National and eight of its subsidiaries.

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.

★ Nucleonics, Chemistry & Electronics Shares, Inc.
May 18 filed (by amendment) an additional 100,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment. **Office**—Englewood, N. J.

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.

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.

★ Paco Products, Inc., Pacolet, A. C. (5/26)
May 11 (letter of notification) 2,000 shares of 7% preferred stock. **Price**—At par ($50 per share). **Proceeds**—To pay bank loans and for general corporate purposes. **Underwriters**—A. M. Law & Co., Spartanburg, S. C.; and Clark, Landstreet & Kirkpatrick, Inc., Nashville, Tenn.

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

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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—3850 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.

★ **Peoples Drug Stores, Inc.**
May 19 filed 121,000 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—For expansion program. **Underwriters**—Alex. Brown & Sons, Baltimore, Md.; and Kidder, Peabody & Co., New York. **Offering**—Expected within the next four weeks.

Perfecting Service Co.
Feb. 26 (letter of notification) 23,250 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.

● **Pioneer Plastics Corp., Sanford, Me.**
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. **Offering**—Expected today (May 21).

● **Plastic Materials Polymers, Inc. (6/19)**
May 11 filed 143,750 shares of common stock (par 10 cents). **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 & Smith, New York City.

● **Polarad Electronics Corp. (6/1-5)**
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** — $7.25 per share. **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.

★ **Prairie Petroleum, Inc.**
May 12 (letter of notification) 1,200,000 shares of common stock. **Price**—At par (25 cents per share). **Office**—918 Patterson Building, Denver, Colo. **Underwriter**—None.

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 (6/1-5)**
March 31 filed 260,000 shares of common stock (par five cents). **Price**—$3 per share. **Proceeds**—To repay loans and for general corporate purposes. **Business**—Manufacturers and packager of proprietary drug items. **Underwriter** — Richard Bruce & Co. Inc., 26 Broadway, New York 4, N. Y.

Puritan Chemical Corp.
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 5¾% convertible subordinated debentures due April 30, 1964, being offered for subscription by common stockholders in the ratio of $100 of debentures for each 10 common shares held of record May 12 (with an oversubscription privilege); rights to expire on June 5. **Price**—At par (flat). **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.

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. (5/29)**
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 as of May 28; rights to expire on June 12. **Price**—To be supplied by amendment. **Proceeds**—To pay debt and for development of present properties and acquisition and development of additional oils 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.

Research Investing Fund of America, Inc.
Feb. 24 filed 200,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment **Office**—Englewood, N. J. **Underwriter**—First Mutual Securities of America, Inc.

Richwell Petroleum Ltd., Alberta, Canada
June 26 filed 1,998,716 shares of common stock (par $1). Of this stock, 1,174,716 shares are to be sold on behalf of the company and 824,000 shares for the account of certain selling stockholders. The company proposes to offer the 1,174,716 shares for subscription by its shareholders at the rate of one new share for each three shares held (with an oversubscription privilege). The subscription period will be for 30 days following issuance of subscription rights. **Price**—To be supplied by amendment. **Proceeds**—To pay off demand note, to pay other indebtedness, and the balance if any will be added to working capital. **Underwriter** — Pacific Securities Ltd., Vancouver, Canada.

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.

★ **St. Joseph Light & Power Co. (6/16)**
May 18 filed $4,500,000 of first mortgage bonds due 1989. **Proceeds**—To repay bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Otis & Co., Inc.; Smith, Barney & Co., Glore, Forgan & Co. and Blair & Co. Inc. (jointly); Eastman Dillon, Union Securities & Co.; White, Weld & Co.; Equitable Securities Corp. **Bids**—Expected to be received on June 16.

★ **San Diego Imperial Corp. (6/8-12)**
May 18 filed 1,400,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds** — For further acquisitions; to repay two bank loans; for advance to a subsidiary; to repay the remaining unpaid balance of the purchase price of the company's new office building; and for other corporate purposes. **Office**—1400 Fifth Ave., San Diego, Calif. **Underwriters**—White, Weld & Co., New York; and J. A. Hogle & Co., Salt Lake City and New York.

Santa's Village, Skyforest, Calif.
March 27 filed $800,000 of 6% convertible subordinated sinking fund debentures due 1974. **Price**—At 100% of principal amount. **Proceeds** — For completion of East Dundee Village (a new amusement park near Chicago); and for working capital and other corporate purposes. **Underwriter**—None.

Schjeldahl (G. T.) Co.
March 23 filed 42,500 shares of common stock, which are to be offered and sold first to present stockholders at the rate of one new share for each eight shares held on April 1, 1959. **Price**—$10 per share. **Proceeds**—For increased plant facilities, for purchase of equipment, working capital and other corporate purposes. **Office**—202 South Division St., Northfield, Minn. **Underwriter**—Craig-Hallum, Inc., Minneapolis, Minn.

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.

● **Shoreham Motor Hotel, Inc., Hartford, Conn. (5/26)**
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 motor hotels. **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.

★ **Soundscriber Corp.**
May 13 filed 126,254 shares of common stock to be offered for subscription by common stockholders at the rate of one new share for each three shares held. **Price**—$14 per share. **Proceeds**—To be applied for costs incurred and to be incurred in connection with the introduction of a new line of office dictating equipment; payment of installment notes with interest; payment of a

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bank indebtedness; payment and interest on notes payable; and for general corporate purposes. **Office**—8 Middletown Avenue, North Haven, Conn. **Underwriter**—None.

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. (6/8-12)**
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. (6/4)**
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; rights to expire on June 19. **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.

● **Sterling Television Co., Inc. (5/28)**
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.

★ **Suffolk Gas Corp.**
May 8 (letter of notification) 6,000 shares of common stock (par $2.50) to be offered for subscription by stockholders; unsubscribed shares to public. **Price**—To stockholders, $6.75 per share. **Office**—151 N. Main Street, Suffolk, Va. **Underwriter**—Strader & Co., Inc., Lynchburg, Va.

★ **Sunray Mid-Continent Oil Co.**
May 19 filed 525,000 shares of common stock to be offered in exchange for common stock of Suntide Refining Co. in the ratio of one share of Sunray for each three shares of Suntide. The offer is conditional upon the deposit of sufficient shares of Suntide so that Sunray will own at least 90% of the outstanding Suntide shares. **Underwriter**—None.

Super-Sol Ltd.
March 25 filed 250,000 shares of common stock. **Price**—At par (19,800 Israeli pounds—equivalent to $11 per share in U. S. funds), payable up to 90% in State of Israel Independence Issue and Development Issue Bonds, and the balance in cash. **Proceeds**—For expansion program. **Office**—79 Ben Yehuda St., Tel Aviv, Israel. **Underwriter**—American Israel Basic Economy Co., New York, N. Y.

★ **Superior Window Co. (6/8-12)**
May 15 filed 50,000 shares of 70-cent cumulative convertible preferred stock (par $8) and 125,000 shares of class A common stock (par 10 cents). **Price**—For preferred stock, $10 per share; and for common stock, $4 per share. **Proceeds**—To purchase the assets of Superior Trucking Co.; for repayment of notes; and for general corporate purposes. **Office**—625 E. 10th Ave., Hialeah, Fla. **Underwriter**—Cruttenden, Podesta & Co., Chicago and New York.

★ **Technology, Inc.**
May 15 filed 325,000 shares of common stock. **Price**—$4 per share. **Proceeds**—To pay off in full the subscription of Microwave Electronic Tube Co., Inc. stock, represented by notes, to pay for improvements upon the plant leased to Microwave, and for working capital. **Office**—1500 Massachusetts Avenue, N. W., Washington, D. C. **Underwriter**—E. L. Wolf Associates, Inc., Washington, District of Columbia.

● **Telecomputing Corp. (5/25-29)**
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 (par $1). **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.

★ **Thriftimart, Inc. (6/8-12)**
May 18 filed $3,000,000 of convertible subordinated debentures due 1980. **Price**—To be supplied by amendment. **Proceeds** — For expansion program. **Office** — 1489 W. Washington Blvd., Los Angeles, Calif. **Underwriters**—Reynolds & Co., Inc., New York; and Lester, Ryons & Co., Los Angeles, Calif.

★ **Torresdale-Frankford Country Club**
April 30 (letter of notification) $200,000 of 5½% 10-year first mortgage bonds to be offered in denominations of $500 each. **Price**—At face amount. **Proceeds**—To retire existing mortgage bonds and short-term loans and for working capital. **Office**—Frankford & Grant Avenues, Philadelphia 14, Pa. **Underwriter**—None.

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. **Offering**—Expected today (May 21).

● **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 up to 11 a.m. (EDT) 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 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.

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 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.

★ **Varian Associates, Palo Alto, Calif.**
May 19 filed $2,025,000 of Interests in the company's Employee Stock Purchase Plan, together with 70,244 shares of capital stock which may be acquired pursuant thereto.

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. (FDT) on June 2 at Room 238, 43 Exchange Place, New York, N. Y.

★ **Vocaline Co. of America, Inc.**
May 19 filed 210,000 shares of common stock, of which 180,000 shares are for the account of the company and 30,000 shares for selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—To retire notes, to expand facilities and for working capital and general corporate purposes. **Underwriter**—George, O'Neill & Co., Inc., New York.

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**—At par ($10 per share). **Proceeds**—To purchase additional machinery and equipment; research and experimentation; for initial contracts; and purchase of additional companies. **Underwriter**—None.

★ **Washington Drama Center, Inc.**
May 7 (letter of notification) nine shares of class A preferred stock (par $50); 4,385 shares of class B preferred stock (par $10); and 35 shares of common stock (par $50). **Price**—All at par. **Proceeds**—To pay advance rent; preopening expense and for working capital. **Office**—1632 O Street, N. W., Washington 6, D. C. **Underwriter**—None.

● **Wellington Electronics, Inc. (6/15-19)**
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 manufac-

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turers; 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.

★ **Will Ross, Inc.**
May 13 filed 88,512 shares of common stock (par $2.50). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Office**—4285 North Port Washington Road, Milwaukee, Wis. **Business**—A domestic distributor of hospital supplies, equipment and furnishings. **Underwriter**—Blunt Ellis & Simmons, Chicago, Ill. **Offering**—Expected in June.

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. (6/8-15)**
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.

Prospective Offerings

★ **Aerojet-General Corp. (6/10)**
May 19 it was announced that the company plans early registration of additional common stock. **Proceeds**—For expansion. **Underwriter**—Kidder, Peabody & Co., New York.

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.

★ **British Industries Corp.**
May 12 it was announced sale of 75,000 shares of common stock is planned, of which half will be offered for the account of the company, and the remainder for the account of a selling stockholder. **Underwriter**—Emanuel, Deetjen & Co., New York. **Registration** — Expected in three or four weeks.

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.

★ **Consolidated Natural Gas Co.**
May 19, James Comerford, President, announced that company plans later in year to issue and sell $20,000,000 of debenture bonds, if market conditions are favorable. **Proceeds**—For investments, improvements, etc. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. and The First Boston Corp. (jointly); White, Weld & Co. and Paine, Webber, Jackson & Curtis (jointly).

★ **Dilbert Properties**
May 15 it was announced that this company plans an offering of $4,506,500 of convertible debentures, together with an undetermined number of shares of common stock, to be offered in units. **Underwriter**—S. D. Fuller & Co., New York.

El Paso Natural Gas Co.
March 4 it was announced stockholders will on April 28 vote on increasing the authorized preferred stock to 1,000,000 shares from 472,229 shares, and the common stock to 25,300,000 shares from 20,300,000 shares. **Proceeds** — For major expansion program. **Underwriter** — White, Weld & Co., New York.

★ **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.

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. (7/14)**
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). **Bids**—Expected to be received on July 14.

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.

★ **Leeds Travelwear Corp.**
May 19 it was announced that company plans some additional common stock financing. **Underwriter**—Auchincloss, Parker & Redpath, Washington, D. C. and New York.

★ **Long Island Lighting Co.**
May 15 it was announced company plans to issue and sell $25,000,000 of first mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and The First Boston Corp. (jointly); W. C. Langley & Co.; Smith, Barney & Co.

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. (8/4)**
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). **Bids**—Expected to be received on Aug. 4.

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.

★ **Puget Sound Power & Light Co.**
May 15, Frank McLaughlin, President, announced company plans to issue and sell first mortgage bonds later in the year. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc. and Lehman Brothers (jointly); Merrill Lynch, Pierce, Fenner & Smith, Inc.; Stone & Webster Securities Corp.; The First Boston Corp. and Smith, Barney & Co. (jointly).

★ **Reheis Co., Inc.**
May 19 it was announced that this company plans some additional equity financing. **Office** — Berkeley Heights, N. J. **Underwriter**—Aetna Securities Corp., New York.

★ **Speedry Chemical Products Co. Inc.**
May 15 it was announced that the company plans an offering of 208,666 shares of common stock. **Underwriter**—S. D. Fuller & Co., New York.

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.

Di-Noc Chemical Arts Debentures Offered

Di-Noc Chemical Arts, Inc. is offering to holders of its common shares the right to subscribe for $947,200 principal amount of 5½% convertible subordinated debentures, due May 15, 1971, at the subscription price of 100% per $100 principal amount of debentures, on the basis of $100 of debentures for each 30 shares of common stock held of record May 14, 1959. Rights to subscribe will expire at 3:30 p.m., Eastern Daylight Time, June 1, 1959. Blair & Co Inc. is manager of a group that will underwrite the offering.

The net proceeds from the sale of the debentures will be applied toward the cost of erecting and equipping a new plant which the company proposes to erect on ground now owned by it at Willoughby, Ohio. The estimated cost of the plant will be between $900,000 and $950,000 and the management estimates it will cost an additional approximate $400,000 for machinery and the cost of moving and installing such equipment. A new bank loan for $1,200,000 has been negotiated and the proceeds of such loan will be used first to retire the present $625,000 bank loan and additional funds will be borrowed under the new bank loan to pay the remaining cost of erecting and equipping the plant and to supply additional working capital.

The debentures will be convertible, unless previously redeemed, into common stock of the company until May 14, 1964 at $18.20 per share, and thereafter until maturity at $20 per share, subject to adjustment in certain events. The debentures will be redeemable at optional redemption prices of 107½% to May 15, 1961 and at 103½% thereafter to maturity, and for the sinking fund at a redemption price of 100%, plus accrued interest in each case.

Di-Noc Chemical Arts, Inc., with its main office and manufacturing facilities, in Cleveland, Ohio, produces photographic film and dry plates. These products are used to convert copy, such as a drawing or photograph, into a film negative or positive from which a printing is then made. The company and its three subsidiaries also produce printed saturating papers, decorative film and miscellaneous products.

For the year 1958, the company and its subsidiaries had consolidated net sales of 4,439,074.

On completion of the current financing, outstanding capitalization of the company will consist of 234,156 shares of common stock, $1 par value; $650,000 of unsecured term loans, due quarterly to Oct. 1, 1964; $91,080 of a mortgage loan on real estate, due annually to Oct. 31, 1967, and the $947,200 of 5½% convertible subordinated debentures now being offered.

Associated with Blair & Co. Inc. in the offering are: Bacon, Whipple & Co.; George D. B. Bonbright & Co.; Hayden, Miller & Co., and Sage, Rutty & Co., Inc.

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What About the International Oils?

The oil shares, notably the internationals, have been notorious laggards in this latest leg of the biggest bull market in history. But at least the young Lazard Fund still has faith in these issues, reasoning that the long-term demand for oil will grow, and grow more rapidly abroad than here in the United States. Even as it was reducing its holdings of dometsic oils, Lazard was taking on such internationals as Gulf Oil (major stake in Kuwait), Royal Dutch and Texaco.

Much of the pessimism about the foreign oil stems from the fever of Arab nationalism, which has yet to run its course. But the Lazard people feel strongly that the international oils have been oversold. Somebody is bound to be proven wrong, for another relatively new fund, One William Street, recently sold its entire holding of Standard Oil Co. (New Jersey), totaling 30,000 shares.

New Closed-End Unit Based on Small Business Act

Hayden, Stone & Co. plans an offering around May 28 of 1,800,000 shares of Electronics Capital Corp., a closed-end investment company. Offering price is $10 per share. Electronics Capital will provide capital for small electronics companies that meet this designation under the terms of the Small Business Act. In addition, it will be prepared to furnish companies in which it invests with management counsel.

Just Off the Press

Income Fund of Boston reports net assets at April 30 totaled $29,819,972, equal to $8.46 a share, compared with $19,109,860 and $6.85 a share a year earlier.

* * *

Wellington Equity Fund reports net assets at April 30 amounted to $40,997,278, or $12.30 a share, against $33,124,630 and $11.04 a share on Oct. 23, 1958, the time of the initial offering.

S. Smaller Opens

BROOKLYN, N. Y.—Samuel Smaller is engaging in a securities business from offices at 195 Wilson Avenue.

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Mutual Funds

By ROBERT R. RICH

Problems of Today's Go-It-Alone Investor

Owing to the strong similarity of their function, fund managers will have little difficulty sympathizing with the quandary in which trust managers find themselves these days. The dilemma of the trust people was highlighted by Charles W. Buek, Executive Vice-President of New York's United States Trust Co., in an address before the Second Southern Trust Conference, sponsored by the American Bankers Association. [**See cover page for full text of Mr. Buek's address.**—Editor.]

Mr. Buek said the confusing problem of what to do in an "understandable economy and an incomprehensible stock market" could not be solved by boycotting the market until stock indicators return to normal. All the old financial indicators, he lamented, read "sell" but "we find ourselves tempted to buy."

Like fundmen, Mr. Buek can hardly be blamed if he longs for the good old days of 1953, when the spanking new Eisenhower Administration was coming to grips with a business recession and the stock market was cheap and orderly: U. S. Steel sold at the current equivalent of $20 a share, 10 times earnings was considered a stiff price to pay for an equity and, although the counter was cluttered with bargains, volume ran around 1.5 million shares a day. Indeed, one need go back only as recently as last Spring to find a period when the life of moneymen was simple: the Federal Reserve Board index of production was bottoming out, long-term Treasury bonds were peaking and stocks were in the early stages of a big push that was destined to carry to the highest levels in history.

As Mr. Buek recalled, it wasn't so long ago that corporate bonds yielded roughly 3% and common stocks about 5%, so that a trust fund invested equally in bonds and stocks could look for an over-all return of 4%. Now trust managers are confronted with the reverse of that situation. He added:

"Perhaps we would be wise to accept this situation and continue to take a 4% return from a balanced portfolio. If we were to adopt this attitude, we might be less unhappy about the yield afforded by common stocks and a little less prone to make the mistake of reaching for income in the equity portion of the list."

Fund managers, of course, bear an even heavier burden. For while, like trust men, they are responsible for other people's money, most fund managers are aware that the investors they represent are more interested in outcome than in income. Aside from the type of fund that benefits from the better day for railroad income bonds and tax-exempts, they must risk reaching for the growth and glamour issues, where yields often either are small or non-existent and 40 to 50 times earnings often is the going price.

Thus, fund managers have a dilemma of their own. Do you liquidate the likes of Polaroid, International Business Machines and Motorola, selling at astronomic price-earnings ratios and providing scant yield? Or do you, at this stage of the market, reach for the electronic, space age and chemical stocks, which have had sensational run-ups?

Individual Investors' Dilemma

If the experience of early 1953, when the market sustained a sharp fall, is any guide, then there will be little liquidation from owners of mutual fund shares. For deep as is the quandary of trust and fund officials, for the individual investor the problem is many times greater. He is a rare fellow indeed if he is in a position to spread his risk and, in a stock market that grows increasingly selective, this is of the utmost importance. Unlike 1958, when 41 of every 42 stocks recorded again, the session is rare these days when a majority of the isssues traded on the New York Stock Exchange register a gain. Under cover of the rising stock averages, the painful fact is that nearly as many issues show new lows as new highs on the year.

So the position of fund managers is not entirely unenviable. Problems present opportunities. And with the level of the stock market, at least based on the traditional indexes, in uncharted waters, the need never was greater for professional guidance. If so knowing a financial man as Charles Buek can say "this is no time to throw away the book and go overboard on common stock policy," then the preference of the individual investor for top-drawer management of his capital funds is an entirely reasonable expectation.

A. G. Edwards Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Ronald E. Buesinger is with A. G. Edwards & Son, 409 North Eighth Street, members of the New York and Midwest Stock Exchanges.

Joins Dean Witter

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Glenn R. Hicks has become associated with Dean Witter & Co., 50 West Adams Street. Mr. Hicks was previously with Shearson, Hammill & Co.

Affiliated Fund

A Common Stock Investment Fund

Investment objectives of this Fund are possible long-term capital and income growth for its shareholders.

Prospectus upon request

LORD, ABBETT & CO.

New York — Chicago — Atlanta — Los Angeles

Oppenheimer Fd. Has New Concept

Latest to hop on the mutual fund bandwagon is the New York Stock Exchange firm of Oppenheimer & Co., which has sponsored Oppenheimer Fund, Inc. Max E. Oppenheimer, senior partner of the brokerage firm and president of the new fund, has introduced a new element to the field. The Oppenheimer Fund is authorized to carry on practices not hitherto consolidated under the management of an open-end company.

They include short sales in stocks and bonds; buying and selling currencies of foreign countries for spot and future delivery; trading in commodities, spot and future. "The Fund," said Mr. Oppenheimer, "has been designed to take advantage of all professional investment techniques. The right to take positions in commodities and foreign exchange gives the fund unique flexibility in the investment trust field. What has always been available to the substantial investor is now within the reach of all investors."

In a division containing 50% of its assets, the fund is free to invest up to 25% of total assets in the securities of any one issuer. The other half of the portfolio can invest up to 5% of total gross assets at market value in the securities of any one issuer, but not in more than 10% of any class of the outstanding voting securities of any one issuer. Limitations do not apply to government issues.

The Oppenheimer Fund, registered with the Securities & Exchange Commission, covers an offering of 250,000 shares at $10 each, the original net asset value. Shares are redeemable on demand.

Putnam Fd. Assets At New High Level

The George Putnam Fund of Boston reports for the quarter ended March 31, 1959 total net assets at a new high of $186,723,000, compared with $180,474,000 at year-end and $142,345,000 a year ago.

Asset value per share increased to a new high of $13.95, compared with $13.64 on Dec. 31, 1958 and $11.42 a year ago.

Common stocks represented 65% of the Fund's total investments on March 31, compared with 63% at year-end and 61% a year ago. The total market value of all investments of the Fund on March 31 exceeded cost by approximately $54,722,000.

New additions to the common stock section of the Fund during the quarter included Brunswick-Balke-Collender Co., Carter Products, Inc., General Motors Corp., Norfolk & Western Ry. Co., North American Aviation, Inc., Northern Insurance Co. of N. Y., Peoples Gas Light & Coke Co., Universal Winding Co. and Virginian Ry. Co.

Eliminations included Freeport Sulphur Co., General Cable Corp., Socony Mobil Oil Co. and U. S. Gypsum Co.

The New Jets and Airline Earnings

"The jet age could bring substantial profits if the new equipment makes new customers for their operators," states the current issue of Perspective in a review of the airline industry. "Current reports indicate that the new planes have captured the fancy of the travelling public and that passenger load factors in excess of 90% are being recorded."

On this note Perspective is quick to state that there are a "number of uncertainties surrounding the industry," but, "one certainty is that a fairly large increase of traffic volume is required to make the jet program economically sound."

After reviewing the postwar history of the airlines, and then analyzing in detail the "uncertainties," Perspective, which is published by Calvin Bullock—managers of mutual funds with assets in excess of $500,000,000—suggests that, "certain selected airline stocks appear to possess speculative attraction at the present time."

Some of the uncertainties included in Perspective's reservation about the industry are:

That while stockholders' equity at Sept. 30, 1957, in the U. S. carriers stood at $650 million, the cost of new jet equipment is over $2 billion, and that an additional "several hundred millions" will be needed for additional equipment and facilities.

That after partial institutional and public financing of new equipment, the carriers must look to "earnings, depreciation cash and sale of older equipment . . . for the balance." And disposing of surplus piston engine planes may be a serious problem in a sellers' market.

That a new rate increase would be enormously helpful although there is no indication now as to whether it will be granted by the CAB.

That overall load factors have been low—even though the new jets have been recording load factors in the 90% bracket.

That current low profit margins tend to place individual companies in a "precarious position" in periods of general business decline.

But, Perspective concludes, "the air cargo business, as it materializes in large volume, will add an extra fillip to earnings."

Mutual Fund Share Sales Continue Up

"Long-term investment in the economy continues to attract new shareholders," George A. Mooney, Executive Director of the National Association of Investment Companies, announced May 19 in releasing April statistics on the Association's open-end (mutual fund) members.

Purchases of mutual fund shares by investors for the month amounted to $192,013,000, compared with $197,612,000 for March, 1959, and $122,206,000 for April of last year, the Association reported.

As of April 30, 1959, total net assets of the 156 mutual fund members of the Association were $14,622,668,000. At the end of the previous month the figure was $14,132,828,000 and, on April 30, 1958, when the Association had 144 mutual fund members, assets totaled $9,786,243,000. The increase in assets reflects net new money invested as well as appreciation in the value of securities in investment company portfolios. These assets are widely diversified, being invested in some 3,500 security issues of over 2,000 corporations.

Redemptions of mutual fund shares by investors came to $82,689,000 in April. The figure for the previous month was $62,539,000 and, a year ago April, it was $32,453,000.

The number of new accumulation plans started by investors for the regular monthly or quarterly acquisition of mutual fund shares totaled 31,394 in April. In March, 1959, the figure was 30,134 and, in April, 1958, it was 17,676.

E. A. Le Vay Co. Opens

E. A. Le Vay & Co. has been formed with offices at 79 Wall Street, New York City to engage in a securities business. Partners are Edward A. Le Vay, Jr. and Edward A. Le Vay, Sr.

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Our Reporter's Report

The investment market, long in the process of discounting the firming which has taken place in the basic money market, this week took in stride the latest such developments.

At any rate, the latest markup in banks' lending rates for prime borrowers to 4½%, viewed as the precursor of an eventual hike in Federal Reserve rediscount rates, did not occasion any serious disturbance in the primary and secondary bond markets.

Right now the hope is that the Federal Reserve Banks will move to mark up their charge to member bank borrowers without undue delay. In fact a boost at this afternoon's, Thursday, May 20 meeting of the Federal Reserve Bank of New York, probably would go far toward clearing the atmosphere.

It appears that all parties involved, except some politicians, are reconciled to the prospect for firmer money rates, or at least realistic charges for credit. Presumably on the theory that the market probably is approaching a new base, there has been evidence of some buying interest.

Demand has not been of a robust character, that is it has not indicated any willingness to "reach" for bonds. But it has been enabling the market to put on a better show of ability to absorb such offerings as are encountered.

Yields are getting up where even those who have been leaning heavily toward the mortgage money market are inclined to start looking around for opportunities of better diversification of their holdings.

Some Trepidation

The current market situation can hardly be regarded as the sort of backdrop most desired by borrowers and their bankers who have several large bond offerings ready for public offering. But two major issues now reaching that point should provide a severe test of prospects.

The rank and file in the market place would feel less concerned if they could be assured that the sponsoring elements are determined to do some realistic pricing.

Consolidated Edison Co. of New York has $75 million of new bonds up for bids on Tuesday, and ultimate reoffering terms here naturally, I will evolve from the outcome of the competitive sale.

Meantime, National Steel Corp. is slated to offer, by the negotiated route, $80 million of 30-year first mortgage bonds the following day. The marketing of these offerings once more could serve to contrast the effects of negotiated vs. competitive sale.

The Week Ahead

Next week's calendar is replete with small prospects, most of them in the equity division. But it holds promise of only a small smattering of new debt issues. On Monday West Penn Power is slated to sell $14 million of bonds.

Tuesday brings Consolidated Edison's issue, plus $9,988,500 new preferred of Crucible Steel Co. of America, and Wednesday the National Steel undertaking.

On Thursday, finishing out the week from a market standpoint, Southern Electric Generating Co. is scheduled to open bids for $25 million of new bonds.

Looking Up

Bankers making public offering of $50 million of debentures of the Alberta Municipal Financial Corp., found the market more receptive than had been the case in some time.

Of course, there were conditions attaching to this quasi-municipal issue which helped to account for the rather encouraging reception it received. Carrying 4¾% coupon for example, it was priced at a discount, 98, to return a yield of 4.89%.

Again it is not redeemable, except for sinking fund, during the first 10 years. Pension funds and other institutional investors were reported showing interest.

Alberta Municipal Financing Corporation Debentures Marketed

The First Boston Corporation and Wood, Gundy & Co., Inc. head an underwriting group which offered publicly on May 21 an issue of $50,000,000 Alberta Municipal Financing Corporation 4¾% sinking fund debentures, due May 15, 1984, at 98% to yield 4.89%. Guaranteed unconditionally as to principal and interest by the Province of Alberta, they are payable in United States currency.

The debentures will not be redeemable except by operation of the sinking fund until May 15, 1969. The sinking fund, beginning in 1961, is calculated to retire more than 93% of the issue prior to maturity. Redemption prices range from 101% for those redeemed on or after May 15, 1969 and prior to May 14, 1972 to 100% for those redeemed on or after May 15, 1981.

The principal purpose of the corporation, which was created by the province in 1956, is to assist municipalities, cities, towns and villages within the province to obtain capital funds at the lowest possible cost. Since 1950 the province has provided such assistance and through March 31, 1959, such loans from the province aggregated approximately $225,000,000 before giving effect to repayments. The corporation represents a continuation of these activities.

The corporation intends to apply the net proceeds of the issue, after conversion into Canadian funds, to the purchase of securities of municipalities, cities, towns and villages within the province. Initially, all or part of the amount of such net proceeds may be invested in short-term governmental securities.

Alberta is the fourth largest province in population and in area and is only slightly smaller than the State of Texas. The area of the province is approximately 255,000 square miles of which about 6,485 square miles are lake areas. Estimated population in 1958 was 1,201,000.

Among those associated with The First Boston Corporation and Wood, Gundy & Co., Inc. in the offering are:

Harriman Ripley & Co., Incorporated; Smith, Barney & Co.; The Dominion Securities Corporation; A. E. Ames & Co., Incorporated; McLeod, Young, Weir, Incorporated; Blyth & Co., Inc.; Eastman Dillon, Union Securities & Co.; Halsey, Stuart & Co. Inc.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Smith, Incorporated; and White, Weld & Co.

With Hornblower Weeks

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Alfred D. Plamondon, Jr., has become connected with Hornblower & Weeks, 124 South La Salle Street.

Gruss & Co. to Admit

Wallace P. Weil on May 15 will become a partner in Gruss & Co., 30 Broad Street, New York City, members of the New York Stock Exchange.

DIVIDEND NOTICES

MIAMI COPPER COMPANY
61 Broadway, New York 6, N. Y.
May 13, 1959

A quarterly dividend of fifty (50¢) cents per share was declared, payable June 26, 1959, to stockholders of record at the close of business June 12, 1959.

JOHN G. GREENBRUGH, Treasurer

UTILITIES COMPANY

DIVIDEND NOTICE

The Board of Directors today declared a dividend of 44 cents per share on the Common Stock of the Company, payable July 1, 1959 to stockholders of record at the close of business June 1, 1959.

D. W. JACK, Secretary
May 15, 1959

240th Consecutive Quarterly Dividend

A dividend of fifty cents per share on the capital stock of this Company has been declared payable July 15, 1959, to shareholders of record June 12, 1959.

EDWARD D. TOLAND, Jr.
Secretary and Treasurer
Boston, Mass., May 18, 1959

Public Service Electric and Gas Company
NEWARK, N. J.

QUARTERLY DIVIDENDS

The Board of Directors has declared the following dividends for the quarter ending June 30, 1959:

Class of Stock	Dividend Per Share
4.08% Cumulative Preferred	$1.02
4.18% Cumulative Preferred	1.045
4.30% Cumulative Preferred	1.075
5.05% Cumulative Preferred	1.2625
$1.40 Dividend Preference	.35
Common	.45

All dividends are payable on or before June 30, 1959 to stockholders of record May 29, 1959.

J. IRVING KIBBE, Secretary

DIVIDEND NOTICES

KENNECOTT COPPER CORPORATION
161 East 42d Street, New York, N.Y.
May 15, 1959

At the meeting of the Board of Directors of Kennecott Copper Corporation held today, a cash distribution of $1.50 per share was declared, payable on June 24, 1959, to stockholders of record at the close of business on May 29, 1959.

PAUL B. JESSUP, Secretary

Manufacturers of a complete line of automotive and industrial storage batteries.

A REGULAR QUARTERLY DIVIDEND of 50c per share on Common Stock, was declared by the Board of Directors on April 13, 1959 payable June 15, 1959 to stockholders of record on June 2, 1959.

A. H. DAGGETT, PRESIDENT
ST. PAUL • MINNESOTA

CYANAMID

AMERICAN CYANAMID COMPANY

PREFERRED DIVIDEND

The Board of Directors of American Cyanamid Company today declared a quarterly dividend of eighty-seven and one-half cents (87½¢) per share on the outstanding shares of the Company's 3½% Cumulative Preferred Stock, Series D, payable July 1, 1959, to the holders of such stock of record at the close of business June 1, 1959.

COMMON DIVIDEND

The Board of Directors of American Cyanamid Company today declared a quarterly dividend of forty cents (40¢) per share on the outstanding shares of the Common Stock of the Company, payable June 26, 1959, to the holders of such stock of record at the close of business June 1, 1959.

R. S. KYLE, Secretary
New York, May 19, 1959.

DIVIDEND NOTICES

CITY INVESTING COMPANY
25 Broad Street, New York 4, N. Y.

The Board of Directors of this company on May 19, 1959, declared the regular quarterly dividend of $1.375 per share on the outstanding 5½% Series Cumulative Preferred Stock of the company, payable July 1, 1959, to stockholders of record at the close of business on June 18, 1959.

JOHN A. KENNEDY, Vice President and Secretary

The Board of Directors of CONSOLIDATION COAL COMPANY at a meeting held today, declared a quarterly dividend of 30 cents per share on the Common Stock of the Company, payable on June 12, 1959, to shareholders of record at the close of business on May 29, 1959. Checks will be mailed.

JOHN CORCORAN, Vice-President & Secretary
May 18, 1959.

Atlas Corporation
33 Pine Street, New York 5, N. Y.

Dividend No. 12 on 5% Cum. Preferred Stock

- Regular quarterly of 25¢ per share
- Payable June 15, 1959
- Record May 29, 1959

WALTER G. CLINCHY, Treasurer
May 18, 1959

E. I. DU PONT DE NEMOURS & COMPANY

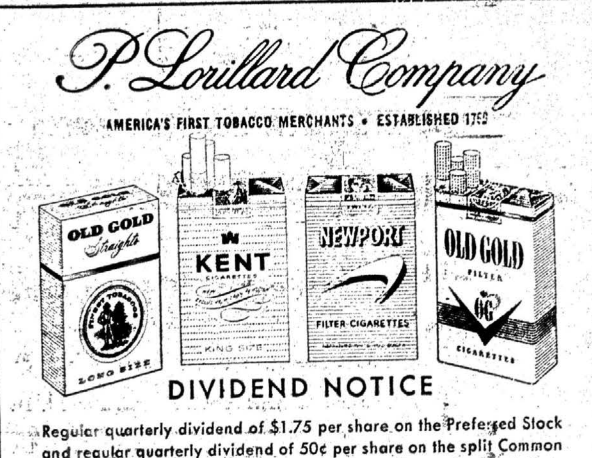
Wilmington, Del., May 18, 1959

The Board of Directors has declared this day regular quarterly dividends of $1.12½ a share on the Preferred Stock—$4.50 Series and 87½¢ a share on the Preferred Stock—$3.50 Series, both payable July 25, 1959, to stockholders of record at the close of business on July 10, 1959; also $1.50 a share on the Common Stock as the second quarterly interim dividend for 1959, payable June 13, 1959, to stockholders of record at the close of business on May 25, 1959.

P. S. DU PONT, 3RD, Secretary

DIVIDEND NOTICE

P. Lorillard Company
AMERICA'S FIRST TOBACCO MERCHANTS • ESTABLISHED 1760



DIVIDEND NOTICE

Regular quarterly dividend of $1.75 per share on the Preferred Stock and regular quarterly dividend of 50¢ per share on the split Common Stock of P. Lorillard Company have been declared payable July 1, 1959, to stockholders of record at the close of business June 3, 1959. Checks will be mailed.

The dividend on the Common Stock is equivalent to $1.00 per share on the old Common Stock before the recent split.

New York, May 20, 1959

G. O. DAVIES, Treasurer

Cigarettes

OLD GOLD STRAIGHTS — Regular, Crush-Proof Box
OLD GOLD FILTERS
KENT — Regular, King Size, Crush-Proof Box
NEWPORT — King Size, Crush-Proof Box
EMBASSY
MURAD
HELMAR

Smoking Tobaccos: BRIGGS, UNION LEADER, FRIENDS, INDIA HOUSE
Little Cigars: BETWEEN THE ACTS
Chewing Tobaccos: BEECH-NUT, BAGPIPE, HAVANA BLOSSOM

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Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—There appears to be considerable sentiment in Congress favoring United States membership in a billion-dollar development bank designed to aid Latin America economically.

There has been for many years a strong hope on the part of Latin American countries to have an Inter-American financial institution to promote and expedite development in Central and South American Republics.

There is apparently a growing realization on Capitol Hill that Latin America offers a greater potential for the exchange of goods and services in the future than any other area on earth. These Republics, of course, already are among our best customers, and our country in turn are big customers of theirs, not only in coffee and bananas, but numerous other products.

Latin America has tremendous natural resources as well as human skills which are not being fully utilized. Rapid population growth and rising aspirations of the people have increased popular demands for more rapid progress in utilization of these resources and skills.

The No. 1 purpose of the development bank will be to accelerate the economic development by promoting public and private capital for development purposes, by cooperating with the member countries in the orientation of their policies, and to provide technical assistance to them in connection with the development of those programs.

Private Investment Wary

Private investment from the United States and other countries has contributed substantially to the development for many years, but there is a feeling and desire that it should be stepped up.

There is, of course, a feeling that is strongly prevalent in this country that in three or four of the countries, particularly, there is political instability at this time. There has been a hesitancy on the part of private capital to invest as much in some of these countries for fear that the properties would be taken over by the governments some time in the future. This point alone seems to be a major barrier.

President Eisenhower sent a message to Congress recently declaring that the proposed institution is well designed to serve the needs of Latin America on a sound financial basis.

A $1 Billion Institution

The total resources of the institution will amount to $1 billion. This would include $850 million of authorized capital stock of the bank, and another $150 million which would be earmarked for the initial resources of the "Fund for Special Operations."

The Bank's authorized capital stock of $850 million is divided into 85,000 shares with each share having a par value of $10,000. The United States subscription of 35,000 shares amounts to $350 million, or 41% of total subscriptions. The subscription of other members, aggregating $500 million, were established on the basis of their quotas in the International Monscriptions of other members, agetary Fund after the 1959 increases in resources of the International Monetary Fund were taken into consideration.

The financial structure of the bank provides for an instalment arrangement. When all countries have made their initial payments of 20%, the bank will have available the equivalent of $80 million in paid-in capital. One-half of each instalment must be paid by each member in gold or United States dollars, or in some combination of the two.

For the United States, 50% of the dollars paid in will be regarded as "national currency."

Military Aid Under Fire

While there is sentiment for the bank an encouragement to private investors to look to Latin America in the future, there is growing sentiment in Congress for less military assistance. A subcommittee of the House Foreign Affairs committee has recommended a six-point program to cut down on military aid in Central and South American countries. The Subcommittee recommends that Congress sharply curtail the number of guns, tanks and military equipment being given to our neighbors South of the Rio Grande River.

The proposed mutual security program for the coming fiscal year has $169 million earmarked for Latin American Republics. President Eisenhower and his brother, Dr. Milton Eisenhower of Johns Hopkins University, have expressed the hope that Congress will provide the assistance.

Tax Incentive Urged

Some authorities on Latin American affairs feel that more private investments from the United States will be made if a tax incentive is provided by Congress. Legislation proposing a foreign investment tax act is pending before the House Ways and Means Committee. The State Department favors the proposal.

Rep. Hale Boggs, Chairman of a House Ways and Means Subcommittee, and author of one of the measures for the foreign investment incentive act, declares that with Administration support he is confident the legislation can be passed at the current session of Congress.

Meantime, the National Advisory Council on international monetary and financial problems, in a special report to President Eisenhower and to Congress, strongly recommends that the United States participate in the Inter-American Development Bank.

It believes that such a bank will be of marked importance in the economic development of Latin American countries "not merely in the amount of additional resources made available in their development programs, but in the improvement of the planning and execution of these development projects."

Latin American countries will contribute more than half of the capital, and will assume a large measure of responsibility for prudent administration and utilization of its resources.

President's Reasoning

President Eisenhower in his message to Congress said he is strongly of the opinion that the United States should support the chartering of the big Inter-American Bank for three specific reasons:

(1) **The special relationship, historical, political and economic between the United States and Latin American Republics;**

(2) **The pressing economic and social problems in the area resulting from a rapid increase in population and widespread desire for improved living conditions;**

(3) **The desirability of an institution which will specialize in the needs of Latin America, which will be supported by Latin American resources and which will give the Latin American members a major responsibility in determining priorities and authorizing loans.**

Individual Share Quotas

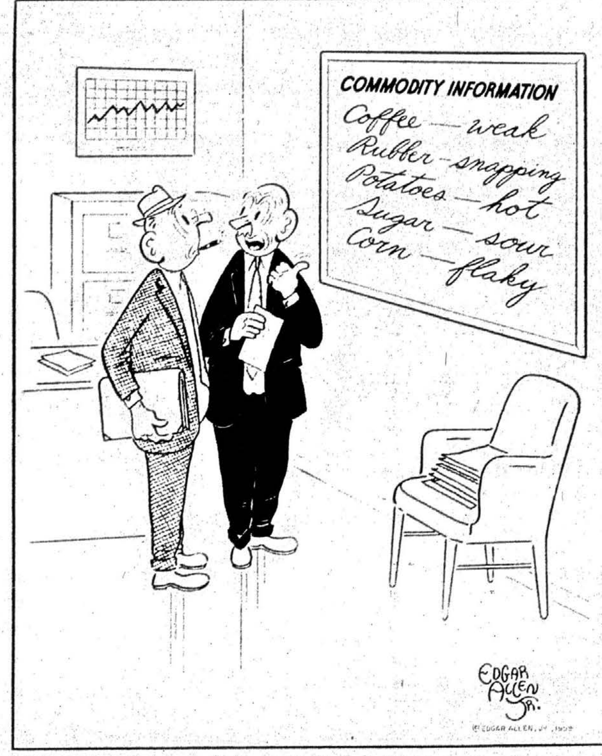
The proposed total subscription of the $850 million of authorized capital stock of the proposed bank (in shares of US, $10,000 for each share) by countries is as follows:

Argentina, 10,314; Bolivia, 828; Brazil, 10,314; Chile, 2,832; Colombia, 2,830; Costa Rica, 414; Cuba, 3,684; Dominican Republic, 552; Ecuador, 552; El Salvador, 414; Guatemala, 552; Haiti, 414; Honduras, 414; Mexico, 6,630; Nicaragua, 414; Panama, 414; Paraguay, 414; Peru, 1,382; United States, 35,000; Uruguay, 1,106, and Venezuela, 5,526.

The contribution quotas for the special operations fund of $150 million will also be allocated by countries.

[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



"That's the trouble with this office—everybody's a comedian!"

Westheimer Installs Direct Phone to NYC

Westheimer and Company, 322 Walnut Street, Cincinnati, Ohio, members of the New York and Cincinnati Stock Exchanges, announced the installation of a direct New York-Cincinnati telephone. The New York phone number is WOrth 6-2115.

With du Pont, Homsey

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Harry S. Ingber is now affiliated with du Pont, Homsey & Company, 31 Milk Street, members of the New York and Boston Stock Exchanges. He was previously with Wall Street Planning Corporation.

Joins Lamson Bros.

(Special to THE FINANCIAL CHRONICLE)

QUINCY, Ill. — Mrs. Louis B. Craft has joined the staff of Lamson Bros. & Co., Western Cath. Union Building. Mrs. Craft was formerly with Hess Investment Co. and A. G. Edwards & Sons.

New White Branch

Du QUOIN, Ill.—White & Company has opened a branch office at 14 North Linden under the management of J. J. Childs.

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Business Man's Bookshelf

Airline Traffic and Financial Data—Quarterly review—Air Transport Association of America, 1000 Connecticut Avenue, N. W., Washington 6, D. C. (paper).

American Bureau of Metal Statistics 38th Annual Year Book—American Bureau of Metal Statistics, 50 Broadway, New York 4, N. Y. (cloth), $4.50 (outside the U. S., $4.75).

Automation: Its Impact on Business and Labor—John Diebold—National Planning Association, 1606 New Hampshire Avenue, N. W., Washington 9, D. C. (paper), $1.

City Expenditures in the United States—Harve E. Brazer—National Bureau for Economic Research, 261 Madison Avenue, New York 16, N. Y. (paper), $1.50.

Glossary of Personnel Management and Industrial Relations Terms—Research Division, Society for Advancement of Management, 74 Fifth Avenue, New York 11, N. Y. (paper), $2.

Investor's Guide to Barranquilla: Facts and Figures on a Progressive City—American and Foreign Power Company, Inc., 100 Church Street, New York 7, N. Y. (paper).

List of Worthwhile Health Insurance Books—a bibliography—Health Insurance Institute, 488 Madison Ave., New York 22, N. Y. (paper).

Manpower and Innovation in American Industry—Samuel E. Hill and Frederick Harbison—Industrial Relations Section, Princeton University, P. O. Box 248, Princeton, N. J. (paper), $2.

Problem of Finding Key Executives—Thorndike Deland Associates, 1440 Broadway, New York 18, N. Y. (paper).

Residential Rehabilitation: Private Profits and Public Purposes—William W. Nash—McGraw-Hill, 327 West 41st Street, New York 36, N. Y., $8.

Seaway Services in Banking—A primer on international trade for midwestern businessmen prepared as a result of the new St. Lawrence Seaway—Continental Illinois National Bank and Trust Company of Chicago, 231 South La Salle Street, Chicago 90, Ill. (paper).

Trial Run Turned Out a Winner: A Report on the first two years of the Public Service Advertising Campaign on behalf of American Higher Education—The Council for Financial Aid to Education, Inc., 6 East 4th Street, New York 17, N. Y.

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