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*Editorial*

## AS WE SEE IT

By some sort of "approved-if-no-one objects" procedure, the member nations of the World Bank and the International Monetary Fund have endorsed the creation of an International Development Association to make loans to borrowers unable to get funds from its parent organization, the International Bank for Reconstruction and Development, an institution which itself specializes in loans private capital does not care to make. It was more than a year ago that the United States Secretary of the Treasury suggested and the President approved some such institution in response apparently to complaints that the World Bank was too reluctant to loosen its purse strings to all who wanted financial assistance.

The new institution, which, of course, is not yet in existence, will or would have a billion dollars capital subscribed in the same proportions among the nations of the earth as the World Bank and Monetary Fund. The fact is that nothing more than a rather vaguely worded concept is as yet approved. Many troublesome details having to do with the nature of the new institution's operations remain to be worked out and agreed to by member countries. Important differences concerning the specific nature of the type of loans that should be made and the terms under which they would be made are known to exist. The Chief Executive of this United States of America, the nation which as usual would be expected to contribute most liberally to the funds of the new institution is, however, one of the chief sponsors of the idea, but action by a Congress which has shown itself none too enthusiastic about pouring further funds into foreign countries is necessary.

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# U. S. Economic Stability: 1929 versus 1959

*By Dr. Neil H. Jacoby,* Dean, Graduate School of Business Administration, University of California, Los Angeles, and former member of the Council of Economic Advisors to the President*

**Thirtieth anniversary of "Black Friday" prompts examination of reasons advanced for return infliction of a severe recession. Findings show we: (1) are free of serious weaknesses; (2) possess acquired resistance to a serious decline; and (3) have broken the link between employment and consumer spending with "deliberate" and "automatic" stabilization measures. Dr. Jacoby cautions we may expect temporary set-backs from time to time and prescribes program to improve our growth progress and economic stability.**

This autumn marks the 30th Anniversary of the beginning of the Great Depression of the 'Thirties. On that disastrous "Black Friday" in October, 1929, billions of stock market values were suddenly erased in a wave of liquidation; and the collapse of the stock market, accompanied by other factors, set in motion a cumulative economic decline that lasted 3½ years and that cut production and income in the U. S. economy in half before it was over. The 30th Anniversary of this debacle is no occasion for celebration. Rather, it is an occasion for examining some of the alleged signs of weakness in the present U. S. economy and its powers to resist a long and deep depression.

Neil H. Jacoby

Clearly, another prolonged recession in the United States would be disastrous. In the first place, it would lower the average annual rate of growth of our economy at a time when our situation in the world requires that the average annual growth rate be increased. The great depression of the 'Thirties set the United States back for almost a decade. It required seven years merely to recover the ground lost after 1929. In the second place, a prolonged recession of the U. S. economy would irreparably damage United States power and prestige throughout the world. The performance of our free-market economy is being closely compared by the peoples of other countries with those of centrally-planned authoritarian economies. We must be sure it performs well. There are four reasons that are now being advanced for expecting a severe recession. Let us analyze them carefully. Next, let us consider the main structural changes in our economy during the past 30 years and their probable effect on its capacity for sustained growth. Then, we may review the automatic and deliberate stabilization measures that have been developed since the enactment of the Employment Act of 1946. Finally, let us assess future economic prospects, and describe some ways of strengthening the forces of steady growth.

### Reasons for Expecting a Deep Recession

One reason for expecting a deep recession in the United States which is often heard is that the U. S. economy has had an historical pattern of behavior which includes a so-called "secondary" postwar depression. Readers of economic charts claim to see a repetitive pattern of economic behavior after major wars, such as the Civil War and World War I. This pattern includes a "primary" short, sharp recession two or three years after the end of the war, caused by transition from military to civilian production and raw material price adjustments. It also includes a "secondary" long and deep depression 10 or 12 years after recovery from the "primary" recession, caused mainly by saturation of deferred demands generated during the war. Thus the recession of 1921 is interpreted as "primary" and that of 1929-32 as "secondary" to World War I. Some say that the recession of 1948-49 was the "primary" downturn after World War II and that the time has arrived for the more serious "secondary" contraction. Pessimists believe that they discern "saturation" in the demand for homes, autos, and consumer durable goods. A second reason advanced for expecting a deep recession is the

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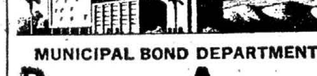

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**This Week's Forum Participants and Their Selections**

**Purolator Products, Inc.** — Gerald Ray, of Sanders & Co., Dallas, Texas. (Page 2)

**Time, Inc.** — Harry P. Schaub, President, Harry P. Schaub, Inc., Newark, N. J. (Page 2)

## GERALD RAY

Sanders & Company, Dallas, Texas
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**Purolator Products Inc.**

The time-tested tenets of investing have seemingly been discarded, leaving in its wake today's market of relatively low yielding, high multiple equities. In this prevailing influence I regard Purolator, selling around 38, among those stocks still possessing relative attraction at this time.

Gerald Ray

Purolator, the largest independent producer of liquid and air filters, is in the position to take advantage of two significant segments of our economy—the automotive and aircraft industries—as well as other industries almost as varied as the filters themselves.

The leading customer of this 36 year-old company is the automotive industry, with Chrysler the largest single account. While the automobile industry accounts for about 60% of Purolator sales, the data in Table I shows two important aspects of company sales when compared to the production of motor vehicles.

First, Purolator sales have grown at a more constant rate than motor vehicle production, reflecting the company's more lucrative replacement business; and second, the apparent underlying growth in sales of over some 3,500 different models of industrial filters that the company has developed. It is axiomatic that these factors, the replacement market and the company's success in broadening its product mix, lend some degree of stability to Purolator sales and earnings.

Projections of 1959 automobile production by the parent industry has ranged from a conservative five million units to optimistic figures of something like six million. Moreover, Detroiters are looking forward to 1960 enthusiastically based on the nation's continuing economic health and the introduction of "compact" cars. Thus, the prime market for Purolator filters has taken on a significant revival which should contribute materially to further increase in company sales and earnings. In all, Purolator sales and earnings for the six months ending June 30, 1959, increased by over 40% compared to the comparable period in 1958.

### Widening Business Horizons —From Foods to Missiles

Whereas in past years the company was solely dependent upon the guise of the auto manufacturers, the company under aggressive and capable management has expanded their markets to include a variety of industries. Presently Purolator filters are used in the manufacturing of such items as food, cosmetic products, pharmaceuticals, petro-chemicals and petroleum. The filters used in these industries range in size from smaller than the eraser on the head of a pencil to those used in metal tanks measuring many feet in diameter. Uses of the company's filters vary from filtering 80,000 gallons per minute, under extreme range of temperatures as in the case of filters used in nuclear reactors to filtrating micronic particles from liquid or gas streams.

A vast and expanding market that has been virtually untapped lies in the important giant aircraft and missile industries.

The filtration of fuels and of fluids in the complex hydraulic control systems of airplanes and missiles is a vast new field in which the company has entered with zest. Practically all commercial transport and military planes now flying, as well as such jets as the Boeing 707, Douglas DC-8, North American Aviation Rocket Plane X-15, Lockheed Electra and B-58 incorporate Purolator filters in their fuel and hydraulic systems. Moreover, in the field of missiles, Purolator products are found in the Atlas, Bormarc, Jupiter, Matador, Nike, Polaris, Regulus, Terrier and Thor.

### Research and Development

Just as the fields of aviation, missiles and automobile production are making sweeping advances, so has the technology of filtration advanced rapidly. Purolator, for example, employs a staff of over one hundred engineers and research scientists in the company's modern laboratories in Rahway, N. J. Their work lies in the development of filters that can be adapted to perform under conditions characterized by extremes in pressure, temperature, toxicity and radioactivity. To capitalize upon the vast new markets of opportunities, the company a year ago initiated a three-year new product development program to be financed directly out of internal funds. A great portion of this program is to be closely identified with the chemical and nuclear industries.

It can be seen from Table II that in the past several years the company's expenditures for engineering and research has amounted to approximately $1 million, about five times what it was 10 years ago. It is anticipated that with the advent of the company's new product development program there will be a significant increase in research expenditures in the years to follow.

Although company sales in 1958 (see Table III) were down 7% from 1957 record sales of $37.8 million, net profits in 1958 increased 8% to $1.6 million, one of the best years in the company's history. In the decade 1949-1958 company sales rose 318%, from $11.1 million to $35.3 million, while profits increased some 1,500%. Sales for 1959 should approach the $40 million level and with improvement in the company's margins, I estimate earnings at about $4 per share.

Since 1952 the company's current ratio has not been below three to one while stockholders' equity has increased from $9.78 to $19.39 per share in 1958.

Considering Purolator's strong basic position, their broad diversification of operations and the company's improving trend of sales and earnings, I believe the shares selling at about 10 X 1959 estimated earnings and yielding 3.6% have attraction for new commitments.

**TABLE I**
**Company Sales vs. Motor Vehicle Production**
(1953=100)

| | 1958 | 1957 | 1956 | 1955 | 1954 | 1953 |
|---|---|---|---|---|---|---|
| Purolator Sales | 146.5 | 156.9 | 139.8 | 114.1 | 97.5 | 100 |
| Motor Vehicle Production | 69.8 | 98.1 | 94.2 | 125.4 | 90.1 | 100 |

**TABLE II**
**Engineering and Research Percent of Sales 1954 - 1958**
(In Millions of Dollars)

| | 1958 | 1957 | 1956 | 1955 | 1954 |
|---|---|---|---|---|---|
| Sales | $35.3 | $37.8 | $33.7 | $27.5 | $23.5 |
| Engineering & Research | 1.1 | 1.0 | 1.1 | 0.7 | 0.5 |
| Eng. & Research % of sales | 3.1% | 2.7% | 3.3% | 2.4% | 2.2% |

**TABLE III**
**Company Operations**

| | †1959 | 1958 | 1957 | 1956 | 1955 | 1954 |
|---|---|---|---|---|---|---|
| Sales (000) | $25,011 | $35,366 | $37,884 | $33,758 | $27,550 | $23,531 |
| Income Taxes (000) | 1,447 | 1,256 | 1,399 | 1,512 | 2,486 | 1,367 |
| Net income (000) | 1,309 | 1,620 | 1,505 | 972 | 2,167 | 1,377 |
| *Earnings Per Share | 2.16 | 2.67 | 2.60 | 1.60 | 3.57 | 2.27 |
| Dividends Per Share | 0.70 | ‡1.85 | 2.00 | 2.00 | §2.50 | ‡1.75 |

†For the Six Months ended June 30, 1959. *Based on 607,761 shares outstanding June 30, 1959. ‡Plus 5% stock dividend. §Plus 10% stock dividend.

## HARRY P. SCHAUB

President, Harry P. Schaub, Inc.
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**Time, Inc.**

This is the fourth article I have been privileged to present in this popular column. Although equity prices have increased substantially in the postwar period there are some opportunities available for appreciation in price. My last two articles recommended American Hospital Supply Corporation—the first in June 1955 and the second in January 1958. There has been an appreciation of almost 400% since June 1955 and about 235% in the past 20 months since the last article appeared in January 1958.

Harry P. Schaub

With my background of nearly forty years of activity in special situations I now recognize considerable merit in the stock of Time Inc. available today at a price of around 64-65. This company always had excellent management under the control of influential, capable, and experienced leaders headed by Henry R. Luce and ably assisted by the active and successful President, Roy E. Lar-

Continued on page 16

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# SEC and the "Hot" Issue

*By* James C. Sargent,* *Commissioner, Securities and Exchange Commission, Washington, D. C.*

**SEC spokesman intimates action that can be taken against trading houses not identified in the prospectus but who, nevertheless, act as designated underwriters in what is said to be a scheme to raise the market price of issues heretofore not marketed. Mr. Sargent claims that in such cases no real distribution is completed, nor do the securities rest in the hands of the bona fide public, in order to keep a significant supply off the market to induce a higher price. The Commissioner inveighs against other unscrupulous practices; details the tremendous increase in SEC's workload requiring more personnel and higher fees; discusses contemplated investment company inspection program; and outlines proposed amendments to various statutes administered by the SEC.**

The business of protecting the soundness of the expanding financial system in our country is one of great mutual concern and interest for members of the North American Securities Administrators and our Commission. But for the fine cooperation and understanding of each other's problems and spheres of activities, which exist today, there might have occurred serious consequences in the proper functioning of the capital markets.

James C. Sargent

In order properly to comprehend many of the problems which at the present time we are facing, it is essential that the significance and implications of the tremendous, dynamic increase in activities in the securities business be understood.

As an illustration of this growth, let's recall for a moment that the value of all stocks listed on the New York Stock Exchange stood at an aggregate value of $89 billion on Sept. 1, 1929. By the middle of 1932, or some three years later, that aggregate value had fallen to $15 billion or a loss of $74 billion. Activities in the market place had by that time come to almost a complete standstill. By comparison to these figures, the value of all stocks listed on the New York Stock Exchange as of June 30, 1959 was $298.8 billion. If all stocks on all exchanges are included, this total value amounted as of that date to $337.6 billion.

As of June 30, 1959, there had been 1,226 registration statements filed during the 1959 fiscal year seeking a total dollar amount of $16.6 billion. In fiscal 1958 there were 913 such statements filed seeking a total of $16.9 billion. Thus in that one year there were 313 or some 34% more registration statements filed although the total dollar amount sought was some $300 million less. These increased filings are significant not only because it is the numerical figure which generally determines the workload of our Corporate Finance Division, but also because it indicates that a greater number of new, small, untried companies, many of which seem to be little more than the products of sheer promoters' exuberance, are coming into the market seeking to raise speculative capital from public investors. These factors have inevitably placed a much greater burden upon our financial analysts who must cull over and ferret out the facts before a registration statement is allowed to become effective.

In the Regulation A field there has been a noticeable increase in the number of filings following a falling off in these filings attendant upon the collapse in the uranium boom in 1956. In 1959, 854 Reg. A filings for a total dollar value of $170 million were made as against 732 for $134 million in 1958. As a disclosure device requiring a certain minimal amount of information to be set out in an offering circular, Reg. A, we think, seems to be working fairly well. We are concerned because we believe that perhaps we should develop a program looking towards a more effective follow-up procedure in which we could keep in closer touch with sales techniques and with possible manipulative practices. Perhaps the old adage that "an ounce of prevention is worth a pound of cure" should be followed more closely in this area in the interests of protecting public investors.

### Decries Pricing Technique

One of the really serious problems with which we have lately been faced is what we have dubbed the "hot" issue one, occurring both under Regulation A filings and under full registration. For example, a comparatively new company or one which has always been privately owned decides it wants to go to market. There is obviously no market and the company desires to offer 100,000 shares of its common stock. About 78% of the issue is placed at the prospectus price with selected purchasers who presumably are expected to hold the stock for the time being at least. The remaining 22% is then allotted to trading houses which are prepared to make a market in the stock. The floating supply has thus been restricted and, where there is great interest in the security, either because it has been generated or because of the inherent nature of the security, there is little question but that immediately following the registration statement's effectiveness, there will occur a trading market substantially higher than the public offering price set forth in the prospectus. Oddly enough the only

*Continued on page 28*

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# Observations . . .

BY A. WILFRED MAY

## A NEW LOOK AT "OTHER PEOPLE'S MONEY"

Newly arrived in the financial world is a vitally important book, (*POWER WITHOUT PROPERTY: A New Development in American Political Economy*, by ADOLF A. BERLE, Jr., 184 pp., N. Y.: Harcourt, Brace & Co., $3.75). Uniquely it depicts the change that has taken place over the past quarter century in both our corporate life, and the reaction thereto of the top veteran authority in that area. Back in 1932, the very eve of the advent of the New Deal which he helped to fashion, Mr. Berle, together with Gardiner C. Means, wrote a classic, *THE MODERN CORPORATION AND PRIVATE PROPERTY*.

A. Wilfred May

That earlier work's highlighting of corporate bigness and absentee (or absentee-ed) ownership was not the first airing of these trends. Woodrow Wilson back in 1910 inveighed against the spawning corporate system, describing it as "an arrangement by which hundreds of thousands of men who would in days gone by have set up in business for themselves, put their money into a single huge accumulation and place the entire direction of its employment in the hands of men they have never seen, with whom they never confer." Corporate bigness, along with stockholder exploitation had likewise been vigorously treated by Justice Brandeis in his "Other People's Money"; by Veblen in "Absentee Ownership and Business Enterprise," in Walter Lippmann's "Drift and Mastery," by Charles Evans Hughes in the Life Insurance Investigation of 1910, and by Professor W. Z. Ripley's "Main Street and Wall Street" of 1927 vintage. But these indictments were either limited — as Brandeis to the railroads, Hughes to the insurance area, and Ripley to the holding companies; or suffered from muckrakery—by Veblen; or smacked too much of a literary exercise—by Lippmann.

### Berle's First Effort

Berle and Means came along in 1932 to treat the massive developments in the corporate system with both objectivity and wisdom. In that vein they devoted considerable coverage, in a factual vein, to bigness (estimating that the two largest nonfinancial corporations received 43% of the total income accruing to corporations in 1930). But a far greater impact was made by their clear and striking demonstration of the implications of the separation of the ownership of our corporations from their control, with the accrual of power in the hands of the managers who owned relatively little or perhaps no stock. With the rights of the widely scattered and unorganized shareholder owners tending to be thus nullified, the community was enlightened by Berle concerning the effect on the very lives of property owners and workers alike. Likewise, the book brought home to the public the tremendous impact on the investor's rights, ethical and legal, and the contribution to greater speculation, by the transfer of control from the widely scattered and unorganized owners.

### Now a New Look-See

Mr. Berle's versatility during the following quarter century tremendously heightens the interest in his present re-look at the subject of his earlier classic. His nonstop activity as law professor, practicing Pine Street (New York) attorney, diplomat (as Assistant Secretary of State and later Ambassador to Brazil), author, public servant, hardboiled politician (including the Chairmanship of New York State's Liberal Party), and corporation President (American Molasses Co.) singularly equips him with wisdom that is sound both academically and by the tests of the market place.

Particularly interesting is the author's estimation of the degree and kinds of basic change that have occurred in the nation's corporate life in the period intervening between his first and second volumes (i.e., from 1932 to 1959).

Over the quarter-century, he sees a widening of the gulf between ownership and control, which stems importantly from the increase in the shareholding population—from 3 to 12 million.

Growth of the ownership-control schism, and the insulation of the shareholder from company participation, have, he maintains, been sparked by the tremendous growth of institutions as managers of the individual's shareholding stake. And this institutional sector, comprising the common trust fund, the pension fund, the mutual fund, and the insurance company —all of them being in possession of his stock certificates, and voting rights. Then, too, the growth of beneficial ownership accentuates the passive and receptive conduct of the shareholding community.

In the minority of cases where stockholder control does exist, the author holds that its continuance is usually limited to a maximum of a single generation.

### Sources of Capital Significant

The author cites the current method of raising industrial capital as another source of the increased widening rift between corporate managers and owners. During the decade 1947 - 1956, three-fifths of the capital requirements of corporate industry were provided from internal sources, namely, depreciation, and retained profits, and another fifth from short-term borrowing; and an additional fifth from long-term bank borrowing. This leaves 20% of the capital coming from "the outside." Although this sizable "outside" sector of shareholders would supposedly be able to muster considerable voting strength, these "outsiders" holdings are in large, and growing part, in the hands of institutional entities.

Theoretically, such concentration of stock ownership in the hands of these professional fulltime investment managers could go far to relieve the "shareholder impotence." They might in the future invoke inroads on the power now wielded by the business managers. But the investment trustees seem to be chronically unwilling to exercise full shareholder power and duties, particularly where there is controversy. And in any event, the institutional administrators are not the owners of the shares they vote or otherwise protect.

### "Non-Statist Nationalization"

The result of the various elements now adds up to a situation which Mr. Berle calls "the non-statist nationalization of business." With this status he has no fault to find. His assent he bases on the elimination of many of the formerly existing abuses as well as expulsion of the potential dangers by social and securities legislation, SEC regulation, higher standards of accountancy, and a rising standard of ethics. He concludes that the future of the corporate man will depend on the discharge of their true trusteeship obligations by company and institutional investment managers.

* * *

## A PROPOSED THREAT TO INCENTIVE

The corporate problem arising from the owner-manager divergence described above could be importantly alleviated by providing the managers' participation in stock ownership. And a practicable way of effecting such joint ownership is derived from using the stock *option*.

Unfortunately, however, interference with this corporate technique, along with a determination of tax policy, is now emphasized by introduction of a suggested change in the tax law on options. This proposal is being activized through *H.R. 8866*, a bill introduced in the House, which provides that, "in the case of stock options issued, or granted in whole or in part, for services rendered, the gain therefrom shall be treated as ordinary income. . . . Such option shall, in the hands of such individual, be treated as property which is not a capital asset."

The proposed change, which would subject incentive return to the generally higher brackets of the tax on ordinary income, has important implications on both our tax system and on corporate finance.

Today, if statutory provisions are complied with under the present statute, the option is not taxed until the optioned stock is sold; and then only at capital gain rates.

Under the proposed amendment, the return received in any manner under an option arrangement would be treated as ordinary income at the higher rates thus prescribed.

We would approve of a change to make the sale of the option fully taxable as ordinary income, the profit constituting a charge on the company, as is a bonus above salary. But subsequent appreciation realized on stock held for longer than six months should be taxed in the case of *all* holders under the 25%-ceiling on capital gains.

But the real significance of this altered procedure and the counter proposal, here and in other areas, is manifestation of the longstanding need to reduce the existing high brackets levied on ordinary income, now reaching 91%. (Even in the welfare state of India, the highest bracket is 77%, with the capital gains tax, as with us, 25%). Whereas the tax on capital gains ought to be eliminated entirely (as in England), because they are nonrecurring and not ordinary income, the move is on in the Congress to transfer many of its varieties to the higher brackets applicable to ordinary income.

This is rendered feasible politically—in lieu of its reduction or elimination — by the high tax levied on those industrials with ordinary income. Under the realities of the situation, the preferential 25% ceiling (on "Wall Street profits") is considered too low rather than too high at the same time as 70, 80, or 91% is being levied against ordinary income.

Reduction of the top bracket from 91% to 50% would be helpful all around!

## Robt. McEntee With Adams, McEntee & Co.

Adams, McEntee & Co., Inc., 40 Wall Street, New York City, dealers in United States Government, state and municipal bonds, announced that Robert G. McEntee is now associated with the firm in the municipal department.

## Forms Howard & Co.

PATERSON, N. J.—Howard Tasch is engaging in a securities business from offices at 5 Colt Street under the firm name of Howard & Co.

## Forms Pleasant Secs.

NEWARK, N. J.—Walter Pawlin is conducting a securities business from offices at 392 Broad Street under the firm name of Pleasant Securities Company. Mr. Pawlin was formerly with R. G. Williams & Co., New York.

## New York IBA Group To Elect Officers

The Annual Meeting of the New York Group, Investment Bankers Association of America, will be held today, Oct. 8 at the offices

Edward Glassmeyer Lloyd B. Hatcher

of The First National City Trust Company, 20 Exchange Place, New York, according to an announcement by Cushman McGee, of R. W. Pressprich & Co., Chairman of the Group. The meeting will start at 4 p.m.

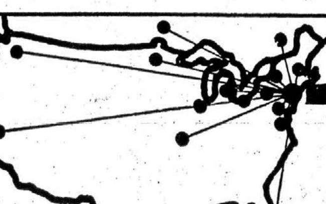
Mr. McGee said that the meeting is being held in advance of the Annual Dinner (Oct. 14 at the Waldorf - Astoria) in order to transact necessary Group business and the annual election of officers.

This year's slate of officers, as recommended by the Group's Nominating Committee, includes: Edward Glassmeyer of Blyth & Co., Inc., as Chairman; Lloyd B. Hatcher of White, Weld & Co., as Vice-Chairman; and A. Halsey Cook of The First National City Bank of New York, as Secretary-Treasurer. Proposed Executive Committee members are: H. Lawrence Bogert, Jr. of Eastman Dillon, Union Securities & Co. with his term to expire in 1962; Allen C. DuBois of Wertheim & Co., until 1962; and Brainerd H. Whitbeck of The First Boston Corporation, serving the remainder of Lloyd B. Hatcher's term until 1960.

In addition to the annual election of officers and members of the Executive Committee, the agenda for the Oct. 8 annual meeting will include the approval by the membership of amended by-laws of the Group.

As a highlight of the meeting, counsel for the Legislation Committee will provide information and answer questions in regard to recent changes in the New York securities law, Mr. McGee said.

He also announced that the following members of the Group's present Executive Committee would continue to serve: J. Howard Carlson, Carl M. Loeb, Rhoades & Co., until 1961; W. Neal Fulkerson, Jr., Bankers Trust Company, until 1961; and John F. Curley, Paine, Webber, Jackson & Curtis, until 1960.

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# The State of Trade and Industry

*STEEL PRODUCTION*
*ELECTRIC OUTPUT*
*CARLOADINGS*
*RETAIL TRADE*
*FOOD PRICE INDEX*
*AUTO PRODUCTION*
*BUSINESS FAILURES*
*COMMODITY PRICE INDEX*

### Nationwide Bank Clearings 12.0% Above 1958 Week

Bank clearings this week will show an increase compared with a year ago. Preliminary figures compiled by the "Chronicle" based upon telegraphic advices from the chief cities of the country, indicate that for the week ended Saturday, Oct. 3, clearings for all cities of the United States for which it is possible to obtain weekly clearings will be 12.0% above those of the corresponding week last year. Our preliminary totals stand at $26,419,684,685 against $23,588,915,052 for the same week in 1958. Our comparative summary for the leading banking centers this week follows:

| Week Ended Oct. 3— | 1959 | 1958 | % |
|---|---|---|---|
| New York | $13,874,005,338 | $11,942,030,007 | +16.2 |
| Chicago | 1,270,788,435 | 1,271,394,248 | — 0.1 |
| Philadelphia | 1,168,000,000 | 1,056,000,000 | +10.6 |
| Boston | 802,998,604 | 755,289,487 | + 6.3 |

For a detailed summary of bank clearings in U. S., refer to the Statistical Edition of the "Chronicle," issued Mondays. For this week's summary, refer to page 47 of the Oct. 1 issue.

### Steel Strike End Would Not Curb Non-Industry Layoffs

An end to the steel strike can not prevent a continued spreading of layoffs throughout steel-using industries, "The Iron Age" reports.

This national metalworking weekly says that many more thousands of workers will be idled even after steel mills are working their way back to full production.

The magazine comments that the steel supply crisis has been soft-pedaled by many consumers. This is because of their support of the steel industry's stand for a non-inflationary settlement.

But the gloomy fact is that supplies for the months ahead will be shorter than at any time in the postwar period. Getting some semblance of order in the flow of shipments will take months, not weeks.

Mills are telling their customers it will take from three to five weeks before shipments of flat-rolled products are normal. But actual estimates run from seven to nine weeks.

Although mills are shooting for full production within three weeks after the strike, it will be many more weeks before shipments resume pre-strike levels. This interval depends on products, with cold-rolled sheet shipments the most critical, the magazine states.

Mill damage has been extensive. Order books are in a state of chaos. Much of the steel in the mills' own pipelines will have to be reprocessed. User pipelines are also drained and what little steel remains is out of balance and is of little use until new shipments are in full flow.

The magazine also points out that the ore situation is now critical. It has reached the point where some mills may not be able to produce at full capacity in late winter months.

The ore situation, always serious, has been hit hard by two new factors: The East and Gulf Coast dock strike cut delivery of imported ore which is counted on to ease the shortage. At Great Lakes ports, ore shippers fear that seamen on the idled ore fleet are scattered all over the country and it will take valuable time to assemble crews.

Mills admit it will be difficult to control shipments to ease the most critical needs first. More likely, they are apt to pick up schedules that were set before the strike. But user pressures, as has happened before, will be terrific and will undoubtedly have an effect on post-strike shipments.

Furnace repairs, slow startup, shortages of ore and scrap, widespread confusion as mills reopen—all dictate a fourth quarter output far below earlier expectations. Furthermore, a rail car shortage is likely to hamper shipments further.

### Post Steel Strike Convalescence Will Be Painful

With reopening of the steel mills imminent, a hard convalescence is ahead, "Steel," the metalworking weekly, said on Oct. 5.

This convalescence will be more painful than the strike itself.

*Continued on page 30*

The undersigned acted as financial advisor to

THE CHAPMAN VALVE MANUFACTURING COMPANY

in connection with the sale of its assets and business to

CRANE CO.

F. EBERSTADT & CO.

*October 5, 1959*

# Congress' Failure to Act on The Most Important Issue

*By* Fred C. Scribner, Jr.,* *Under Secretary of the Treasury, Treasury Department, Washington, D. C.*

**We now are in the midst of one of the greatest monetary crises since William Jennings Bryan's 1896 compaign, Mr. Scribner points out in a forceful review of the Administration's case against soft money and the failure of Congress to lift the artificial ceiling rate on Government bonds. The Under Secretary shows what is at stake, who the American saver is, where Congress must act, and why we cannot resort to open market support of Governments. Once again, he says, the people must become acquainted with the facts about money and choose between artificially low interest rates, and resultant inflation, or flexible ones to avoid inflation and assure growth.**

From the point of view of the Treasury Department, the most important piece of business which Congress left unfinished upon adjournment was granting to the Treasury the additional statutory authority necessary to manage, without adding to inflationary pressures, the record Federal debt which is now in excess of $290 billion.

Fred C. Scribner, Jr.

The indebtedness of the United States is at its highest point in history. The debt increased $12½ billion in the last 13 months, the amount of the Federal deficit for the fiscal year 1959. Annual interest cost of the existing debt at present rates is more than $8½ billion—more than one-tenth of total Federal expenditures. The national debt is nearly one-third of all the debt in the United States, public and private.

In considering the weight of this Federal indebtedness, amounting to over $1,600 for every individual in the United States, don't overlook the tremendous increase in the indebtedness of State and municipal governments. This debt has nearly tripled in the last 10 years. During that period it has grown far more than the Federal debt. The weight of this indebtedness also lies on the American people who are obligated for the Federal indebtedness. When we consider debt reduction and tax reduction we must measure all of these obligations.

#### What It Means

What does the management of our tremendous Federal debt mean? The United States Government is the nation's largest single borrower. In the calendar year 1958 the Treasury issued $69 billion of new marketable securities—$19 billion for cash and $50 billion in refinancing maturities, quite apart from the job of refunding more than $20 billion in short term bills. America's private corporations issued slightly under $10 billion of new bonds and notes last year while new securities issued by State and municipal governments amounted to $7½ billion.

In the year ahead the Treasury faces the refinancing of $75 billion of maturing short-term securities. In some ways the volume of this short-term debt is as important a factor in our financing picture as the size of the total debt. Each time the Treasury borrows—either for refunding operations or for new cash—it is a significant event in the financial markets. The size and the frequency of Federal borrowings tend to interfere with the smooth marketing of new corporate, state and local government securities.

In order effectively to do its job in handling the public debt—and effectively doing the job means not only providing the funds to pay the Government's bills when they are due, but also securing the money in a noninflationary and economical manner — the President in June of this year presented a three-point proposal to Congress. He requested:

(1) Removal of the 3.26% interest rate ceiling on savings bonds;

(2) Removal of the 4¼% interest rate ceiling on new issues of marketable Treasury bonds; and

(3) Increases in the temporary and permanent public debt limits.

The Congress acted promptly on the request to increase the debt limit — not giving all that was asked, but raising the permanent ceiling to $285 billion and the temporary ceiling to $295 billion.

It was immediately apparent, however, that the additional authority requested would be difficult to secure. The matter was debated at great length in the Ways and Means Committee of the House. No action was taken.

#### Failure of Congress to Act

In August the President by special message emphasized the necessity of immediate action to enable the Treasury properly to handle its borrowing programs. Finally, in the last rush before adjournment, Congress enacted legislation raising the permissible ceiling rate on savings bonds. It also adopted certain technical amendments which would allow advance refunding. Neither the House nor Senate bills contained the authority requested to lift the present statutory ceiling on marketables, a ceiling under which we have operated since 1918, and one not suited to current market conditions nor to the Treasury's need for flexibility in its debt management activities. Immediately after Congress acted, Secretary Anderson issued the following statement:

"Time and again I have said that the entire debt management proposal offered by President Eisenhower in early June is the right and best thing for the American people. This is still our firm position.

"The responsibility for enacting legislation lies with the Congress. If our recommendations are not enacted as we proposed, we will operate under whatever legislation is enacted to the best of our ability.

"We shall, however, continue to press for those parts of our original proposal which have not been granted, and which I am convinced are essential to the best possible handling of our financial affairs in a sound manner."

#### Explains the Interest Rate

Popular discussion of interest rates is often clouded by misunderstanding of their nature in a free market economy. Frequently it has been incorrectly stated that the level of interest rates is determined by actions of the Federal Reserve authorities. The view is also incorrectly expressed that interest rates somehow are fixed at high levels by large financial institutions.

Interest is the price paid for borrowed money. In free credit markets it responds to supply and demand. This being the case, the primary determinants of interest rates are the actions of millions of individuals and institutions rather than those of the Treasury or the Federal Reserve.

Today the current pressure for funds by businesses, state and municipal governments, home builders, and other borrowers makes heavy demands on a relatively modest volume of savings and has pushed up interest rates. The Treasury, because of the 4¼% ceiling, cannot sell new bonds of more than five years' maturity. The Treasury must, therefore, borrow wholly on short-term securities. This is inflationary; under current market conditions it is costly; it hurts consumers and small businesses; and it creates even greater debt management problems for the future.

The question has been asked, "If intermediate and long-term bonds could be sold two years ago with interest rates at less than 4¼%, why cannot they be sold now?" The answer is obvious when it is understood that interest is simply the price paid for borrowed money. The period of declining interest rates which began in the summer of 1957 was also a period of rising unemployment, declining incomes, reduced inventories, and falling output. The demand for money fell off, loans were repaid, easier credit resulted. Interest rates of course declined.

Today we have quite a different economy. Before the steel strike more people were at work than ever before in history and at higher wages. Incomes are rising.

*Continued on page 31*

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AS

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# The Tax-Exempt Bond Market

BY DONALD D. MACKEY

The tax-exempt bond market continues buoyant as investment buying of all types persists and seems to broaden. Purchasing has apparently surpassed the volume of recent new issues. New issue financings have been moderate in numbers and in volume. These issues generally have been very well received, even when priced relatively high, and have been reduced to negligible balances or sold out within brief periods.

The improved municipal market sentiment has been sustained not only by favorable technical aspects, but by an improved market for Treasury obligations evidenced by a rush to buy the 2 billion 5% notes, as well as other issues. Also by reassuring statements in respect to a balanced Federal cash budget and by reports that a closer balance of international payments may be brought about to reduce the frightening drain on government gold holdings.

### Yield Index Reflects Improved Market

For these and other less obvious reasons, the tax-exempt market, which had undoubtedly swing too low, as trends always do, has rallied to the extent that the *Commercial and Financial Chronicle's* High Grade Serial Bond Index showed improvement from 3.58% to 3.51%. This represents about one point in terms of par.

Activity in the secondary market has broadened considerably during the past few weeks. The Street Float as measured by the Blue List, for municipal and state bonds, has steadied below $175 million, despite a few large sized issues floated during September. On Monday, the Bankers Trust Company, First Boston Corporation, and others headed a group which offered in the secondary market a bloc of $10 million State of California bonds. The offering was very well taken.

Tax loss transactions are becoming a prominent market factor as the year-end nears, and the lower coupon issues again become useful after months of inactivity and inordinate market depression.

### Recent Marketings

The $26 million Wayne County, Michigan, general obligation water bonds (1962-1968) was purchased by a group headed as follows: The Northern Trust Company, First National Bank of Chicago, and Goldman, Sachs & Company. This issue seemed well taken by investors, with a reported balance (10-7-59) of about $9 million. Pittsburgh, Pensylvania, sold an issue of $4.1 million (1960-1979) to the First Boston Corporation group and reports it about half sold. Late last week the Port of New York Authority sold a $25 million issue of $4\frac{1}{4}$% bonds, due 1989, to a group headed by Halsey, Stuart & Company, Drexel & Company, Glore, Forgan & Company and Ladenburg, Thalmann & Company. It was negotiated at an interest cost to the Port of about 4.37%. The bonds were offered publicly at 99 and were a sell-out. Competitive bidding for this issue the week previous had resulted with a rejection by the Port. The negotiation resulted in an improved interest cost to the Authority.

### Moderate Financing Calendar

The New Issue Calendar continues relatively moderate in volume for this time of year. On Tuesday (10-13-59) Wilmington, Delaware, which has well cared for its credit during the years, will market $4,375,000 of general obligation bonds. Many groups will compete. On Wednesday (10-14-59) the City and County of Denver, Colorado, will seek bids for $17,000,000 general obligation water bonds (1970-1998). Several bids will be received for this highly rated long-term issue. On the same day the State of New Hampshire will offer for sale $15,991,000 general obligation (1961-1988) bonds. This is a relatively scarce bond and the offering will attract much investor interest. The week's only other important large offering is $18 million City of New York (1960-1974) general obligation bonds. This popular investment issue will attract at least two bids from important nationwide bank groups.

### Current Market on Representative Serial Issues

| | Rate | Maturity | Bid | Asked |
|---|---|---|---|---|
| California (State) | 3½% | 1978–1980 | 3.90% | 3.75% |
| Connecticut (State) | 3¾% | 1980–1982 | 3.55% | 3.45% |
| New Jersey Highway Auth., Gtd. | 3% | 1978–1980 | 3.60% | 3.45% |
| New York (State) | 3% | 1978–1979 | 3.50% | 3.40% |
| Pennsylvania (State) | 3⅜% | 1974–1975 | 3.35% | 3.25% |
| Vermont (State) | 3⅛% | 1978–1979 | 3.25% | 3.125% |
| New Housing Auth. (N. Y., N. Y.) | 3½% | 1977–1980 | 3.40% | 3.25% |
| Los Angeles, Calif. | 3¾% | 1978–1980 | 4.00% | 3.85% |
| Baltimore, Md. | 3¼% | 1980 | 3.70% | 3.60% |
| Cincinnati, Ohio | 3½% | 1980 | 3.55% | 3.40% |
| New Orleans, La. | 3¼% | 1979 | 3.80% | 3.70% |
| Chicago, Ill. | 3¼% | 1977 | 3.90% | 3.75% |
| Boston, Mass. | 3¾% | 1977 | 3.85% | 3.75% |

October 7, 1959 — Index=3.51%

### DOLLAR BOND QUOTES AND RELATED INFORMATION

(Prices and yields are approximate)

| Issue— | First Callable Date (as a whole) | Call Price | Offering Price | Net Changes from Prev. Week | Yield to Maturity |
|---|---|---|---|---|---|
| Chelan Co., Wash. PUD No. 1 5% 7-1-2013 | 1-1-1978 | 100 | 107 | +1 | 4.65% |
| Chicago-O'Hare Airport 4¾% 1-1-1999 | 1-1-1974 | 104¾ | 104¼ | (*) | 4.52% |
| Chicago Reg. Port 4% 7-1-1995 | 7-1-1962 | 103½ | 94 | (*) | 4.30% |
| Florida Turnpike Authority 3¼% 4-1-1995 | 4-1-1962 | 103½ | 87 | —½ | 3.92% |
| Grant Co., Wash. PUD No. 2 3⅞% 11-1-2005 | 5-1-1966 | 103 | 93½ | +½ | 4.19% |
| Illinois Toll Highway 3¾% 1-1-1995 | 1-1-1965 | 103¾ | 70 | —½ | 5.73% |
| Illinois Toll Highway 4¾% 1-1-1998 | 1-1-1978 | 104¾ | 87 | —½ | 5.57% |
| Indiana Toll Highway 3½% 1-1-1994 | 1-1-1962 | 103 | 82 | +½ | 4.53% |
| Jacksonville, Fla. Exp. 4¼% 7-1-1992 | 7-1-1967 | 103 | 101½ | +½ | 4.17% |
| Kansas Turnpike Authority 3⅜% 10-1-1994 | 10-1-1962 | 103 | 74¼ | +¾ | 4.93% |
| Kentucky Turnpike Authority 3.40% 7-1-1994 | 7-1-1960 | 104 | 89½ | +1 | 3.96% |
| Mackinac Bridge Authority 4% 1-1-1994 | 1-1-1964 | 108 | 91¼ | —1¼ | 4.50% |
| Maine Turnpike Authority 4% 1-1-1989 | 1-1-1958 | 104 | 83 | (*) | 5.13% |
| Massachusetts Turnpike Authority 3.30% 5-1-1994 | 5-1-1962 | 103½ | 80¾ | (*) | 4.38% |
| Massachusetts Port Authority 4¾% 10-1-1998 | 10-1-1969 | 104 | 100¾ | +1¼ | 4.71% |
| New Jersey Turnpike Authority 3⅜% 7-1-1988 | 7-1-1958 | 103½ | 94 | (*) | 3.71% |
| New York Power Authority 3.20% 1-1-1995 | 1-1-1963 | 103 | 85½ | +2 | 3.96% |
| New York Power Authority 4.20% 1-1-2006 | 1-1-1970 | 103 | 100½ | +1 | 4.16% |
| New York Thruway Authority 3.10% 7-1-1994 | 7-1-1960 | 103½ | 85½ | +1½ | 3.86% |
| Ohio Turnpike Authority 3¼% 6-1-1992 | 6-1-1959 | 103 | 86¾ | +½ | 3.97% |
| Pennsylvania Turnpike Authority 3.10% 6-1-1993 | 6-1-1959 | 103 | 83 | (*) | 4.02% |
| Richmond-Petersburg Turnpike 3.45% 7-1-1995 | 7-1-1963 | 103½ | 81½ | +1 | 4.48% |
| Tri-Dam Project, Calif. 3.05% 7-1-2004 | 7-1-1959 | 104 | 81¾ | +¾ | 3.92% |
| Virginia Toll Revenue 3% 9-1-1994 | 9-1-1959 | 105 | 85½ | +½ | 3.74% |

(*) Unchanged.

## Bernard Vigurs With Eastman Dillon Co.

Bernard G. Vigurs has become associated with Eastman Dillon, Union Securities & Co., 15 Broad Street, New York City, members of the New York Stock Exchange, as general manager of the national mutual funds sales department. Effective October 26, this department will be located at the firm's new midtown office, 660 Madison Avenue, New York City.

## LARGER ISSUES SCHEDULED FOR SALE

In the following tabulations we list the bond issues of $1,000,000 or more for which specific sale dates have been set.

*Information, where available, includes name of borrower, amount of issue, maturity scale, and hour at which bids will be opened.*

| | | | |
|---|---|---|---|
| **October 8 (Thursday)** | | | |
| New Haven, Conn. | 1,153,000 | 1961-1978 | 1:30 p.m. |
| **October 9 (Friday)** | | | |
| North Little Rock, Ark. | 5,350,000 | 1960-1978 | 7:00 p.m. |
| **October 12 (Monday)** | | | |
| Garden City School Dist., Mich. | 3,700,000 | 1960-1987 | 8:00 p.m. |
| **October 13 (Tuesday)** | | | |
| Beverly Hills, Calif. | 795,000 | 1960-1974 | 7:30 p.m. |
| Beverly Hills, Calif. | 905,000 | 1984 | 7:30 p.m. |
| Jefferson Cons. School Dist., Mich. | 2,000,000 | 1960-1988 | 8:00 p.m. |
| Norwalk, Conn. | 2,665,000 | 1960-1979 | Noon |
| Volusia County Spec. Tax School District, Fla. | 5,000,000 | 1961-1979 | 11:00 a.m. |
| Wilmington, Del. | 4,375,000 | 1960-1984 | 11:00 a.m. |
| **October 14 (Wednesday)** | | | |
| Champaign Co. Community Unit S. D. No. 4, Ill. | 1,585,000 | 1960-1978 | 8:00 p.m. |
| Denver, Colo. | 17,000,000 | 1970-1998 | 10:30 a.m. |
| Natchitoches Parish Water Works District No. 1, La. | 1,231,000 | 1961-1989 | 10:00 a.m. |
| New Hampshire (State of) | 15,991,000 | 1960-1988 | 11:00 a.m. |
| Robstown Ind. Sch. Dist., Texas | 1,000,000 | ------- | ------- |
| Steelton Borough Authority, Pa. | 1,030,000 | 1961-1999 | 8:00 p.m. |
| **October 15 (Thursday)** | | | |
| Chili Water Dist., New York | 2,930,000 | 1960-1989 | 3:00 p.m. |
| New York City, N. Y. | 18,000,000 | 1960-1974 | Noon |
| **October 16 (Friday)** | | | |
| Everett School District No. 2, Snohomish County, Wash. | 1,600,000 | 1961-1979 | 3:00 p.m. |
| **October 19 (Monday)** | | | |
| Atlanta, Georgia | 2,000,000 | 1960-1979 | Noon |
| Collier County, Fla. | 1,490,000 | 1962-1981 | 1:30 p.m. |
| Montreal, Quebec | 20,000,000 | 1979 | Noon |
| **October 20 (Tuesday)** | | | |
| Boardman Local S. D., Ohio | 1,890,000 | 1960-1979 | 2:00 p.m. |
| Hamilton Common S. D., Mich. | 1,250,000 | 1960-1988 | 8:00 p.m. |
| Honolulu, Hawaii | 3,400,000 | 1962-1979 | 3:00 p.m. |
| Local Housing Authorities | 102,145,000 | 1960-1999 | Noon |
| **October 21 (Wednesday)** | | | |
| California (State of) | 7,500,000 | 1964-1983 | 10:00 a.m. |
| Hempstead Union Free School District No. 14, N. Y. | 3,080,000 | 1960-1989 | 1:00 p.m. |
| Kentucky State Property and Building Commission, Ky. | 1,650,000 | 1961-1980 | 1:00 p.m. |
| **October 22 (Thursday)** | | | |
| Dayton, Ohio | 2,700,000 | 1961-1980 | Noon |
| Lake Worth, Fla. | 2,100,000 | 1960-1988 | 11:00 a.m. |
| Macomb and Oakland Counties, Bear Creek Drainage, Dist., Mich. | 4,255,000 | 1960-1989 | 2:00 p.m. |
| Oakland, Calif. | 3,064,000 | 1960-1984 | 1:00 p.m. |
| Plaquemine, La. | 1,000,000 | ------- | ------- |
| **October 27 (Tuesday)** | | | |
| Glendale Unified S. D., Calif. | 3,000,000 | 1960-1979 | 9:00 a.m. |
| Los Angeles County Flood Control District, Calif. | 21,150,000 | 1961-1983 | 9:00 a.m. |
| **October 28 (Wednesday)** | | | |
| Hamilton, Ohio | 1,300,000 | ------- | ------- |
| Hampton, Virginia | 2,500,000 | ------- | ------- |
| Pennsylvania General State Auth. | 25,000,000 | 1962-1986 | Noon |
| St. Louis County, Mo. | 2,100,000 | 1961-1979 | ------- |
| **October 29 (Thursday)** | | | |
| Camden School District, N. J. | 3,300,000 | 1960-1982 | 8:00 p.m. |
| **November 3 (Tuesday)** | | | |
| Cerritos Junior College Dist., Cal. | 1,000,000 | 1960-1979 | 9:00 a.m. |
| **November 9 (Monday)** | | | |
| Enfield, Conn. | 2,000,000 | | |
| **December 1 (Tuesday)** | | | |
| Columbus, Ohio | 10,010,000 | 1962-1986 | Noon |

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# Sound Profits Emanating From Modulated Waves

By Dr. Ira U. Cobleigh, *Enterprise Economist*

**Tuning in on the progress of FM and stereophonics, with some reference to certain companies majoring in the electronic instruments for receiving and amplifying these more accurate and descriptive sound waves.**

Time was when all you had to do was put a record (78 RPM) on a phonograph, or listen to a superheterodyne radio and you were being treated to exciting and completely acceptable audio entertainment. We were happy and content with this standard type reception of the Roaring '20's. But there were perfectionists among us, talented musicians, and those gifted with more sophisticated musical ears. To them these sounds from the phonograph, and the incidental sputterings and buzzings of radios, seemed primitive.

Ira U. Cobleigh

So something was done about it. Long playing records were developed, which not only provided many more minutes of music delivered from each plastic disc, but improved the accuracy of the sound transmission. And then the experts got to work on the speakers—more sensitive, more subtle in tone projection. Finally we were vouchsafed stereophonic sound which brings to our ears not only the authentic sounds from each orchestral section — brass, strings, percussion, etc.—but from the right direction. Stereophonic sound aims to place you in an orchestra seat at Carnegie Hall.

Equal progress was attained in radio transmission. Frequency Modulation with realistic, drift-free and interference-proof reception was introduced years ago. Recently FM has expanded enormously with about 620 commercial stations now broadcasting FM and 15 million FM receiving sets currently in use. To this improved FM broadcasting has been added stereophonic sound, using two sending microphones instead of one. And of course, receiving units and phonographs now come fully equipped for accurate translation of stereo with sets of special speakers—"woofers"—for the low bass sounds (down to 20 cycles), "tweeters" for high pitched sounds (up to 18,000 cycles, usually) and middle range speakers for the tonal areas in between. (If you want to hear anything above "tweeter" range, you should be a dog or a bird!) And, of course, the foregoing are all calculated to promote high fidelity of sound reproductions.

There can be no doubt about radio trends—they are all in the direction of FM and stereo broadcastings. About 60% of radio stations are now stereocasting and another 20% have plans to do so. Accordingly, we propose forthwith to touch upon some of those companies whose production is importantly beamed on FM and stereo high fidelity instruments. Among the larger companies in this field are Magnavox, Zenith, Motorola and Stromberg-Carlson (a division of General Dynamics). Less well known but actually the largest producer of FM home radios in 1958, is Granco Products, Inc. We'll have something to say about all of these companies.

The **Magnavox Company** has specialized in high quality television receivers, radios and high-fidelity phonographs. Its radio line products have stressed quality and the more expensive console units rather than the smaller home or portable units. Magnavox is highly integrated, producing 60% of its cabinets, and its own speakers, tuners and chassis. Distribution of its radio, phonograph and TV products is achieved without wholesalers, and directly through some 2,000 dealers under a strict price-maintenance policy. Magnavox FM instruments are finely engineered and elegantly cabineted.

Magnavox common stock is listed on NYSE, sells at 60, pays a $1.50 cash dividend with 5% in stock extra paid April 15, 1959. Six stock dividends have been paid since 1946. Magnavox is regarded as a quality equity with substantial supplementary earnings derived from government electronic contracts, and long range profits expected from data-handling systems developed in conjunction with Eastman Kodak Co.

**Zenith Radio Corporation** common has been an exciting market performer having run up to a high of 136¾ in 1959, and this after a 2-for-1 split in 1958 followed by a 3-for-1 split this year. The enthusiasm for Zenith shares stems from a reputation for advanced electronic engineering, fine product acceptance and a dramatic rise in earnings per share (adjusted for split) from $2.76 in 1957 to $4.10 in 1958 and an expected $6 a share this year. Zenith has paid regular dividends since 1936.

In FM, stereo and hi-fi radio Zenith has a broad line, excels in engineering and in sleek styling. It also has a Frequency Modulation station of its own, Station WEFM in Chicago. In addition to receivers, substantial earnings are derived from hearing aids, TV sales, TV tubes; and Zenith has pioneered in pay-as-you-see television through its Phonevision system. Both Zenith products and Zenith common (around 95) have much to recommend them.

**Motorola** has posted a rather exciting share rise from a 1959 low of 57½ to a high of 130. Currently at 105 paying $1.50, it is selling on the basis of its highest peacetime earnings, with per share net moving from $3.80 in 1958, to past $7.00 expected for this year. Famous originally for its car radios MOT (NYSE trading symbol) is dominant in these and as well is a major manufacturer of home and portable radio, phonograph, and TV sets, two-way mobile radio systems and microwave radio relay systems. Motorola has specialized in portable radios and phonographs. Its 1960 line includes stereo hi-fi sets, and popularly priced AM-FM stereo radios. Popular products and smart merchandising make Motorola attractive for FM as well as Fine Market performance.

**Stromberg-Carlson** is turning out some exquisite radio-phonographs in consoles that are masterpieces in the cabinet makers' art. There's a contemporary model in mahogany, walnut or limed oak with AM-FM Stereo Tuner and Stereo Amplifier starting at $599.95; and a series of other fine pieces of musical furniture running up to a French Provincial Breakfront Stereo Music Center, finished to match, or blend with, your own living room or salon. This model, replete with the ultimate in components to maximize reception, refinement and fidelity of sound, lists at $4,800.

To share in the profits of Stromberg-Carlson you must be a General Dynamics stockholder. This diversified equity sells on the NYSE at 45½ and pays a $2 dividend.

A smaller company than these, yet the leading manufacturer of FM radio sets, is Granco Products, Inc. Operating on the conviction that the big future in radio is the mass market for FM sets, Granco has just launched its exciting new models for 1960. These include some notable FM "firsts" — a Tuner adapter at $19.95, the first FM clock radic, and the first AM-FM clock radio below $50. There is also an elite line of self-contained stereophonic high fidelity consoles starting at $335. The FM tuner miraculously adapts, in an instant, any television, phonograph, tape recorder or Hi-Fi system for FM high fidelity reception. The full stereo radio can deliver one program directly, and another program into a speaker wired 30 to 40 feet away in another room. It contains input "jacks" for phonograph or tape recorder reception through its dual speaker system. In brilliant and functional styling, advanced electronic and sonic engineering, and attractive product pricing, Granco continues, in 1960, its leadership in popular priced FM instruments. An energetic advertising program has been launched stressing the Full Melody advantages of FM, and implementing the opinion of Mr. Henry Fogel, Granco President who says: "AM—amplitude modulation radio—is almost a thing of the past—before many years FM will be 'conventional' radio."

Investors will be interested in the financial progress at Granco which is equally impressive. For the fiscal year ended June 30, 1959 sales were $3,070,486 up 38% over last year. Net was 15c a share on the 335,948 common shares outstanding. These trade over-the-counter at around 4¾ and paid a 5% stock dividend this year. This Granco common affords interesting speculative possibilities particularly in view of the company's unusual growth rate and its aggressive leadership in FM technology and sales. Sales of above $4 million are anticipated for fiscal 1960.

Here, then, are some attractive and quite diverse equities for consideration by those investors who regard FM and stereo as dynamic areas for growth in corporate earning power. Entertainment electronic stocks, such as these, have a history of animated market performance.

## Leib & Shurtleff Named by Blyth & Co.

The board of directors of Blyth & Co., Inc. has announced the election of George Leib, New York, as Chairman of the Board

George C. Leib

Roy L. Shurtleff

and Roy L. Shurtleff, San Francisco, as Chairman of the Executive Committee. These administrative changes were taken as a result of the death of Charles R. Blyth on Aug. 25. Mr. Leib and Mr. Shurtleff are two of the original founders of the investment banking organization which was established in San Francisco in 1914. Stewart S. Hawes, New York, will continue as President.

The company has 24 offices throughout the country. Its main offices are at 14 Wall Street, New York and in the Russ Building, San Francisco.


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# Dealer-Broker Investment Recommendations and Literature

***IT IS UNDERSTOOD THAT THE FIRMS MENTIONED WILL BE PLEASED TO SEND INTERESTED PARTIES THE FOLLOWING LITERATURE:***

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

**Convertibles**—A selection—A. M. Kidder & Co., Inc., 1 Wall Street, New York 5, N. Y.

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

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

**N-A-XTRA STEELS**—Details on extra high strength steels—in illustrated technical brochure—Great Lakes Steel Corporation, Dept. NSF-5, Detroit 29, Mich.

**Natural Gas Distributors**—Analysis with particular reference to **American Natural Gas, Brooklyn Union Gas, Equitable Gas, Oklahoma Natural Gas, Peoples Gas Light & Coke** and **Washington Gas Light**—Thomson & McKinnon, 2 Broadway, New York 4, N. Y. Also available is a report on **Electric Utilities.**

**Oil Stocks**—Analysis—Montgomery, Scott & Co., 120 Broadway, New York 5, N. Y. Also in the same circular are data on **Aluminium Ltd.** and **Clevite Corp.**

**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.

**Portrait of the Market**—Ninth Public Transaction Study—New York Stock Exchange, 11 Wall Street, New York 5, N. Y.

**Portfolios**—Suggestions in current "Market Review"—Harris, Upham & Co., 120 Broadway, New York 5, N. Y. Also available are reports on **Royal McBee Corp.** and **Westinghouse Electric Corp.**

**Railroad Recovery and the Steel Wage Dispute**—Review—H. Hentz & Co., 72 Wall Street, New York 5, N. Y. Also available is a memorandum on **Howe Sound.**

**Railroads and the Steel Strike**—Analysis—Bache & Co., 36 Wall Street, New York 5, N. Y.

**Real Estate Bonds and Stocks**—Price averages—Amott, Baker & Co., Incorporated, 150 Broadway, New York 38, N. Y.

**Retail Trade**—Discussion—with suggestions—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y.

**Treasury 5% Notes**—Discussion—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

**Warrants**—Traded on Toronto Stock Exchange—Draper Dobie & Co., Ltd., 25 Adelaide St., W., Toronto, Canada.

* * *

**Allis Chalmers Manufacturing Company**—Report—The Milwaukee Company, 207 East Michigan Street, Milwaukee 2, Wis.

**American Agricultural Chemical** — Memorandum — Merrill Lynch, Pierce, Fenner & Smith Incorporated, 70 Pine Street, New York 5, N. Y. Also available are memoranda on **Fiberboard Paper Products, General Public Service Corp., North American Aviation, United Fruit** and **U. S. Tobacco.**

**American Investors Corporation**—Report—Searight, Ahalt & O'Connor, Inc., 115 Broadway, New York 6, N. Y. Also available is a report on **United American Life Insurance Co.**

**American Investors Corporation** — Report — DeWitt Conklin Organization, 120 Broadway, New York 5, N. Y. Also available are reports on **Thriftimart, Inc., Tekoil** and **Temco Aircraft Corp.**

**American Motors Corporation** — Data—Oppenheimer, Neu & Co., 120 Broadway, New York 5, N. Y. Also in the same circular are data on **Deere & Company, Simmons Co., United States Plywood Corp.** and **Western Union Telegraph Co.**

**Arkansas Louisiana Gas Company** — Analysis — William R. Staats & Co., 640 South Spring Street, Los Angeles 14, Calif.

**Beneficial Standard Life Insurance Company**—Study—Robert H. Huff & Co., 210 West Seventh Street, Los Angeles 14, Calif.

**Borg Warner Corporation**—Analysis—Purcell & Co., 50 Broadway, New York 4, N. Y.

**Castle & Cooke, Inc.** — Analysis — H. B. Shaine & Co., Inc., McKay Tower, Grand Rapids 2, Mich.

**Crane Carrier Industries**—Report—A. J. Gabriel Co., Inc., 625 Madison Avenue, New York 22, N. Y.

**Crowell Collier Publishing Company**—Analysis—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y. Also available are analyses of **Ranco Incorporated** and **Firth Carpet Company** and the monthly "Investment Letter" with data on **U. S. Gypsum, Iron Fireman Manufacturing,** and **Detroit Steel.**

**Eastern States Corporation**—Analysis—Shaskan & Company, 40 Exchange Place, New York 5, N. Y.

**First National Bank of Miami**—Survey—R. S. Dickson & Co., Inc., 30 Broad Street, New York 4, N. Y.

**Jones & Laughlin**—Memorandum—Hill, Darlington & Co., 40 Wall Street, New York 5, N. Y.

**Kelsey Hayes Company**—Analysis—Schweickart & Co., 29 Broadway, New York 6, N. Y.

**Pan American World Airways**—Review—John H. Lewis & Co., 63 Wall Street, New York 5, N. Y.

**Riley Stoker Corp.**—Review—Alkow & Co., Inc., 40 Exchange Place, New York 5, N. Y.

**Tappan Company** — Analysis — Turner-Poindexter & Co., 634 South Spring Street, Los Angeles 14, Calif. Also available is an analysis of **Interstate Bakeries Corp.**

**Texas Utilities Co.**—Memorandum—J. A. Hogle & Co., 40 Wall Street, New York 5, N. Y. Also available is a memorandum on **Utah Construction & Mining Co.**

**U. S. Borax & Chemical**—Memorandum—Goodbody & Co., 2 Broadway, New York 6, N. Y.

**Western Union**—Report—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

**Western Union Telegraph Company** — Analysis—Reynolds & Co., 120 Broadway, New York 5, N. Y. Also available are analyses of **R. H. Macy & Co., Inc., Electric Storage Battery, Oil Industry** and a list of interesting **Convertible Bonds.**

# Railroad Securities

## Union Pacific

Earnings of Union Pacific System continue to fall behind those of a year ago and also on a month-to-month basis. Gross revenues have reflected the impact of the prolonged steel strike to a greater extent than had generally been anticipated.

For the month of August, gross revenues amounted to $43,411,210 as compared with $43,456,044 in July and $48,682,689 in August of 1958. Net income for that month was off sharply from last year, amounting to $4,644,297 against $8,459,477 in the like 1958 month. For the first eight months of this year, net income aggregated $39,720,911 compared with $43,530,153 in the comparable period of a year ago. Revenues from rail operations have been running ahead of those of a year ago, but income from oil and gas operations for the period are about $2,000,000 under those of last year, cutting down other income.

Union Pacific has been expending large sums on the development of the large iron ore deposits in Wyoming. It is seeking to develop a commercial process to utilize the large reserves of iron ore bearing material in this district. If successful it would add both to gross revenues for the rail haul and also to other income from the sale of the ore.

The carrier has been conservative on the expenditures for drilling for oil and gas but eventually might discover a new major field such as the Eilmington and Rangeley fields which contributed importantly to other income for a number of years. The potential for increasing its reserves of oil and gas and also minerals is the more than 6,000,000 acres of land and mineral reservations held in Western states, but it may be some time before this is reflected in income. In the meantime, there will probably be little increase in this income until crude oil prices improve.

Other sources of income are from holdings of 716,440 shares of Illinois Central common, on which the dividend might be increased this year, and a 50% interest in the profitable Pacific Fruit Express from which it received $4,320,000 in 1958 and at least a similar amount is anticipated for this year.

Improvement in railroad operating efficiency has largely stemmed from the dieselization program. Union Pacific was one of the few major roads to turn from steam to diesels but now is almost 100% dieselized and the savings from this are being reflected in operating results.

The road continues in a strong financial position. As of June 30, cash and cash equivalents amounted to $107 million, excluding government holdings in investment accounts, and current liabilities were $93,062,000. Net working capital at that time was $88,657,000 as compared with $68,072,000 on the like 1958 date. In addition to net income retained, the carrier generates further cash from depreciation which amounts to approximately $32 million annually. It is interesting to note that at the present time, U. P. is one of the few railroads which does not have any equipment trust certificates outstanding. It has been paying cash for all of its new equipment and it is not known whether this policy will be continued, particularly in view of the $45 million bond maturity due Oct. 1, 1960. However, it is believed any decision will depend upon interest rates before that time.

Last year U. P. paid a total of $1.60 a common share, including an extra dividend of 40 cents a share, and total payments this year are expected to be as much. Despite the fact that earnings are running behind those of last year, it is estimated that a pick-up in fourth quarter earnings probably will bring net income for 1959 up to the $3.29 a share reported in 1958.

# Coming Events

*IN INVESTMENT FIELD*

**Oct. 14, 1959 (New York City)**
New York Group Investment Bankers Association of America 39th annual dinner at the Waldorf Astoria.

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

**Oct. 20-23, 1959 (Hollywood-by-the-Sea, Fla.)**
National Association of Supervisors of State Banks annual convention at The Diplomat Hotel.

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

**Oct. 25-28, 1959 (Miami Beach, Fla.)**
American Bankers Association Annual Convention.

**Oct. 30-31, 1959 (St. Louis, Mo.)**
National Association of Investment Clubs annual convention at the Sheraton Jefferson Hotel.

**Nov. 1-5, 1959 (Boca Raton, Fla.)**
National Security Traders Association Annual Convention of the Boca Raton Club.

**Nov. 18, 1959 (Minneapolis, Minn.)**
Twin City Investment Women's Club dinner and meeting at the Can Can Room, Hotel Dyckman.

**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.

**April 8, 1960 (New York City)**
New York Security Dealers Association 34th annual dinner in the Grand Ballroom of the Hotel Biltmore.

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# Mortgage Banking's Direction Is Now at the Turning Point

By Saul B. Klaman,* *Director of Research, National Association of Mutual Savings Banks, New York City*

**Author of the "Postwar Rise of Mortgage Companies" adds an apprehensive postscript to his work. He poses challenges confronting mortgage bankers and suggests answers to: meeting outside competition, weeding out the inefficient, remedying investors' complaints, and broadening the area encompassed by mortgage banking. The real estate economist counsels the industry to expand and improve their services and develop new techniques of operation so the industry can continue to grow. Why not, he asks, (1) lessen the dependence on life insurance and mutual savings institutions by tapping other non-banking financial institutions; (2) keep investors disgruntlement down by reducing time lag-uncertainties and accommodating need for immediate mortgage deliveries; and (3) forestall A. B. A.-encouraged competition by undertaking real mortgage banking functions.**

The first step in meeting challenges is to recognize that they exist. The business road is strewn with the bodies of those who thought challenges were made for the other fellow. This is true especially for individual businesses and industries that have been lulled by a period of unusually rapid growth and success. And, certainly, few industries have had as rapid a postwar growth and as favorable an earnings experience as mortgage banking. To rely on this record as assurance of continued success in the years ahead would be a mistake.

Saul B. Klaman

The extraordinary postwar success of your young industry has reflected an unusually favorable combination of circumstances. Expanding national mortgage markets opened up by Federal mortgage insurance and guarantee, relatively favorable mortgage yields, unusual liquidity of financial intermediaries, great postwar housing demands, and the growth of mass housebuilding techniques, set the stage for your grand entrance. In this setting, you met the needs for your special kind of services unusually well, and your industry flourished.

You are a much bigger industry now than you were at war's end—about ten times as big in terms of total assets. On this score alone, it is not likely that your extraordinary rate of growth will be maintained. More significantly the special stimuli that catapulted you onto the national mortgage scene have shaken down into a less expansive environment. Further sound growth must be based on a foundation of improved and expanded services and on new techniques of operation.

### The Challenges Ahead

This foundation will be built as a direct by-product of meeting the challenges you face in the years ahead. While no one can foresee all of the significant challenges which confront you—or any industry for that matter—let me humbly suggest some that appear to be important now.

(1) *Increasing competition from other financial institutions.* There is nothing new about having to face up to the rigors of hard competition. In a competitively oriented society this is the most basic of challenges. The challenge is no less, however, because it is not new. And in this case the challenge does not come from new institutions but from other institutions showing increasing interest in your type of business. I refer mainly to commercial banks and savings and loan associations.

Until now the number of commercial banks originating and servicing mortgages for the accounts of other investors has been small, as has the volume of their operations. Because of the success of these operations, interest has been mounting among other commercial banks. The American Bankers Association has been encouraging this interest by launching a new campaign to educate commercial bankers about the advantages of a broad mortgage program. In this program the origination and servicing of mortgages for other investors has an important place not only for its own sake, but also, because it may increase the liquidity of the banks' mortgage portfolio and lead to other business from mortgage investors.

Commercial banks are casting an eye also at the large aggregation of moneys accumulated in pension and welfare funds to which mortgage companies have been devoting increasing attention in recent years. In the case of bank-administered funds, commercial bank mortgage departments may be in a specially favored position if they can provide a regular flow of quality mortgages over the years.

If, indeed, commercial banks do become increasingly interested in mortgage banking, they will test your competitive abilities. Because of their strong capital position, and their own portfolio activities, they are able to acquire and hold mortgages readily and thus maintain a ready inventory for sale. Moreover, because of their close supervision by state and Federal supervisory bodies, investors feel little or no need to audit accounts being serviced for them or to be as directly concerned about their financial position as they are about less strongly capitalized mortgage servicers.

The challenge posed by savings and loan associations is of a different kind than that posed by commercial banks. These thrift institutions have, of course, always been a major source of competition for conventional home loans in local markets. No doubt they will continue to be. This competition is now being expanded, however, to national secondary markets through the technique of participation loans within the savings and loan industry. By this technique—developed only about 2½ years ago—all associations are enabled to participate in loans originated in any part of the country. At the same time, local associations are able to originate a larger volume of business than they otherwise would. Thus, small savings and loan associations can service builders and borrowers more effectively than their own limited resources would permit. While the program is oriented mainly towards conventional loans, there has been some savings and loan participation activity in FHA and VA loans as well.

This new savings and loan participation program, which has expanded markedly since its inception, increases competition at both the local and national level. Further, it is not unlikely that this program will lead some associations to expand their activities to include outright sales of loans to other institutional investors. Current regulations limit such sales by savings and loan associations to 20% of their mortgage loan portfolios but this could still amount to a significant volume. Moreover, regulations can be changed. Loan participation activity, incidentally, is exempted from the 20% limitation and is permitted only within the savings and loan industry.

(2) *Competition from within the industry.* A second problem is one that comes from within your own industry. I raise it as a question: "Is the number of servicers now too large for mortgage banking as a whole to do its most effective job?" If this is a problem then it is, of course, of your own making. As a result of the exceptional opportunities offered by mortgage banking in the postwar years, an unusually large number of new firms were attracted to the industry. In the first five years after World War II, some 250 companies were organized. In the next five, nearly 200 more followed. Without taking account of the number organized since then—a number not known—companies added in the first postwar decade alone exceeded the number formed, and still in existence, in all the years since the turn of the century.

In considering the future of mortgage banking, the experience of other types of financial institutions may be of interest. In the decade or so after World War I the number of savings and loan associations, for example, expanded greatly as did the number of commercial banks. Subsequently, these financial institutions declined sharply in number to about half of their peak total. Of course, the depression had a great deal to do with the large number of failures, but consolidations and mergers also played a role. The fact is that many of the newer institutions would have been weeded out in any case because they were ill-equipped to survive under more normal competitive conditions.

Can a parallel be drawn here between the experience of these financial institutions and mortgage banking? I think it is a question worth pondering.

(3) *Problems of investors.* A third broad challenge to mortgage banking lies in the problems which confront investors as a result of present techniques of mortgage acquisition. Their problems are your challenges, for if not solved satisfactorily, new techniques, or different types of mortgage investment, will be sought which may ultimately reduce the function of mortgage banking.

Among the more vexing problems faced by mortgage investors is the long and uncertain time lag between mortgage commitment and acquisition. This is not a new problem, but age has not reduced its importance. Financial institutions often find it difficult to coordinate mortgage fund disbursements with cash flows. Cancellations as well as lags complicate investor planning operations and are costly as well as irritating.

A current and related question, not often discussed in public forum, concerns servicing fees. The relative urgency of this question is directly correlated with periods of credit stringency and generally rising capital market yields. Yield conscious investors, squeezed by ceiling rates on FHA and VA mortgages, are looking more closely at current service charges. The challenge to mortgage bankers is whether they can justify on sound financial grounds their current schedule of charges, or operate profitably on a somewhat reduced schedule.

While the question of appropriate service fees is raised most persistently in periods of tight money, it will remain before you now, I believe, until it is satisfactorily answered. I do not have any glib answers to suggest, because there are none. I do suggest, however, that the question can be resolved satisfactorily only on the basis of careful, empirical, study.

The whole question of competitive yields has led some institutional investors to turn increasingly to conventional loans—nonresidential as well as residential—and away from federally underwritten mortgages. Life insurance companies, in particular, have found nonresidential loans—commercial and industrial—well suited to their needs, with respect to flexible arrangements with borrowers, favorable yields, and large sums of money required. On residential properties, conventional loans have the advantage of flexible interest rates and less paper work compared with federally underwritten loans. For mortgage bankers to retain their volume of business, therefore, let alone expand it, they need to become more active in these markets.

(4) *Widening the area of market operations.* This leads me to a fourth and final broad challenge, that of widening your market area of operations, not only with respect to type of mortgage but also with respect to type of investor. Those of you who have read my study on "The Postwar Rise of Mortgage Companies" know that in recent years well over 80% of your loans closed were federally underwritten, and that about 95% of your loans sold were to life insurance companies and mutual savings banks.

Dependence on VA and FHA mortgage flows has made yours a feast and famine industry because of the widely fluctuating availability of such funds. These funds will continue to be volatile so long as the Federal Government maintains its unrealistic policy of inflexible interest rates on VA and FHA mortgages in the face of a flexible monetary policy and free interest rates on other capital market securities. This is not a new observation but is no less important now than it was in 1956 when I concluded my mortgage company study with this statement: "So long as mortgage companies continue to concentrate their activities in federally sponsored mortgages, they will be particularly vulnerable . . . to changing financial conditions and to unpredictable federal statutory and administrative changes."

Your almost complete dependence on life insurance companies and mutual savings banks as an outlet for mortgage loans is the other side of the coin of market narrowness. In earlier postwar years, the unusually rapid expansion of mortgage acquisitions by these investors was basic to your remarkable growth. With their mortgage portfolios built up from wartime lows and with other in-

*Continued on page 29*

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October 7, 1959.

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# Labor and Congress Must Face Rails' Competitive Realities

*By* Daniel P. Loomis,* *President, Association of American Railroads, Washington, D. C.*

**Rail spokesman is perturbed by Federal legislative stalling or sidetracking, compared to hopeful start Congress made a year ago, and is equally if not more perturbed by railroad labor leader's insistent refusal to hold new wages to gains in productivity and to end featherbedding. Convinced that railroading can achieve a great future, Mr. Loomis submits what should be done to permit rails to share in the economy's tremendous growth in the coming decade. He pictures where rails stand in trying to end "senseless old work rules"; terms it ironic that rails contribute to labor's strike fund; and signifies determination to resist labor's stand in making known the helpfulness of rails' new "service-interruption insurance program." In praising recent ICC favorable rate decision, Mr. Loomis stresses need to hold and reduce prices for more traffic and jobs.**

All railroads are fighting the same battle against patchwork policies of oppressive taxation, discriminatory regulation and government favoritism toward other carriers. And all have the same laudable objective — to achieve equality of treatment for all forms of transportation and to give the public the finest railroad service it is possibe to supply, at the lowest possible cost. Now, how far have we gone in attaining that goal this year?

Daniel P. Loomis

The answer is not encouraging. In fact, it seems to me that railroading has no more than barely held its own against those powerful political forces that continually demand selfish momentary gain at the expense of long-run general good. Anyone who doubts the political temper in this regard—the power of "the spenders"—need only look at what happened at this recent Congressional session to the old familiar Rivers and Harbors bill.

Not even a Presidential veto could head off the passage of a "pork - barrel" bill literally crammed with unsound and extravagant public works proposals. Special waterway interests rode rough-shod over arguments for the broad public interest and, despite another looming Federal budget deficit, again raided the Treasury of the taxpayers' dollars. Again, public funds were poured out for private gain. I don't think I am stretching a point when I call the annual spectacle thus staged a national disgrace.

But let's look at some of the other broad elements in the legislative picture. A year ago at this time the industry looked back to some legislative mileposts that seemed to chart the beginnings of a new era of equal treatment for all carriers. The Transportation Act of 1958 had just been passed. Congress had voted repeal of the onerous Federal excise tax on freight charges. And the Senate had adopted a resolution calling for detailed study of public policy problems affecting transportation.

### Stalled or Sidetracked

Now, in contrast, this movement to a better future seems to have been stalled or sidetracked. At this past session, we have witnessed passage of amendments boosting benefits and loading new costs on carriers under the Railroad Retirement and Unemployment Compensation acts. And we have had to mount vigorous efforts to forestall "make work" legislation and bills designed to dilute or destroy the train-off provisions of the 1958 Act. At the same time, the policy study charted by the Senate and the similar investigation projected by the Department of Commerce have barely begun to move toward their distant goals.

The plain fact is that our efforts this year have had to be devoted mostly to holding the line against adverse action — rather than to taking new strides forward. Yet, there is not the slightest doubt in my mind that those new strides **will** be taken. Wherever I go in this industry, and wherever I talk with railroaders, I am impressed again and again with the growing determination to correct government policy abuses.

In a very real sense, railroading is at a momentous, historic crossroads. The beginning of the 1960s is just a few weeks away. And that coming decade promises to be one of tremendous economic growth. The opportunities foreseeable challenge the imagination. Will railroading share in them?

### Can Achieve a Great Future

There is no question as to whether railroads are going to share in this great national growth. But we will have to fight —and perhaps fight bitterly—for every inch of ground we win. This is assured by the awesome expansion of carriers using to the hilt at low-cost or no-cost our publicly built highways, waterways and airports and airways.

As the vast interstate highway network moves toward completion, as bigger and better airports and deeper river channels are built, railroading will be challenged as never before. The industry could be subjected to competitive pressures that make even those almost unbearable ones of the present seem mild.

The situation is not a little reminiscent of that confronting the British in the darkest hours of World War II, when the Isles stood practically alone before Hitler's crushing juggernaut. It was then that Winston Churchill issued that famous call to his countrymen for "blood, sweat and tears." It seems to me that railroadmen will have to shed a lot of the same before we have firmly secured our position in the economy.

Admittedly, this is not a happy prospect. If we face up to the political realities of these times, however, it becomes clear that this is what confronts us.

This industry was born in the climate of freedom that has made for great deeds, great thoughts, great achievements. Over the decades railroads became the first large industry to come under regulation in the public interest. Then, as competitive rivals burgeoned all over the nation, we saw the noose of government control tighten until it reached the strangling point.

Now the pendulum must swing back. We must now fight with all our skill and strength for greater freedom to meet the nation's transport demands in today's climate of all-out competition. Greater freedom is essential to the greater accomplishments that lie ahead. By this, I don't mean just freedom from stifling regulation but also freedom from crushing taxation and freedom from discriminatory government promotion and subsidy for other carriers. Railroaders are tired of being forced to play the transportation game against others holding loaded dice.

If I might again paraphrase the words of that great British statesman, success for railroads in our time demands that we never stop fighting for a fair deal from government: We shall fight in the Congress, we shall fight in the regulatory agencies, we shall fight in the state houses and in the city halls, we shall fight in the courts; we will never give up.

Given that kind of fighting spirit, I know and you know where railroads will go from here. Given forceful action by government to equalize the competitive balance in transportation, railroads can themselves push forward with the improved services and low competitive prices that could launch railroading on a mammoth new expansion program. Far from seeing the twilight of the rails, we could be on the threshold of a new golden age of railroading — one of unprecedented traffic volume and undreamed-of levels of performance and service to the American people.

### Three Roles to Play

As I see it, management in this industry has three basic roles to play in this unfolding drama.

**First,** we must mount and push relentlessly a crusade for a fair deal from government.

**Second,** we must streamline plant and equipment even more and give shippers and travelers the kind of service at the kind of price that will hold and expand business.

**And third,** we must come to grips with the plague of featherbedding work practices that is eating away at the railroads' vitals, and build a new structure of cooperative employee-manager relations in railroading.

Any one of these areas could certainly take up at least my full time here today. Because of the imminent nature of the problem, however, I would like to give major attention in the minutes remaining to Point Three—the effort to wipe out the $500 million annual waste in pay for work not done or not needed.

### Critical Date of Oct. 31

Let me review the record as to the effort of the railroads to rid the industry and the economy of the millstone of make-work practices stemming from the old work rules. With an eye on expiration Oct. 31 of the three-year moratorium on work-rule changes, management last February invited the leaders of the five train-operating unions to join in asking the President to appoint a commission of unbiased citizens to study the work rules and to help revise and modernize them in a fair and equitable way. We felt that only with unquestionably objective outside help could this difficult and divisive issue be settled in a way that would protect the best interests of the public, the industry and railroad employees themselves. We also felt that the complexities of the problem and urgent need for solution demanded action well in advance of possible crisis.

You know now what followed. Closing their eyes to the fact that make-work practices have destroyed far more jobs than they ever "made," union leaders responded by saying they would have no part of such an appeal and that, indeed, they would oppose it all the way. This, of course, is exactly what they did when management took the only course open and unilaterally asked President Eisenhower to appoint a citiens' study group.

Ten days ago, the President replied in a letter to me that he could not at this time consider management's request. Recognizing that "there are important problems in this area of mutual concern to management and labor, as well as to the general public" the President expressed his hope that labor and management would exert every effort to settle the featherbed issue in direct negotiations.

We will of course do precisely that. W will leave no stone unturned in our efforts to cut away this cancerous growth that threatens the very existence of railroading as we know it today. As I said upon receiving the President's letter, and now repeat, "management will continue to explore every reasonable possibility that holds any promise of solving this perplexing problem without further hardship to the public."

### Labor's Strike Talk

Meanwhile, we have had to listen to outspoken talk by labor leaders of a strike to force acceptance of exorbitant new wage demands. This attitude certainly cannot be construed as improving the climate for sensible negotiations. Rail management, on the other hand, is determined to do everything possible to avert a transportation tie-up, with all the economic hardship and other painful consequences that would impose on the public. But we are equally determined to resist to the utmost the imposition of additional burdens on this hardest-hit industry, and to end the blight of featherbedding.

One of the new factors in this situation is that the railroads for the first time have the protection of a service-interruption insurance program. In event of a strike called in violation of the provisions of the Railway Labor Act or in defiance of recommendations of a Presidential Emergency Board, the insurance will provide payments to railroads covering fixed expenses. Such insurance guards a railroad against financial collapse and therefore protects the nation against the loss of essential rail transportation services.

I consider it only fair that railroads have so acted to protect themselves and the public from the devastating losses that result from work stoppages. It is ironic that at the same time, railroads are forced to finance—to indemnify or insure — strikes by their own employees. This almost-incredible state of affairs arises from a unique provision in Federal law on railroad unemployment insurance. Under this, railroad workers engaged in a "lawful" strike are paid up to $51 each week for as much as two years from a fund to which the railroads alone contribute.

There in brief is the picture of where we stand in this effort to inject some sense into the industry's senseless old work rules which are about as obsolete as a wood-burning steam locomotive. The torrent of union abuse that has been hurled at management for opening up this problem to public review and corrective action certainly makes the outlook less than encouraging.

### Hopes Labor Will Protect Their Real Interest

Yet we continue to hope—indeed, we trust—that labor leaders will, in their own self-interest, sit down with us and take common action on this uncommon problem.

We hope labor leaders will see the deadly boomerang they wield in their blind defense of inefficient work practices and their resistance to the drastic operating changes that must be made if the railroads are to stand up in the competitive battle for survival.

We hope they will recognize how all-powerful is the tidal wave of technological change sweeping throughout the economy, and cooperate with management in riding its crest to a better future.

Change is more than ever before the overriding rule of life. To attempt to cling to old machines, old ways of serving the public, old ways of doing jobs and drawing pay, is not only foolish: It can be fatal. The great oak that stood defiant and rigid in the wind is lesson enough for all of us.

In the face of the competitive realities of 1959 and the 1960s, railroading has no alternative but to wipe out featherbedding. It is no longer a question of whether we should or would like to. We absolutely **must!** If the railroads and the millions who work for them, invest in them and depend on their services, are to prosper and contribute in full measure to our dynamic America, drastic action will have to be taken to stop the bloodletting of make-work practices.

### I. C. C. Decision Praised

A few days ago the Interstate Commerce Commission handed down a major decision in the important "paint and varnish" freight rate reductions proposed a year ago by eastern railroads. The I. C. C. ruled in effect that it would not deny the compensatory and reasonable rate reductions proposed by the railroads simply on grounds that these might divert traffic from a trucker or other competitor. I cite this case only to emphasize that the path appears to be opening toward greater freedom for the railroads to give the public a fuller measure of the benefit of their ability to move great volumes at diminishing unit charges. If this is the case, and we assume it is for the good of the entire nation, it means the railroads

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must now do everything in their power not merely to hold the line on their prices but to cut them wherever possible. This is our great key to the future, and we will use it to the best of our ability.

Will labor leaders also see the light on this grim necessity to hold and reduce prices in a bid for more traffic and more jobs?

One wonders how far this realization has penetrated when the public is shown only indefensible new wage demands and death-like grip on featherbedding practices. I think it is time for labor leaders to stop, look and listen at this critical new crossroads, and to take action in their own self-interest that will help the industry and all railroad workers.

A new outlook on the true meaning of productivity is called for. Overdue is a firm labor resolve to keep its demands for wage gains in line wtih gains in productive effort. Labor can do the public no greater service than to start now to give more than lip-service to the need to rein in on inflation.

**Cites a Few Facts**

I won't belabor this point, but I would like to cite a few facts as to what labor's insatiable appetite for more and more of the fruits of productive work have meant in the recent past. Between the beginning of the postwar inflationary spiral in 1945 and 1953, according to Interstate Commerce Commission reports, the amount of transportation service turned out by the nation's railroads for each hour employees were paid rose by 54%. Yet average compensation per hour rose 157%, or almost **three times** as much. As a result, work performed per dollar of compensation — the only realistic measure of productivity — **declined 40% below the 1945 level.**

The ominous price-inflating consequences of these outsized increases in labor costs lie in the substantial increases in railroad rates and charges over the years.

There, clearly, is seen the relationship between labor cost increases and price increases. The whole country is finally fully awake to and justifiably alarmed by these trends. Steel and other industries are now bending mighty efforts to come to grips with this problem. Yet these others may still be able to pass some new labor cost increases along to the public in the form of price increases — even though they are trying mightily **not** to do so in the national interest. For railroads, on the other hand, holding the price line has become a matter of the utmost importance.

It is important for union leaders to take into account the simple concept of this industry's **inability to pay.** Labor leaders talk glibly to the effect that "railroads are rolling in profits." Meanwhile, the industry's rate of return on net investment in 1958 sank to 2.76%, 19 major lines operated in the red, and railroads achieved the dubious distinction of being ranked at the bottom of the list, profit-wise, among America's 65 major industries. And, lest people might consider 1958 an abnormal year, it should be pointed out that even in the **best** postwar year, railroad earnings have not been as good as any other major industry group made in its **worst** year.

**Steel Strike Did Not Help**

As the present year unfolded, railroads began to stage a recovery, only to run into new blows from the steel strike. Losses in carloadings and revenues are pushing operations even below the depressed 1958 level. In the face of this increasingly critical situation, labor leaders with a straight face have proposed new wage and fringe benefits that would load railroads with new cost increases totaling a fantastic three-quarters of a billion dollars a year. Such extreme demands make me wonder sometimes about the future of collective bargaining in America.

There is nothing mysterious about this industry's financial troubles. They are pointed up by simple kindergarten-level economics. And the moral is so obvious that it is almost absurd to cite it. There is not a railroad official in the country who does not cling to the hope that labor leaders will begin to comprehend these realities—and sit down with us in taking cooperative, hardheaded action to solve our common problems while there is still a chance. Here truly is a call to the utlimate in labor statesmanship . . . a call to rise out of the mud of petty wrangling and name calling . . . a call to greatness.

*An address by Mr. Loomis before the American Short Line Railroad Association, Washington, D. C., Sept. 22, 1959.

## A. C. Allyn & Co. Absorbs Atwill & Co.

CHICAGO, Ill. — A. C. Allyn & Co., a leading nationwide investment organization, and Atwill and Company, Inc., Miami Beach, Fla., have joined forces in a move initiating an expansion program for Allyn in Florida.

Atwill becomes the Miami Beach office of A. C. Allyn & Co., members of the New York Stock Exchange, marking the 28th city in which Allyn has offices and the firm's first entry into the Southeast area.

"Miami Beach will be one of our major offices, along with Chicago, New York and Boston," according to A. C. Allyn and J. Douglas Casey, senior partners of A. C. Allyn & Co. "We will expand facilities with a new, modern office in the Miami Beach Federal Building about November 1st and we have definite plans for offices in other Florida cities, including Ft. Lauderdale and Pompano Beach, in the near future," Mr. Casey said.

The established position of Atwill and Company, Inc. as an active leader among Florida municipal bond houses, will be maintained and strengthened, according to Mr. Casey. Wm. Atwill, Jr., founder of the Atwill firm, has been admitted as a general partner in A. C. Allyn & Co. and elected a Vice-President of A. C. Allyn and Company, Incorporated, the investment banking firm affiliated with A. C. Allyn & Co.

William S. Baren has also joined A. C. Allyn's Miami Beach office.

## N. Y. Bond Club to Hear Adm. Radford

Admiral Arthur W. Radford, U.S.N. (Ret.) will speak before The Bond Club of New York at a luncheon meeting on Tuesday, Oct. 13 at The Bankers Club, William B. Chappell, First Boston Corp., Bond Club President, has announced. The Admiral served as Chairman of the Joint Chiefs of Staff in Washington during the years 1953-1957.

## Form Domax Securities

Domax Securities Corporation has been formed with offices at 305 West End Avenue, New York City, to engage in a securities business. Officers are Samuel Sockol, President; Louis Adler, Vice-President, and Marvin Greenspan, Secretary-Treasurer.

## Mitchum, Jones to Admit L. J. Zitnik

LOS ANGELES, Calif.—On October 15 Louis J. Zitnik will become a partner in Mitchum, Jones & Templeton, 650 South Spring St., members of the New York and Pacific Coast Stock Exchanges.

# The Trend of Things to Come

*By* Roger W. Babson

**Dean of American financial writers foresees Central Europe's emergence as an industrial mass producer competing world-wide at lower prices than ours; reports Germany is convinced our high-priced labor will price us out of competition in many lines; and takes a swift look at the new products and the social and political systems of the future.**

WEST GERMANY — I have been in Europe only two weeks; but I am astonished at the trend everywhere toward more social equality.

(1) **Cheap Power.** One of the exceptions to the general price rise is the cost of power. Profound changes in power production and distribution are being planned. It is not yet certain whether atomic energy or the sun's rays, or gravity, will be the chief source to make inexpensive power. When the scientists here refer to "sun rays," they have in mind "electric rays" not "heat rays."

Roger W. Babson

(2) **Trade and Automation.** Central Europe is undergoing its biggest industrial transformation in history; it will become an effective mass producer by the mid-1960s, spurred on by Russia, it may be able to market its products all over the world at prices we cannot match. Germans believe our high cost of labor will price us out of competition in many lines.

(3) **Industrial Growth.** These trends necessarily imply the birth of countless new industries. Firms engaged in atomic development, electronics, and new synthetic materials, which will do jobs better and cheaper, will be the leaders of the coming era. Some of today's big U. S. corporations already see the handwriting on the wall and are building plants here. Germany convinces me that the degree of change in both products and methods of production will be more radical in the next 20 years than in the entire past century.

(4) **New Products of the Future.** If World War III is avoided, Russian and Central European science will be able to produce synthetically in the next quarter century almost any product that the human mind can now envision. Family autos will be powered either electrically or by a fuel cell which combines free oxygen and hydrogen. Ocean and air travel between all countries will be very cheap and will be encouraged by the United Nations.

(5) **Changes in the Home.** Atomic irradiation will have taken the place of refrigeration. Electronic home and restaurant cooking will be almost instantaneous. Everyday meals will be served on plastic throw-away dinnerware. Washing of clothes, kitchen utensils, and silverware as well as certain industrial cleaining jobs, will be done by "sound waves" in waterless washers. Most homes will be dust and germ-free, and will be heated and air conditioned evenly and inexpensively. Some apparel — socks, underwear, and dress shirts—are now being designed for one-time use.

(6) **New TV and Radio-Photos.** Favorite TV programs are being picked up by using timing devices and stored on video tape for viewing at the individual's leisure. Great Britain is already planning for TV broadcasting in color, and which may be three-dimensional. A small pocket radio telephone can be used for ordinary communication. Facsimile will provide householders with top news stories as fast as radio. The photo-telephone will be widely used for shopping from the home and will serve for "synthetic" social calling. Radio telephones in cars will be standard equipment.

(7) **Social and Economic Life.** In the next 50 years, most—if not all—of the world's poverty will have been eliminated. Great Britain and most European countries —and perhaps the United States—will have seen the socialization of many industries. These governments will surely exercise strict controls over materials allocation, production, distribution, advertising, profit margins, speculation, and credit. Taxes will be more confiscatory. Capital gains and inheritance are being taxed at a higher rate than ordinary income. Private property and the right to wealth will still be respected, but all governments will have much greater power to supervise its use. This will probably mean a move away from free enterprise toward "cradle-to-grave" security for all, following Russia's example.

The standard work week may be shortened more; but competition between nations may keep labor unions from now going much further in wage and hour demands. Free medical and hospital care will be available to everyone. Also, free college educations will be offered to all who qualify therefor.

(8) **City vs. Suburban Growth.** Closed-circuit TV inspection of streets, alleys, building and hotel corridors, schools, and other public spaces should reduce crime. Urban areas will be undergoing redevelopment to provide more office space, wholesale trade centers, limited in-town housing, and entertainment. Retailing will mostly have moved to outlying areas with more one-stop shopping centers. City limits will extend 15-30 miles from present metropolitan limits. Probably people will be more regimented, but at all levels of incomes they will enjoy more of the comforts, conveniences, and pleasures of life.

(9) **German Population and Economic Growth.** The phenomenal rise of the German economy since World War II, from the rubble of near-obliteration, is proof of the economic power and potential of this country. In the past decade, Germany's output has more than doubled and its Gross National Product almost tripled. This year, however, the great postwar boom appears to be leveling off. Although the major force of the economic explosion brought on by the reconstruction of Europe may now be over, the European economy should continue to grow with a greater concentration on world markets. Already in the past decade Germany's value of exports has increased four-fold. I will write more on this subject later.

## With Paine, Webber

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Melvin V. Breitweg and Ellwood W. Lewis are now connected with Paine, Webber, Jackson & Curtis, Union Commerce Building. Mr. Lewis was formerly with Merrill Lynch, Pierce, Fenner & Smith, Inc.

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# Considerations Determining a Trustee's Investment Policy

By Guerry Snowden,* Vice-President and Trust Officer, The South Carolina National Bank, Greenville, S. C.

**A check list of what factors should not control investment decisions is presented with particular reference to the younger trust or investment officer, and to those who are too busy to be completely thorough. Above all, Mr. Snowden warns, the exercise of one's judgment to strive for the best performance should not be cluttered by outside influences and irrelevant factors.**

We live in an era of positives. We are told that we must have a positive approach to all our problems, that our new business activities must be based on a positive sales program, and that our entire outlook must have a positive hue. In fact, a noted author has written a volume on the power of positive thinking, and even the song writer tells us to accentuate the positive.

Guerry Snowden

It is certainly understandable, therefore, that this positive emphasis should be carried over into the realm of trust administration and investment manager. To the extent that this results in alert, aggressive, and enlightened policies as distinguished from a passive attitude, this is all to the good. On the other hand, we do not want to overlook a few negatives about which we should have some concern.

Have you ever stopped to consider how many different ways there are to invest trust funds—how many kinds of investments there are? If so, you probably have reached the conclusion that trust investment men must have a broader knowledge and greater versatility than any other institutional or individual investors. Have you ever paused to realize that rarely do two different trusts have identical investment objectives? All the trusts under the supervision of each of your trust departments were created at different times, in different investment climates, for different purposes; they are of different sizes; they embrace a wide range of tax problems—and many have no tax problems at all; they will be of different durations and will have varying requirements for liquidity as well as varying limitations on investment authority.

All this points to just one thing, and that is that unfortunately we cannot design a die from which investment policies can be stamped out and uniformly used for all our trusts, thus safeguarding us from any error or embarrassment. Opportunities for nonpositive influences to creep into the picture appear with disconcerting frequency.

What are some of the negatives we should watch out for? Or phrased another way, what factors should not control investment decisions? There are a wide number and variety of pitfalls, but I have picked out for comment only a few which seem especially deserving of attention.

## Opinions or Desires of Well-Meaning Outsiders

A first one we note is the opinion, desire, or whim of a trust beneficiary or member of his family. We frequently find that our good friends in this category have picked up information concerning nice high-yielding bonds (probably with a very unimpressive record of fixed-charge coverage over the years) or a special situation in some stock or industry their brokers have been talking about. Although these good friends may be well-meaning and sincere, they are not investment experts and their suggestions are unlikely to be of trust investment calibre.

We can even be assured by the grantor that he, the beneficiary, and all others having interests in a trust will agree to such a purchase and would never criticize the trustee for having bought the particular issue in question, so there should be no reason for the trustee to hesitate on the purchase. There are two flaws in this line of reasoning. First, in many trusts you cannot always identify all who have an interest. An untimely or unexpected death of a designated remainderman may bring others into the picture who can later criticize the trustee or who at least may suffer from such investment decisions. Secondly, where investment authority rests with the trustee alone, it is logical that investment decisions should be made by the trustee alone. The trustee's sound judgment and discretion were presumably among the reasons for his selection by the grantor or testator. If the influence of well-meaning but uninformed outsiders is allowed to sway investment decisions, the trustee is abdicating its responsibility. Furthermore, it seems to me that a substitution of the judgment of others in the place of our own involves a loss of self-respect and can indicate a lack of self-confidence.

## Tax Considerations

A second negative to consider is this: Don't let tax factors completely control your investment program. We have two situations to watch out for in this connection. The first is a reluctance to make sound investment changes simply because there is a resulting income tax cost. It may frequently be better to pay a capital gains tax and upgrade a trust's portfolio rather than to retain an investment of less than trust quality simply because its sale would result in a taxable gain. The second situation requiring a degree of caution is an eagerness to take losses purely for tax purposes in portfolios which from an investment standpoint should remain undisturbed.

The procedure of providing investment and administrative officers and members of trust committees with up-to-date gain and loss positions of accounts being reviewed is a valuable and necessary one. Obviously, the gain or loss position of a trust should be taken into account in planning investment action; and often changes for tax purposes can be made without substantially altering the investment position of an account. On the other hand, there are times when you can't duplicate the quality or reinstate the balance you had before the switch. Intelligent investment supervision requires looking at the tax picture, but tax factors should not be the tail which wags the dog.

## Fashion

A third factor which should not determine investment policies and decisions is "fashion." Perhaps the best example of this was the rush to buy turnpike bonds several years ago. Apparently, you were not considered a sophisticated investor if you weren't buying these turnpikes, and it didn't seem to make much difference which ones. After all, where else could you get such attractive yields—and taxfree too? Those having a more sober view were not surprised to find when the excitement was over that the qualities of turnpike issues varied just like everything else.

This business of fashion came to my attention again just recently when I heard a security dealer mention a chemical stock as being back in style again. In this particular instance, his choice of the word "style" was inappropriate as there have been good reasons based on fundamentals for a renewal of interest in the particular issue in the last few months. However, we are all aware that there appear to be fads and cycles in the popularity of industries and companies. At the risk of appearing "out of step," we may have to sit out some of these fads.

## Outside Approval

A fourth factor influencing investments which I believe we should try to avoid is the arrangement where the trustee appears to have full investment authority but nevertheless has to clear with some one else. We see this occasionally in pension and profit-sharing trusts where investment recommendations of the trustee must be cleared through an advisory or administrative committee before orders can be executed. We also see it sometimes in other trusts where the trustee recommends, but is required to clear with the grantor, his lawyer, wife, or some other person before acting. Arrangements of these kinds can probably be attributed to two factors. First, those creating the trusts seem to feel that they are somehow shirking a duty if they don't retain some control over or interest in the investment program. Secondly, no doubt more true years ago than now, trustees lacked confidence in themselves in the field of investments and were glad to have some one with whom responsibility could be shared.

Under this type of investment provision, the trustee for all practical purposes has full responsibility and yet does not have complete authority, an unwholesome state of affairs at any time. All concerned will look to the trustee to take the initiative in exercising judgment and making recommendations, and as to the physical details of preparing adequate tabulations and reviews. It is unfair for the trustees to have this burden without having commensurate authority and freedom to act.

As a practical matter, it is a case of having nothing to gain and a lot to lose. If investment performance should prove to be mediocre or poor, the trustee will get the blame, whereas if the record is a good or excellent one, the other parties will be quick to take most of the credit. If we have sufficient confidence in our own trust departments and do the right kind of selling job, we should be able to persuade our clients and prospects to give us complete investment authority. Those who have little or no time to keep abreast of developments affecting investments should be glad to turn the management of funds completely over to the trustee. This should be one of our strongest selling points, not one of the weakest.

## Convenience and Accommodation

Five: this factor is such an obvious one, and one which is so frequently discussed, that I won't dwell on it; but I do not intend to minimize the importance of it. That is, we should never make an investment decision, however important or trivial, based upon the convenience of the bank or the accommodation of a commercial bank customer. To do this constitutes a serious breach of our fiduciary responsibility. Reverting to the positive for a moment, we can point out that policies and procedures which contribute to the overall efficiency of a trust department operation will actually benefit indirectly every trust under its administration. With this in mind, there may be some justification for avoiding types of investments which will slow down your operation or render it inefficient. This is not the same as saying that convenience should determine individual decisions as, for example, we should of course dispose of such-and-such a piece of real estate irrespective of its investment merit, simply because it is difficult and cumbersome to handle.

## The Line of Least Resistance

A sixth temptation we are sometimes confronted with is that of following the line of least resistance. There's something nice and comfortable about the *status quo* for instance; and if it should be disturbed by a bond call or redemption, it is very easy simply to dismiss the problem by reinvesting in another similar type bond. Yet conditions and circumstances may have changed since the original investment was made or since the last review date; and while acquiring a similar issue may be all right, it is also possible that a different type of investment would now be more suitable. It is also very easy with a sweeping gesture to treat all rights alike. Exercise 'em all (assuming cash is available) or sell 'em all. This is much easier and quicker than giving individual attention to each account! Another point—there seems to be something sacrosanct about round lots, and there can be a tendency to base purchases and sales on the lofty objective of maintaining 100 share lots rather than on a true effort to balance the investments in your trusts. This will be more harmful in smaller trusts, of course, than in larger ones; and I think fortunately this tendency is less pronounced among corporate trustees and investment supervisors than it is among co-trustees, advisory committees, and others who have a voice in trust investments.

We should also avoid the feeling that less responsibility somehow attaches to securities which were received in kind than to those which we ourselves have placed in our accounts. I suppose the reasoning is that these were securities which the grantor or testator was satisfied to buy and own, and therefore who are we to superimpose our judgement on his? I am sure all of us see the weakness of this contention. Unless a trust instrument specifies to the contrary, we can't justify an assumption of responsibility for only a part of a fund, leaving the balance to shift for itself.

At a recent meeting of a civic club in Greenville, the guest speaker, a congressman, stated that the greatest danger to our country today is "complacency and indifference." While this has become a well worn cliche in political circles, I believe it is appropriate in our discussion, particularly as we dwell on this point of following the line of least resistance in investment supervision of trust funds.

## Incomplete Information

Finally, we should withstand the temptation of being influenced by impressive but incomplete information, and I think this tendency is more apt to be found in the field of municipal bond investments than elsewhere. The advantages of municipals in certain types of accounts are readily apparent. What is not so evident to many bond buyers is the fact that there are wide variations in quality of taxfree obligations just as there are in all other investment media. They are also similar to other securities in that there are certain tests and ratios which can be applied in determining the quality or suitability of bonds being considered for purchase. Strangely enough, many of these tests are frequently ignored by bond buyers, who instead are satisfied to put complete reliance on the name of the issuing body, a rating which may have been accorded by investment services, or on the assurance of security dealers. For the most part, these have proven to be satisfactory and sufficient, and I have no intention of minimizing their helpfulness. Nevertheless, supporting data for bond purchases in our investment files may be rather skimpy as a result.

Closely related to this is the reliance upon lists of securities which reach us from various sources. You have all seen pamphlets consisting of lists of stocks grouped into certain classifications: conservative high yielding, moderate income and growth, "should be bought," "may be held," and so on. Such lists come from various investment services and security dealers, or they may even be the products of our own trust or investment departments. Although these lists do not purport to be foolproof guides, reliance upon them may increase to a degree which was never intended. They are helpful only if the basic information behind the companies listed is continuously followed and revised as needed.

## Conclusion

In conclusion may I observe that these are matters of frequent experience and common knowledge to most trust men. It is no secret that investment and administrative officers are faced with difficult problems and awkward situations for which there is not always an easy way out or a solution to be graciously reached. Frankly, this discussion

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NEW ISSUE October 5, 1959

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is not really designed for the average experienced trust or investment officer, as he has met and resisted these temptations many times. Some of these thoughts, on the other hand, may well be passed along to the younger men in our departments who are progressing up to positions of ultimate responsibility and even to some members of our trust committees whose busy schedules may prevent them from always giving the closest scrutiny and consideration to all trust department policies and decisions.

If we were to draw from this discussion a single point, I suppose it would be this: Our reputations and our standing in our profession will be determined by our performances. Therefore, we have a duty to ourselves and to our banks to follow our own best judgment in our efforts to strive for the best performance. I realize, of course, that we all have business on the books limiting or dividing our authority with respect to investment supervision. Where full authority and responsibility rest on our shoulders, however, the exercise of our judgment should be uncluttered by outside influences and irrelevant factors. To follow any other course of action is to sow the seeds of inconsistency and disorder.

*An address by Mr. Snowden before the Second Southern Trust Conference sponsored by The Trust Division of the American Bankers Association, Birmingham, Ala.

## Brown Bros. Harriman Appoints New Manager

Brown Brothers Harriman & Co., 59 Wall Street, New York City, members of the New York Stock Exchange, has announced the appointment of Walter H. Brown as a Manager of the Firm. Mr. Brown was formerly a Vice-President in the Foreign Division of the New York Trust Co. and more recently has been a Vice-President of the Chemical Bank New York Trust Co. He will have executive responsibilities in the general banking operations of the firm with particular emphasis in the international field.

Walter H. Brown

## Jacobus Partner In Shaw, Hooker

SAN FRANCISCO, Calif.—Melvin S. Jacobus, well known Bay Area CPA and management consultant, has been admitted to a general partnership in Shaw, Hooker & Co., 1 Montgomery Street, members of the Pacific Coast Stock Exchange, it was announced by Arthur Gambarasi, general partner of the firm.

A graduate of the University of California, Mr. Jacobus headed his own CPA firm for 27 years. He has also served as a management consultant for several investment companies, both here and in Phoenix, Ariz.

### With Ball, Burge

(Special to THE FINANCIAL CHRONICLE)

DAYTON, Ohio — Norbert M. Christensen has become affiliated with Ball, Burge & Kraus, 120 West Second Street.

### Now With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

DAYTON, Ohio — Robert P. Massie is now with Merrill Lynch, Pierce, Fenner & Smith Incorporated, American Building. He was formerly with Greene & Ladd.

# Economic Consequences of The British Election Results

*By Paul Einzig*

**Regardless of who wins today's election in Britain, Dr. Einzig arrays likely consequences to the London Stock Market, sterling and the balance of payments, employment and the price level in the event of either party's victory. Capitalizing on his long and intimate knowledge of the British economy and the direction of the political parties, the observer shows why, though the reasons differ, 1960 will be inflationary year—incomparably higher, in particular, if labor wins.**

*LONDON, England* — In order to be able to write about the economic prospects on the eve of the election one would have to possess an uncanny foresight about the election result, especially when the prospects are so obscure as they are in the present instance in Britain. A few weeks ago most people were inclined to assume that a Conservative victory was a certainty. In the meantime the public opinion surveys showed a noteworthy decline in the Conservative lead over Labor. So most people are now inclined to admit—to themselves at any rate—that the chances are about even. In the circumstances all I can do is to express my views about economic and financial prospects according to whether the Tories or the Socialists will win.

Paul Einzig

Immediate reaction to a Conservative victory — by which I mean the emergence of a working majority for Mr. Macmillan's Government, even if it should be smaller than in the last Parliament—would be a firm trend in sterling, regardless of the seasonal factor. During recent weeks American banks, discounting a Tory victory, have been buying forward sterling for delivery on Oct. 9, the day when the election results will become known. There is bound to be a demand for sterling as soon as the election results make it clear that the Conservatives would continue in office for another five years.

Apart from the psychological effect of such a result, there would be a strong demand for British securities by American and other overseas investors. During recent weeks almost all economic indices were distinctly favorable for a boom, and the only consideration which prevented investors at home and abroad from buying on a large scale was the fear that the Labor Party might win. Once that fear is removed there is bound to be a boom on the London Stock Exchange, and many investors abroad would hasten to take advantage of it.

The result would be a sharp increase in the gold reserve which has been creeping up gradually during 1959. Such a strengthening of the technical position would enable the authorities to lower the Bank rate, all the more so since the payment for the increased gold reserve would be accompanied by an expansion in the volume of Treasury Bills, which again would tend to increase the liquidity of the banks and would stimulate a credit expansion, leading to a decline in money rates in the London market.

Whether such an expansion would lead to a resumption of the rise in prices depends entirely on the outcome of the pending wage demands. It is possible, and even probable, that, under the influence of a Conservative victory, the industrial employers will stand firm against the unwarranted demands, preferring a major showdown to a resumption of the creeping inflation. Even so, under the stimulus of the expansion of production, overfull-employment would be bound to reappear, and competitive demand for labor would make it difficult to hold down wages. Judging by past experience it seems probable that wages would rise once more faster than the output, so that prices would resume eventually their upward trend. This would affect in due course the balance of payments, which has been remarkably favorable during the last two years or so.

### Consequences of a Socialist Victory

Let us now envisage a Socialist victory—that is, the emergence of a working majority for a Socialist Government. It would inevitable react unfavorably on sterling. The anticipation of a Tory victory has resulted in an over-bought position, so that there is likely to be some realizations of sterling by overseas holders. Much more important would be the effect of a flight of capital. Judging by public statements by the prospective Socialist Prime Minister and Chancellor of the Exchequer, they are under the illusion that they would be able to restore effective exchange control with a stroke of the pen. In fact the relaxation of exchange control in recent years has been accompanied by the dismantling of the big administrative machinery that is needed for running controls efficiently. Such a machinery cannot be restored overnight. Delay in its restoration would mean heavy pressure on sterling and heavy gold losses over a period of weeks, during which capital would be pouring out of the country.

The immediate effect of a Labor victory on the Stock Exchange would be bound to be adverse. Anticipation of anti-capitalist measures would induce a great many investors at home and abroad to sell out. The threat of "back-door nationalization" of all the best industrial firms by means of the purchase of their shares in the open market would induce genuine investors to realize their commitments, as they would not be in a very enviable position as minority shareholders in firms controlled by a Socialist Government. Practically all American favorites among British industrial equities are on the "danger list" of being surreptitiously nationalized by a Labor Government, unless American holdings are sufficiently substantial to insure respect for the right of minority holders.

Taking a longer view, persistent purchases by a Labor Government would tend to cause a rise in equities, and this rise would be stimulated by the certainty of a creeping (and perhaps no longer merely creeping) inflation. The Socialists have offered during the electoral campaign increasing bribes to the electorate in the form of larger expenditure and cuts in taxation. They pledged themselves not to raise income tax "in normal peace-time conditions," and even though the term "normal" is open to various interpretations there would have to be a fairly advanced degree of inflation before a Labor Government could claim that conditions are now sufficiently abnormal to dishonor the pledge.

Wage demands, too, would be encouraged by the return of a Labor Government, while employers, knowing that the official dice would now be loaded in favor of employees, would not be in a mood for a showdown. Excessive wage demands would be conceded, and before long the wage-price inflation would be once more in full swing. Its effect on the balance of payments would reinforce the pressure on sterling and the gold reserve would decline. Even though this would tend to cause a contraction of the credit basis, a Socialist Chancellor of the Exchequer, pledged to maintaining full employment at all costs, would have to ensure adequate credit for financing the expansion. It seems, therefore, that 1960 will be a year of inflation in Britain, even though the degree of inflation would be incomparably higher in case of a Labor victory.

### New Hutton Branch

HACKENSACK, N. J. — W. E. Hutton & Co. has opened a branch office at 337 Main Street, under the management of Edward P. Ward.

### J. Portugal Opens

John Portugal is engaging in a securities business from offices at 604 East Ninth Street, New York City, under the firm name of Mutual Fund Sales of Puerto Rico.

## Dr. H. J. King Joins American University

Dr. Harold J. King, regular consultant to the "Commercial and Financial Chronicle" on the Over-the-Counter Market since 1954, and on our full-time staff prior thereto, has joined the faculty of The American University, in Washington, D. C., as Professor of Business Administration. He is teaching Investment Analysis and Investment Banking. One of his classes is held in the Pentagon, and most of the students therein are officers of high rank.

Dr. Harold J. King

Dr. King, who received his Ph.D. in Economics from the University of Pittsburgh in 1941, started writing for the "Chronicle" two years later. Prior to joining our full-time staff in 1952 he had taught at the University of Pittsburgh, Louisiana State University, and Carnegie Institute of Technology. He had also served several Federal agencies on a consulting basis.

### R. S. Dickson Adds

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C.—John G. McCullen, Jr. has been added to the staff of R. S. Dickson & Co., Inc., Wachovia Bank Building.


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October 7, 1959.


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# New Foreign Aid Project

*By Hon. C. Douglas Dillon,* Under Secretary of State, and Alternate Governor of the World Bank for the United States*

**State Department's ranking economic official urges consummation of proposal for new agency, named International Development Association, to operate "multilaterally" in extension of loans to less developed countries. As an affiliate of the World Bank, it would make loans on easier terms, with repayments to be acceptable in local currencies. U. S. would add to the new fund's resources part of the foreign currencies in its possession, as proceeds of sale of surplus farm products abroad. Urges other industrialized countries to increase their long-term assistance to countries in need of capital.**

With few exceptions, the industrialized countries have been successful in achieving financial and monetary stability. However, many of the less developed countries have continued to be faced by serious inflation. Certain of these countries have courageously attacked the problem with broad stabilization measures, in which they were aided by substantial financial support from the International Monetary Fund and from individual member countries, including the United States. It has been our observation that a very significant factor in the success of these stabilization programs is the degree to which domestic economic development efforts are soundly conceived and efficiently administered. Here is an area in which the World Bank can and should play an increasingly active and useful role. Accordingly, we would welcome action both by the Bank and borrowing countries so that the Bank's services would be more widely utilized than heretofore in this respect.

C. Douglas Dillon

**"IDA"—The New Aid Policy**

President Eisenhower and Secretary Anderson, have already stated on behalf of the United States our desire to see established, as an affiliate of the Bank, an International Development Association. As all of you know, the United States has provided member governments with an outline setting forth our ideas regarding the desirable structure, capitalization and other aspects of this proposed new institution. I will not repeat these ideas here. They will in any case be discussed by the Executive Directors who, in formulating their recommendations, are being asked to take into account the views of all member governments. I would, however, like to make certain additional observations on the anticipated role of the IDA in the international lending field.

As we examine the formidable problems which face the less developed countries in overcoming the difficult economic conditions in which so many hundreds of millions of their people live today, we cannot help but be struck by this inescapable fact: If these countries are to be successful in their efforts, they must have access to capital from the industrialized countries over and above that which can be safely lent to them on normal banking terms or provided by private enterprise. The Bank itself has had to turn down many desirable development projects which could fully meet its technical requirements because—as a borrower in the private capital market—its loans must invariably meet high financial standards. The IDA is designed to assist the bank in meeting this problem by providing funds contributed by member governments which can be lent on flexible terms, including repayment in whole or in part in the currency of the borrower. The availability of even a marginal amount of such funds may often mean the difference between success or failure of a worthwhile project.

I would like to invite special attention to one aspect of the proposal we have put forward for an IDA. This is the suggestion that the IDA might use, in conjunction with its loans of convertible currencies, a certain amount of the so-called "local currencies" which have accumulated under our Agricultural Trade Development and Assistance Act, known popularly as P. L. 480. Any amounts of these currencies made available to the IDA would of course be over and above the capital subscription of the United States. Our thought is that such currencies might be used to meet the local costs of some of the projects financed by the IDA or, in appropriate cases, to pay for items related to IDA development projects which are to be imported from a country whose local currency is involved. The total amount of such local currencies which might be helpful to the IDA is difficult to estimate since there are recognized limitations on their uses. In any event, deposits of local currencies would be made to the account of the IDA only after full agreement among the IDA, the United States, and the country whose local currency would be released to the IDA.

**New Concept, Requires Discretion**

The IDA is a new concept in international lending institutions. It is important, therefore, that the Charter of the IDA leave a substantial measure of discretion to the institution itself to determine how its funds can best be spent, and on what terms. We would expect that the high technical standards of the World Bank would apply to loans made by the IDA. However, it may be appropriate in some circumstances for the IDA to consider, for example, financing pilot projects in some fields of social overhead of a type which contribute to productivity and development but which are not financed by the World Bank. This is an area in which expenditures in the currency of the borrower are likely to be required, and this could be one of the uses of the local currencies I mentioned earlier. In developing the pattern of its operations, we would expect the IDA to maintain the closest working relationships with the representatives of the less developed countries so as to ensure that its efforts will be directed to meeting the most important development needs in the best ways possible. Finally, we look upon the IDA as a proposal to increase the total flow of development capital to the less developed areas and not as a substitute for bilateral assistance from the industrialized countries.

It is our strong hope that the concept of the IDA will commend itself to the members of the Bank and that at our present annual meeting the Governors of the Bank will take action to authorize the Executive Directors to undertake the preparation of articles of agreement. This would be accomplished by adoption of the resolution which the United States has introduced in the Procedures Committee.

In his statement to the International Monetary Fund, Secretary Anderson has commented on the international payments position of the United States. This position of large deficits during the past 18 months has, of course, been matched by large surpluses elsewhere in the world—surpluses which have been heavily concentrated in the other industrialized countries whose reserves of gold and foreign exchange have steadily increased.

An important element in this situation has been the fact that the increase in the capacity of other industrialized countries to export to the less developed areas has not as yet been accompanied by a comparable increase in their exports of capital to these areas, whereas the United States has continued to maintain a large outflow of capital to these areas for both development and assistance purposes. As a result, the United States has continued to provide financing for imports into the less developed areas from other industrialized countries which many of the latter are now in a position to finance themselves.

The logic of the situation is, I think, clear, and we would hope that other industrialized countries in a position to do so will find methods of increasing their long-term development assistance to countries in need of capital. Through efforts of this kind we should be able both to meet in larger measure the needs of the less developed areas and contribute to better balance in world trade and payments.

*From statement by Mr. Dillon at the Annual Meeting of the World Bank and Fund, Washington, Sept. 30, 1959.

# John Sheehan V.-P. Of American Exchange

John J. Sheehan has been appointed a Vice-President of the American Stock Exchange, according to an announcement by Edward T. McCormick, Exchange President. Mr. Sheehan, a member of the market's public relations staff for the past 14 years, has been public relations director for the Exchange since 1950. He will function as Vice-President in charge of public relations.

John J. Sheehan

## Two With Carreau

Carreau & Company, members of the New York Stock Exchange, announce that Joseph M. Carminar and John Inglessis are now associated with them as registered representatives in their main office at 115 Broadway, New York City.

## Forms Robbins Planning

(Special to THE FINANCIAL CHRONICLE)

NEWTON, Mass. — Samuel M. Robbins is conducting a securities business from offices at 9 Howard Street under the firm name of Robbins Planning Company. He was formerly associated with Hayden, Stone & Co.

## Joins McDonald & Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Joseph H. Thomas has been added to the staff of McDonald & Company, Union Commerce Building, members of the New York and Midwest Stock Exchanges.

# The Threat to Our Own Common Market

**What about our own common market the Morgan Guaranty Trust Co. asks in reviewing what it considers as "one of the gravest threats" to our interstate commerce and future economic growth. That threat is shown to arise from the recently liberalized use of the state income tax on out-of-state companies doing "substantial" business within the taxing state.**

A prominent New York bank views with alarm the tremendous potential harm in store for our interstate trade. It reviews the steps already commenced by several states in taxing the income of out-of-state firms that do not own property or maintain regular business establishments within their borders. This, the Bank points out in its September monthly newsletter, the "Morgan Guaranty Survey," is a serious harbinger of what is to come and results from this year's Supreme Court decisions which extended the states' right to tax out-of-state companies income derived from interstate commerce.

The Morgan Guaranty Trust Company of New York concludes its review of the actual and potential damages in store for our economy by recommending Congress enact a law allowing states to tax interstate income "under carefully prescribed, uniform rules and limitations." It praises the existing stop gap legislation but explains what more is needed by way of a specific, uniform law.

Commenting on how "Europe works to achieve a common market" the "Survey" points out that "the United States finds its own threatened by a serious internal danger.

"Historically, America's nationwide free market has been credited with an indispensable part in promoting the growth and prosperity of the nation's economy. The system has worked well—so well, in fact, as to divert attention from certain developments that have been whittling away at the principle on which the system is based. There are more barriers to interstate trade than is commonly realized. Some have been erected by states in the exercise of their police powers. Others have been devised to promote the development of states' natural resources or to protect in-state industries. The most disturbing, currently, are those which have been multiplying in the form of state taxes on out-of-state business enterprises.

"Pushed by steadily rising expenses, states have increasingly used the income tax as a source of revenue and have sought ways of applying it to out-of-state companies doing business within their confines. Logical though the underlying principle may be, the result in practice has been a virtual crazy quilt of overlapping tax liabilities for companies doing an extensive interstate business. Now a set of Supreme Court decisions, greatly broadening the power of states to tax interstate commerce, have created the possibility of a real breakdown in the pattern of domestic trade in this country.

"Congress, empowered by the Constitution to regular commerce among the states, has acted belatedly to head off the potential fiasco. But the measures it has taken, while they serve a stopgap purpose, do not fully deal with the basic problem, which is that of preventing the strangulation of interstate commerce while preserving the right of individual states to raise the revenues they need.

**Law a "Tangled Undergrowth"**

"The limits of an individual state's taxing power have been the subject of litigation for at least 135 years. Because Congress has never exercised its power over interstate commerce in a comprehensive way, especially as to taxation by the states, the courts have been left to develop the law on a negative, case-by-case basis. The Supreme Court alone has handed down some 300 opinions on the subject. The result is what that body has called a 'tangled undergrowth of past cases,' leaving 'much room for controversy and confusion and little in the way of precise guides to the States in the exercise of their indispensable power of taxation.'

"The Supreme Court decided more than 40 years ago that a state tax on the net income of an in-state company did not of itself violate the constitutional limitations on state interference with interstate commerce, even though the taxed income was partly attributable to such commerce. A few years later another decision extended the principle to cover out-of-state companies carrying on 'substantial activities' within the taxing state.

"This development raised but did not answer two vital questions: What activities by an out-of-state company were 'substantial' enough to bring such a company within a state's taxing jurisdiction? And how should taxes on companies engaged in interstate business be apportioned among the states so as to prevent multiple taxation on the one hand and unfair tax avoidance on the other?

**Tax Scope Broadened Since War**

"Until recent years, states generally taxed upon those out-of-state companies that owned property or maintained regular business establishments within their borders. Merely soliciting orders or selling to customers in a certain state was not regarded as a basis for taxation. But as the states' revenue needs have grown—with expenditures quadrupling and debt increasing more than sixfold since World War II—some have sought to broaden their taxing jurisdiction over out-of-state companies. It was this attempt that gave rise to two key cases decided by the Supreme Court this year.

"In one of the cases, the court upheld a tax claim by the state of Minnesota against an Iowa cement manufacturer whose only business activity in Minnesota, aside from the solicitation of orders and the delivery of goods, was to maintain a rented sales office with two salesmen and a secretary. In another case covered by the same opinion, the state of Georgia was allowed to tax a Delaware corporation manufacturing valves and pipe fittings, though its principal office and plant were in Alabama and its only local business activity in Georgia was the operation of a sales-service office serving five states and staffed by a salesman, who devoted about a third of his time to soliciting orders in Georgia, and a full-time secretary.

"Six members of the court concurred in these decisions. They held that their position followed established precedents, but the dissenting justices contended that it broke new ground by permitting for the first time state taxation, and hence regulation, of exclusively interstate commerce.

"A week later, the court refused to review a decision by the Louisiana Supreme Court permitting that state to tax the income of a Kentucky distilling company which did not even maintain a sales office in Louisiana but merely had sales representatives soliciting orders from wholesalers and assisting the latter's salesmen in arranging advertising displays in retail stores. By refusing to review the case, the court left open

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the question whether an even more extreme version of the tax on out-of-state companies — one levied on a company not even having an office in the state—would ultimately be sustained.

### Action by Congress

"Reaction in Congress and elsewhere has made it clear that the court's decisions are regarded as greatly broadening the field of state taxation. Within two months after the decisions, three states—Idaho, Utah, and Tennessee—had amended their laws to take advantage of the new, or newly revealed, source of revenue. Sensing the potential harm to trade, the Senate's Select Committee on Small Business and the Finance Committee held public hearings on the problems created or aggravated by the decisions. And at least 11 bills were introduced in Congress to prohibit or limit state taxation of income derived from interstate commerce.

"The bill actually passed by Congress and sent to the President is of an emergency character, designed to "freeze" the situation and give time for the careful study that the problem requires. It provides that states shall not tax the income of out-of-state firms which do not maintain places of business within the state boundaries. And it directs the House Judiciary Committee and the Senate Finance Committee to study the problem and recommend permanent legislation by July 1, 1962.

"Aside from heading off the more extreme consequences implied in the Louisiana case, the legislation does little, even temporarily, to relieve interstate commerce of the effects of rampant state taxation. One of these effects, discussed by Justice Frankfurter in his dissenting opinion in the Minnesota and Georgia cases, is the burden of compliance. Justice Frankfurter pointed out that "there are thousands of relatively small or moderate size corporations doing exclusively interstate business spread over several States. To subject these corporations to a separate income tax in each of these States means that they will have to keep books, make returns, store records, and engage legal counsel, all to meet the divers and variegated tax laws of 49 States, with their different times for filing returns, different tax structures, different modes for determining 'net income,' and different, often conflicting, formulas of apportionment. This will involve large increases in bookkeeping, accounting, and legal paraphernalia to meet these new demands. The cost of such a farflung scheme for complying with the taxing requirements of the different States may well exceed the burden of the taxes themselves, especially in the case of small companies doing a small volume of business in several States."

### Parts Greater Than Whole

"The consequences of today's patchwork of state taxes were well illustrated at the Congressional hearings. The states use a variety of formulas in computing the share of a company's earnings they are entitled to tax. One witness testified that his company, subject to levy in some 30 different states, found itself taxed in the aggregate on more than 150% of its net income. Another pointed out that under present laws a sale negotiated in California, accepted in Connecticut, and delivered in Colorado is taxable in all three states. Another said that his company, in paying a tax of $1.51 to South Carolina in 1958, incurred administrative costs of approximately $15, in recognition of which the state allowed a discount of 5 cents. In the case of Georgia the tax was 67 cents, the cost was $36, and the discount was 2 cents. A representative of a trade association told of numerous instances in which member companies, in preparing California tax returns, paid auditors' fees far exceeding the amount of the tax, including one fee of $749.50 for a return showing an operating loss and hence no tax. A stamp and coin dealer said his company makes about 700,000 sales yearly, ranging from 35 cents to $2 each, and would be at a loss to comply with the tax laws of all the states to which the goods are sent, if those states should tax his sales.

"Also hanging over those who do interstate business is the threat of retroactive tax liability. One of the companies involved in the Supreme Court cases last winter was contesting assessments running from 1933 through 1948 and totaling about $102,000. If other state governments, encouraged by the court's decisions, should decide to assess taxes for previous years on the new and broader basis, they could expose companies doing an interstate business to staggering tax liabilities, along with almost prohibitive clerical costs and endless possibilities of litigation.

"The testimony of businessmen at the Congressional hearings reinforced Justice Frankfurter's warning that the difficulty of compliance is probably as great a threat to interstate commerce as is the fear of increased tax liability. The prospect of meeting the tax requirements of 50 states and an indefinite number of local governments is a formidable one.

"Approximately 36 states, the District of Columbia, and at least eight cities already have direct taxes on the net income of business concerns or franchise taxes based on net income. These taxes aggregate about a billion dollars a year. It is difficult to determine how many of these state and local tax laws, in their present form, can be made to apply to out-of-state companies, and under what conditions. As a practical matter, only a few states up until now have made serious efforts to tax out-of-state businesses on the basis of selling activities alone. In view of the Supreme Court's decisions, however, it will be surprising if there is not a widespread move in that direction.

### Balancing of Interests Required

"The task facing Congress is to draw up a set of rules that will permit the states to meet their revenue needs without unduly burdening interstate commerce. To ban all state taxation of income arising from interstate business would be neither practicable nor equitable: it would cut off a historic and badly needed source of revenue, and there is undeniable logic in the premise that a company with facilities in a state should pay some share of that state's governmental costs. The solution sometimes proposed, of letting the Federal Government do the taxing and distribute the proceeds among the states, would increase the financial dependence of the states on Washington, besides creating extremely complicated problems of apportionment.

"A more realistic course would be to permit the states to tax income derived from interstate commerce, but to do so only under carefully prescribed, uniform rules and limitations imposed by Congress. The stopgap legislation already passed makes a start in that direction. It permits a state to tax an out-of-state company only if the latter has a place of business, such as a warehouse or office, in the taxing state. Thus it upholds the Supreme Court's rulings in the Minnesota and Georgia cases, where the companies maintained sales offices, but disallows the state's claim in the Louisiana case, where no office was maintained in the state."

# Public Utility Securities

*BY OWEN ELY*

## Public Service Company of New Mexico

Public Service Company of New Mexico is developing into a "rapid growth" utility although the stock sells at only about 20 times earnings. Share earnings for the 12 months ended June 30 were $1.53, reflecting a gain of 24% over the previous period; and share earnings have more than doubled since 1953.

The company serves electricity to a population of approximately 280,000 in Albuquerque, Santa Fe, Las Vegas, Deming and surrounding areas in New Mexico. It also provides water services in Santa Fe and Las Vegas, which accounts for about 6% of revenues.

Albuquerque, the largest city in New Mexico, is the commercial center for a large area. Local industry includes the manufacture of bricks, cement, flour, sawmill products and machinery. Santa Fe, the capital and second largest city, is a tourist and resort center, as is also Las Vegas.

Electronics and atomic energy activities are also important; a number of Federal agencies and defense research organizations are located in the area. Other activities in the state include irrigation farming, cattle and sheep raising, cotton growing, lumbering, production of gas and oil, and mining of a number of non-ferrous metals, gold and silver, etc.

The area has grown very rapidly, with the population of Albuquerque increasing 173% during 1940-50; the metropolitan population is now estimated at 238,000 compared with only about 6,000 in 1900. The company's electric customers increased 75% during 1949-58; electric revenue of $13.7 million in 1958 were about three times as large as in 1949, and water revenues more than doubled.

A transmission line was completed between Albuquerque and Santa Fe in July 1958, providing for delivery of large blocks of power to the AEC installation at Los Alamos. Service was also inaugurated to the Ambrosia Lake area, the center of one of the largest uranium mining and milling operations in the U. S. A number of new industrial loads were obtained in 1958 and existing industrial customers in many cases increased the scope of their operations. One of these loads was a large cement plant to be completed in early 1959. Some 5,062 new residential electric customers were also connected in 1958.

The company's electric properties became completely integrated on Jan. 1, 1958. Base generation for the system is now furnished by the Reeves Station at Albuquerque with an estimated capability of 49,000 kw, which went into operation early in March; a second unit of the same size is scheduled for completion at Reeves late in 1960. Older units, with combined capability of 158,000 kw, will now be used mainly for reserve or standby. Generating plants normally use gas as fuel, which is purchased from Southern Union Gas Co. The company formerly paid 20c per mcf but a new rate schedule is now becoming effective with slightly higher prices.

Compared with present generating capability of 208,000 kw the company believes it will need 300,000 kw by 1963 and 500,000 kw by 1970. Construction expenditures last year approximated $11 million, an increase of nearly $3 million over 1957, which had set a record up to that time. This year expenditures are estimated at $10.5 million, and the same amount is scheduled for 1960; in the two following years construction may average about $8.4 million.

Capitalization at Dec. 31, 1958 was about 48% mortgage bonds, 10% debentures, 5% preferred stock and 37% common stock equity. Last year the company sold $11 million 4⅜% bonds privately and in April this year $5,400,000 5.25% preferred stock was marketed. Each share of preferred carried a detachable warrant to buy three common shares at a price of 31¾ from Oct. 1, 1959 to June 30, 1961, and 33¾ thereafter to July 1, 1963. The warrants became detachable recently but do not appear to be quoted as yet.

Earnings per share have shown a steady increase since 1953, as follows:

| | | Earnings | Percent Increase |
|---|---|---|---|
| 12 mos. ended June 30, | 1959 | $1.53 | 24% |
| Calendar year | 1958 | 1.39 | 16 |
| | 1957 | 1.20 | 5 |
| | 1956 | 1.14 | 16 |
| | 1955 | .98 | 2 |
| | 1954 | .96 | 28 |
| | 1953 | .75 | — |

Despite the gain in share earnings, percent earned on net plant account has declined rather sharply in recent years — from 8.3% in 1953 to 6.3% for the 12 months ended Sept. 30, 1958.

Dividends remained at 50c a share (after adjustment for a 2-for-1 split in 1952) in the period 1948-51; were raised to 56c in 1952-53, to 68c in 1954-56, to 77c in 1957 and to 80c in 1958 along with payment of a 5% stock dividend. The price of the common stock has increased from around 6 in 1948 to a high of 31 this year. At the recent price around 30½ in the over-counter market, the stock yields about 3% (payout is only 59%).

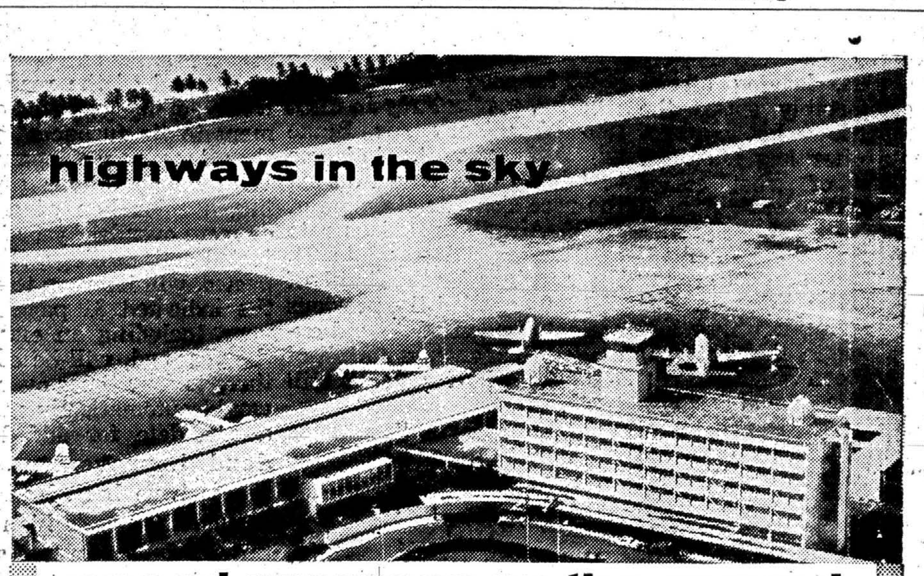
## Customers Brokers To Hold Meeting

On Oct. 13 the Association of Customers Brokers will hold an educational meeting at Schwartz Restaurant, at 4 p.m. This will be in the form of a forum on the stock market, including stocks to buy or sell now. Speakers will be Edmund W. Tabell, Walston & Co., Inc.; Sidney B. Lurie, Josephthal & Co.; and Alan Cornell Poole, Hemphill, Noyes & Co.

## Joins McDaniel Lewis

(Special to THE FINANCIAL CHRONICLE)

GREENSBORO, N. C. — Hal L. Simpson has become connected with McDaniel Lewis & Co., Jefferson Building.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More than a million passengers moved through Puerto Rico's International Airport in 1958. Nearly 39 million pounds of air freight were also handled last year. This ultra-modern airport, operated by the Puerto Rico Ports Authority, reflects the Commonwealth's swift evolution as a great trading center between North and South America, and a tropical resort of rare beauty.

Twenty minutes from downtown San Juan, International Airport is one of the world's finest. Its long "trade-wind runway" accommodates even the largest and fastest commercial jet planes. A dozen American and foreign airlines already serve Puerto Rico.

Puerto Rico's bonds are exempt from Federal and State income taxes. They are attracting a growing number of investors who seek a high degree of security combined with reasonable income yields.

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# The Market...and You

BY WALLACE STREETE

The steel strike weighed heavily on the stock market this week with general irregularity the pattern more times than not. For a change, rumors of a quick settlement were impotent as a rallying force.

The steel shortage was putting more and more of a pinch on industrial production to where most of the estimates of specific per-share earnings for the full year of 1959 were being revised downward or tossed away.

Pointing up the imponderables in the strike was the action of Acme Steel in postponing dividend action since there were no third quarter earnings or any indication of future profits for the directors to ponder in deciding on a disbursement. In the face of it, all the steel stocks were among the least affected in the list and held their ground with good determination.

### Vacillating Motors

Autos vacillated between high hopes for the new models and the threat that the strike would interfere with their production. They pursued an uncertain course, consequently. The court ruling permitting du Pont to continue to hold the 63 million shares of General Motors, losing only voting power, ended the threat of million-share dumping on the market and was hailed, but the glee was momentary and died out rather quickly.

* * *

Movements of the various stock averages were largely meaningless, leaving them still comfortably above the September lows, but in no position to offer any technical indications of what comes next.

### Oil Casualties Go On

Oils were the continuing casualties, the items in this section sagging into new low ground despite the fact that they have been well depressed earlier this year and at times were believed to have found a floor. In addition to the oversupply and sporadic price troubles in the petroleum business, the oils were also burdened with much talk of investment company lightening of their oil positions. These funds have been whittling down their oil holdings which have been their big stake ever since War II, and presumably the selling is still going on. All the talk and the new lows being posted made market opinion definitely cautious when it comes to the oils, a situation that will probably persist until the group shows more definite signs of having bottomed out.

### Value in a Neglected Area

With all the uncertainties in some of the key areas, the hunt was for good value in some of the neglected areas such as the farm equipment group. In this Deere & Co. had its staunch champions because, among other things, it has been on an upgrade in its profits picture for the last four years despite the recession. Preliminary estimates of its fiscal year profit, which ends on Oct. 31, indicate the best showing for the company since 1951, and improvement of some $2 over the previous year's $6 profit. That obviously leaves plenty of room for some more dividend largesse since the present indicated rate is $2 plus a year-end extra which was 37½ cents in the last declaration.

The September downturn in the general market was also felt a bit by Deere which sold a dozen points higher when the general market tone was better. It leaves it at a level where it is far from being overvalued by the traditional yardsticks. Furthermore, it offers an above-average yield that could be revised upward swiftly if the company adheres to its traditional pattern of paying out around 45 percent of the net income.

### Steel Strike Repercussions

The steel strike also cast something of a pall over the widespread predictions of year-end dividend liberality although the lists of candidates for good action was still lengthy, particularly in cases like New York Air Brake where the current rate is one that had to be shaved during the recession. In the case of N. Y. Air, the previous rate of $1.60 was dropped to $1. But earnings for the first half of 1959 equalled the previous annual dividend rate and exceeded the earnings for all of 1958 with half a year's still to go.

* * *

When it comes to yields the high returns are largely in the rails where investor disinterest has been so pronounced for so long. Kansas City Southern, which maintained its $4 rate ever since it was established in 1956, pays out less than half of consolidated earnings which gives it plenty of shelter. Its return is better than 5%. Yet the shares of this quality road have never since approached the peak of above 92 reached in 1956 and lately have been available at some 15 points discount from that high-water mark.

### Materials Issues in Demand

The materials handling issues are another that have been out of favor for some time but seem to be in a bit more demand now that all the emphasis in factories is on trimming costs to offset high labor charges.

* * *

Clark Equipment, for one, had a wide interest during the days when the prewar modernization fad was in high gear. It subsided after the shares were split in 1956 and only this year was able to post a peak above that set in the year of the split. In the meantime the company was able to show good growth, its sales and earnings about doubled in the last half dozen years. It, too, has been forced back a bit by the market slide and is available currently at about 10 points under this year's high.

### Coming Action of Steel Issues Debated

In the steels the debate was where the best rebound would come once the steel strike was settled, there being near agreement that there would be at least a momentary celebration. After that, however, there was plenty of skepticism over the trend of stock prices until there is some easing in the tight money market which, apparently, won't come before spring. One issue that was favored a bit widely was Detroit Steel, a medium-size producer but not as a rebound item since its labor contracts run on right through the strike.

Detroit Steel has been tightening up its operations and materially improving its earning power and is still not at the end of the road since it is adding oxygen equipment to its furnaces to further improve operations. With its operations continuing, a sales hop of a third or more over last year is projected and earnings, it is expected, will improve to where the indicated $1 payout this year, including an extra for the year-end, will be covered three to four times over. This would automatically make it a candidate for added dividend improvement. The shares have been holding around the year's high price but that only represents a 10-point improvement over the year's low. This seems to be a modest appraisal of the shift from a high-cost, marginal producer to a well-integrated supplier strategically located to serve the auto and appliance industries currently so hungry for steel supplies.

*[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.]*

# The Security I Like Best

*Continued from page 2*

sen. Thomas J. Watson Jr., President of International Business Machines, was recently added to the Board of Directors.

All divisions of Time, Inc., particularly in the field of timber, pulp, paper, folding cartons; their ownership and operations of television and radio stations in Minneapolis, Indianapolis, Grand Rapids and broadcasting stations in Denver and Salt Lake City; together with their substantial ownership in the new forty-eight story Time & Life Building in New York City are being operated with every assurance of current and profitable business for the future.

Time's principal publication, "Life" led all magazines in advertising revenues last year by a substantial margin and with this year's increased advertising budgets will show another increase in advertising revenues. Similar increases in revenues may be expected by Time, Inc.'s other publications — "Time," "Fortune," "Sports Illustrated," and "House & Home." Increased costs of operations are being offset by increases in advertising rates. "Time raised its rates in March 1959, "Fortune" in July, and "House & Home" in January, and "Life's" rates will be increased February 15, 1960 due to an increase in their circulation base of 6,500,000. They also project circulation of 7,000,000 copies a week in the early sixties." As advertising receipts are the main source of revenue, accounting for about 70% of total revenues, net earnings from all sources should surpass the earnings of $6.15 per share for 1957—the period just prior to the 1957-1958 so-called recession.

Advertising revenues for the international editions of "Time" and "Life" for the first half of 1959 were up 14% over the first half of 1958. During the full year of 1958 such revenues increased 4.5%. The additional increase occurring during 1959 reflects the excellent results that this company is receiving from their investment and activity in Canada, Japan, and other countries in Western Europe — as is also being evidenced in the operation of foreign subsidiaries by many other of our large U. S. corporations.

Another recent expansion—the publication of "Sports Illustrated," now only five years old — has shown impressive growth. The action in June 1958 whereby Canada rescinded the 20% tax on advertising revenues of certain magazines, including the Canada edition of "Time," made it possible for a reduction of advertising rates—thus placing "Time" in a more favorable competitive situation.

Dividend policy has been satisfactory with every assurance of continuance of the present $3.00 annual rate plus a year end extra payment that may range from 50c to $1.00 per share. Assuming the total dividends being paid during 1959 to be not less than $3.50 and up to $4.00 per share, the stock at the present price of 64-65 will provide a good yield of 4.60%. There are but a few comparable good grade stocks available with such a high rate of return and with unusual prospects for growth.

As Time, Inc. does business directly with the consuming public it is to the interest of the company to obtain additional stockholders and with the stock now selling at a level where it may be advisable to have a stock split (which invariably increases market activity in stocks when a stock split is imminent) it is possible that the Directors of the Time, Inc. may take such favorable action. If so, and based on the market action on substantially all stock splits of the past few years, their stock might easily jump ten to twenty points. It would not surprise the writer of this article to see the stock reach 100, based on a stock split and continued increase in net earnings as indicated in this review.

Earnings for the first six months ending June 30 were $3.09 per share and there is every possibility that the profits for the second half of 1959 will be higher with earnings estimated to be not less than $6.00 and as high as $7.00 per share. With other comparable stocks selling at 15-20 times earnings, the possibility of Time, Inc. selling at 100 per share should not be considered overly optimistic.

Most growth stocks do not provide a good yield based on today's high prices. This stock must be considered an exception due to its high current yield and with every possibility of continued growth and profitable operation.

Roy E. Larsen, President, stated in an address in March 1957, "The curves that magazines, growth follows are largely the curves of population, education and economics. All three are moving ahead. Magazines such as published by Time, Inc. are prepared to meet the demands of the better educated, better rewarded, and more alert citizen of the future. All my experience points inevitably to the conclusion that magazines will expand further in their influence and will get a correspondingly larger share of advertising revenues and circulation."

Statistics indicate that U. S. population will increase to well over 200,000,000 within the next ten years, and with incomes rising at approximately 4% per annum, educational levels are bound to continue to move up very rapidly. Increased educational standards and facilities and the improving tastes of the consumer present to publishers of good magazines a challenge and opportunity for substantial expansion even more significant than that of the post war years.

The increase that many analysts project for total business activity in the 1960's will be reflected for "Life" and their other magazines, not only in circulation but also in advertising growth. The management of "Life" and its suppliers have been jointly putting into effect an expansion quality improvement program that will cost over $60,000,000. A few points of activity along this line are the new paper mill largely devoted to "Life" paper now in its first year of operation at St. Francisville, Louisiana; their Springdale, Connecticut research laboratory is in the middle of a $6,000,000 research program, and plans are completed for the construction of another eastern printing plant for "Life." This will raise eastern printed copies from one million to two million per week with intended advantages of speed and distribution. The continuation of their long range program of reforestation of their timber acreage is creating additional value and assuring them of an ample supply of pulp to fill their paper requirements. Over 40 million seedlings were planted during 1957 and 1958. Current and future expansion should take care of the fast growing, large class of well educated consumers whose interests and tastes inevitably lead them to seek information—the kind of information that only magazines can supply.

A financial writer stated early in July "If you take 'Time' to put a little 'Life' in your investing, you might increase your 'Fortune'."

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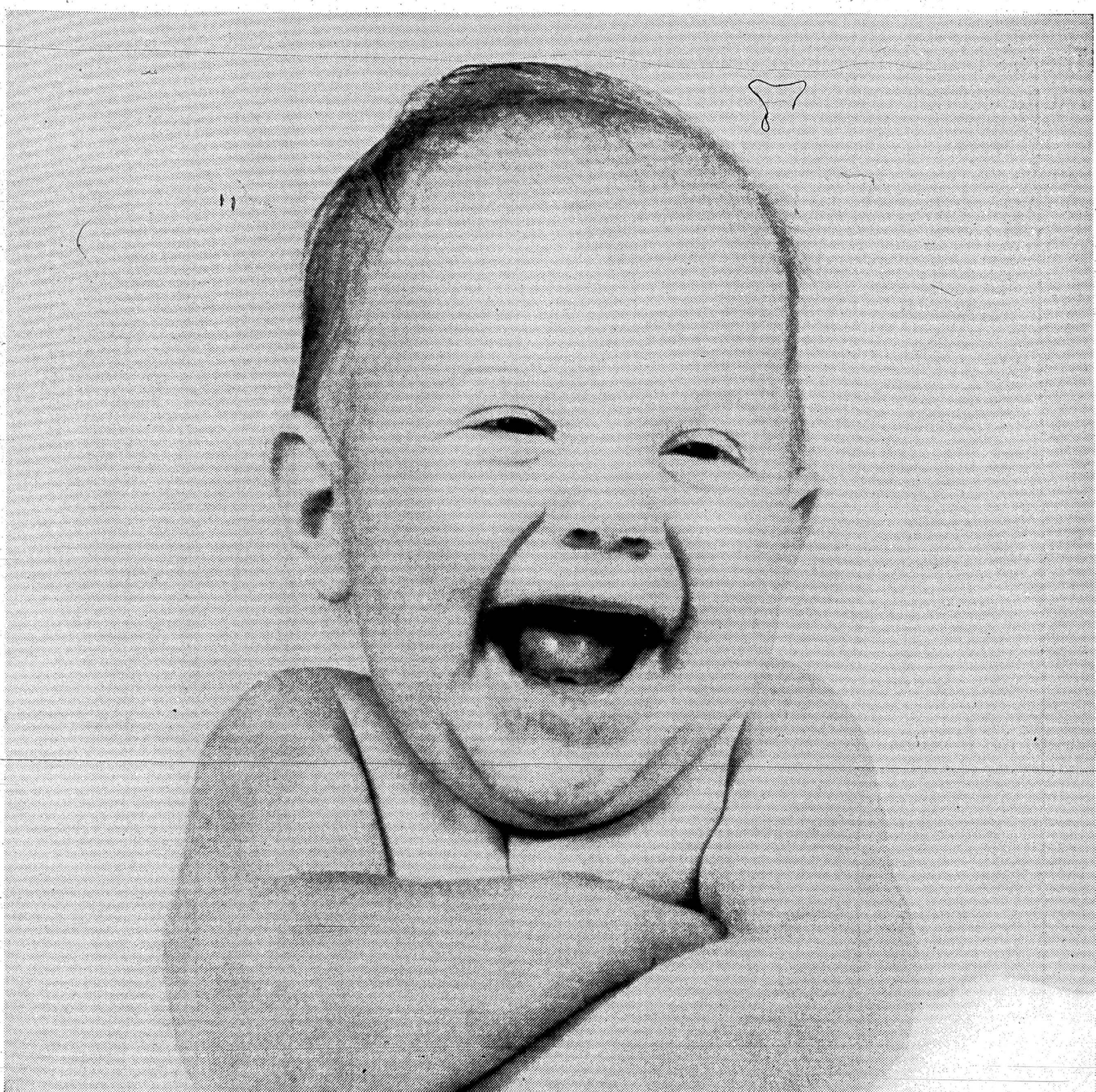

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# There's No Competition Between Mutual Funds and Life Insurance

*By* Edward B. Burr, C. L. U.,* *Chairman, Insurance Relations Committee, National Association of Investment Companies; Executive Vice-President, The One William Street Fund, Inc., New York City*

**Insurance men are assured by mutual funds' spokesman and peacemaker their respective products are not competitive, "neither is an adequate substitute for the other," and each has "important, exclusive uses . . . [which] are complementary, not competitive." Mr. Burr details what each industry is doing to stop irresponsible attacks on the other; pleads each has too big a job to do as it is; rebuts cliches critical of mutual funds; and discusses the problem of fair dual licensing in opposing sale of both life insurance and mutual funds by even a qualified salesman.**

Life insurance exists; mutual funds exist. Each business performs substantial services for thrift-minded people. Each business is sufficient unto itself; neither depends upon the other for its prosperity and neither has the desire or the capacity, I believe, to destroy the other. My grandchildren will surely own life insurance. They—and your grandchildren too, will probably own mutual funds.

Edward B. Burr

Why? Because each institution provides benefits and services that most people can't otherwise obtain. Much wider public ownership of both life insurance and mutual funds is inevitable and all the inter and intra-mural scrapping in the world will not stop the irresistible force of the public buying services they need and want.

But we are not living in the time of our grandchildren. We are living and working today, and today life insurance and mutual funds, in their relationship to each other, are riding over some of the rough spots on the road to a more brilliant, more harmonious future.

I regularly read the trade journals which report on each of these institutions. I have written and have acted as a public relations spokesman for each industry. I think I have seen all the competitive arguments — informed, uninformed and downright dishonest—that have been used by individuals in each industry in an effort to sell against the other.

Let us consider some of these arguments and some of the problems we have in common. Let's look at the nature of the apparent competition between our two businesses and the quality of some of the selling that is taking place in each.

### Their Competitiveness

Just how competitive are mutual funds and life insurance? Who is the greater competitor to us in the fund business—life insurance or television sets? Which is your larger competitor—mutual funds or automobiles?

Are these two products, mutual funds and life insurance, competitive at all? How useful is a mutual fund in creating an immediate estate or in guaranteeing dollar-sure income for widows, orphans or retired people? How useful is life insurance in providing investors an opportunity to participate in the risks and possible rewards of owning equity shares in an expanding national and world economy?

Does either of us have a do-all that meets all our needs in the realm of financial planning?

These products are not competitive. Neither is an adequate substitute for the other. There are important, exclusive uses for each in modern family and business financial planning and these uses are complementary, not competitive.

But sales people are competitive. From time to time insurance and mutual fund salesmen find themselves seeking the same customer at the same time. It is here that friction can develop; it is here that the highest character of selling and service is required of the field men in each industry if each industry is to preserve and maintain its deserved stature in the minds of the public.

### Dwells on Dual Licensing

Sales managers compete, too. I'd like here to go into a little detail, because I have been asked to state our views on dual licensing. Life insurance agents in the mind of a securities sales manager are a logical source of mutual fund salesmen. Is this surprising? Not really. Nor should it be surprising to the securities sales manager to learn that such canvassing is not appreciated by life insurance companies, general agents and managers. We, too, in mutual fund management deplore this kind of recruiting. We respect the right of home offices to require that their agents devote full time to the life insurance business. We do not blame them for getting disturbed by recruiting efforts of this kind.

But do they blame us for being disturbed by proposals that would make it possible for a life insurance agent to obtain a license to sell any other product or service except securities or mutual funds? Are we in favor of dual licensing? No. Are we opposed to any ban on dual licensing that singles out mutual funds as a "contaminating influence" on the life agent, but permits him to sell any other product or service? Of course we are opposed to such bans.

So it is at the selling level—sales management and field selling — that possible competition lies. Here we must both focus our careful attention because it is here we have the greatest contact with the most important judge to whose jurisdiction we are subject—the insuring and investing public.

There is no point in my discussing life insurance; my respect for the life insurance industry and its services is no less high than theirs. In long range family financial planning, life insurance almost always comes first, we are in agreement.

But how much do they know about mutual funds? I would like to consider some of the stock criticisms writers and speakers in the insurance business level at the mutual funds. Every business is the victim of such cliche criticisms.

### Cliches Used by Both Groups

Well do I remember some of the cliche criticisms I used to answer in behalf of the life insurance business:

—"they" confiscate your cash values;

—"they" charge you interest when they lend you your own money;

—"they" make terrific profits by using an outdated mortality table.

I have spoken out loudly against anyone in the securities business who uses these uninformed and dishonest cliches in an effort to undermine customer confidence in life insurance.

I deplore equally the cliche criticisms life insurance speakers and writers level at mutual funds. Here are a few. They are common, they are without validity; they are often dishonest; they shouldn't be used:

One cliche—"Mutual funds are a legalized racket."

Two factors make this accusation pretty silly. First, government agencies make it pretty tough for racketeers to enter or stay in your business or mine. No two industries are so closely or so thoroughly regulated in the public interest as these two. But aside from state-level supervision, mutual funds are also thoroughly policed by multiple agencies at the Federal level.

The second reason this cliche-charge is so silly is that so many life insurance company officials and agents serve as directors of mutual funds — and vice versa. Can the man who levels this charge at the fund business really mean it, when so many of us occupy responsible positions in the life insurance business, too?

Another favorite cliche criticism of mutual funds goes like this — "More than 1,000 mutual funds failed in 1929 and shortly thereafter."

The fact is that only five mutual funds existed in 1929; none failed. None failed in the 30s and, to my knowledge, none has ever failed in history.

Another cliche — "The professionals who run mutual funds are pretty unskilled; they can't even outperform the stock averages."

Actually, our portfolio people are pretty good. The fact is that the investment policies and objectives of most funds are quite specific and, in their specifics, differ dramatically from the make-up of the statistical averages. In short, the funds are quite unlike the averages and comparing them to the Dow-Jones 30 Stock Average or the Standard and Poor's 500 Stock Average is a comparison of apples and oranges.

Here's still another cliche—"Mutual funds are all right if you want to gamble in stocks and risk losing all your money." The fact is that you can gamble in stocks—witness the recent run-up in hot-shot sputnik stocks—but you can't gamble with a mutual fund—the wide diversification in a mutual fund eliminates any chance of gambler's risk or of gambler's profits. Here we have a real problem of vocabulary — the words "investment," "speculation" and "gambling" mean entirely different things to you and to us. We ought to try to understand each other's language—It's a first step to a better understanding of each other's business. But let's consider this cliche of "gambling" in mutual funds on the basis of simple logic. For a mutual fund investor to lose everything—to be wiped out—the equity value of American corporate wealth would have to decline to zero. Does anyone believe that this will ever happen? It never has. But if it did, does anyone believe that any life insurance contract would be worth as much as the paper on which it is printed?

Still another cliche criticism of mutual funds—"The sales charge is 8%—too high." I still blink in surprise whenever I hear this. The 8% pays all the distribution costs—both in and out; it rewards the dealer for his services and covers costs of advertising, promotion and issue—it is remarkably low. It is lower than the distribution charge involved in most life contracts and it is much less than the small investor—unskilled and unequipped—would have to pay if he were to try to diversify among individual stocks.

There are more—many more—of these cliche criticisms of mutual funds which, in recent months, have spread rampantly throughout the life insurance business. They should stop. They should stop, if for no other reason, because they are uninformed or dishonest and because life insurance in America is too big, too important, too reputable to conduct its business on any except the highest ethical plane.

### Mutual's Statement of Policy

Let nothing I have said suggest that I think this is anything but a two-way street. We in the securities business have a big job to do to ferret out and deal with—either by education or by rule—the irresponsible few who have the misguided philosophy that the best way to sell mutual funds is to unsell people on their life insurance—to twist away valuable cash values, options and other benefits policyholders have built over the years.

We have made important starts in this area. Working with the Securities and Exchange Commission, we have adopted and enforce vigorously a Statement of Policy, part of which states:

"It will be considered materially misleading hereafter for sales literature—

"(g)(1) To represent or imply that shares of an investment company are similar to or as safe as government bonds, insurance annuities, savings accounts or life insurance, or have the fixed income, principal, or any other features of a debt security.

"(2) To represent or imply that the management of an investment company is under the same type of investment restrictions or is operated under limitations similar to or has fiduciary obligations such as those imposed by governmental authorities on savings bank and insurance companies, except to the extent that it is so restricted or limited by its statement of policy on file with this Commission."

Violation of this can mean a fine, loss of registration and the right to do business or both.

Our N.A.S.D.—which has real punitive powers — recently promulgated this statement:

"Association members are warned against use of certain published material that unfairly attacks ordinary life insurance and recommends the indiscriminate conversion of cash surrender values into proceeds for the purchase of investment company shares or other securities.

"There are several books, brochures, and reprints of published articles, now in circulation that securities dealers are being asked to purchase which support this proposition by misstatements, misinterpretation of facts, and dangerous and unqualified generalities. Dealers are being encouraged to use some of this material together with recommended form letters and advertising as a method of increasing securities sales.

"Serious violations of the SEC's Statement of Policy on investment company sales literature can result from use of this material.

"Much of the difficulty with this published material stems from efforts to oversimplify the actuarial basis of life insurance. This has resulted, among other things, in erroneous statements about cash surrender values and death benefits under life insurance policies issued on a level premium basis.

"Representations to customers, as part of an overall general sales approach by a securities dealer, that ordinary life insurance is a "miserable investment" and that existing cash surrender values should be realized and the proceeds used to purchase mutual fund shares or other securities can have most undesirable results, both to the public interest and to the good name of the securities business."

### Stopping the Dirt

If one of these rules or interpretations is being violated, don't go into the gutter; go to, or call, or write the local office of the N. A. S. D.—there are 12 across the United States. If the complaint is warranted, observe the quick effective action.

Or, if one prefers, N.A.L.U. has a committee, too, to which one can turn. This is an outgrowth of another effort. In 1954, with N.A.L.U., the National Association of Investment Companies adopted a Joint Statement of Principles — a sort of code of ethics, a revision of which the Board of Trustees and our N.A.I.C. Board of Governors are now studying. The record of enforcement — by both the N.A.L.U. Committee and the N.A.I.C. Committee is outstanding. Neither committee has punitive powers, but each — N.A.L.U.'s headed by Ben Salinger and N.A.I.C.'s, of which I am Chairman—has built a remarkable record for dealing effectively with individuals in its own business who indulge in irresponsible attacks on the other, in violation of the Joint Statement of Principles. The record of these committees should become the record of every element of both businesses.

There are, in short, effective instrumentalities to which field personnel in either business can turn when they encounter the dishonest, unethical seller in the other business. Don't, I've urged field men in each business, start throwing mud back; one can't get into the gutter without getting oneself dirty.

We can't afford to become dirty, either of us. We both have too big a job to do, and each of us has only scratched the surface. Average family ownership of life insurance at the end of 1958 was only $11,000; eliminating group and creditor coverage, it was only $7,260.

Only 12 million people own any common stocks; this includes 2 million people who own mutual funds. Private ownership of business and industry is the indispensable ingredient of capitalism. If we wish to preserve capitalism, we in mutual funds have got to make more equity capitalists.

### Need to Encourage More Capitalists

Why? Because the traditional sources of equity capital—the extremely wealthy families — are drying up and disappearing under the burden of taxes which, in many instances, have become confiscatory. Why else do we need more capitalists? Because we're in the midst of too capital-demanding explosions which are so overwhelming that they often aren't even observed: the population explosion and the technological explosion.

How can either of our businesses afford the time required to attack the other when our responsibilities and opportunities are growing at such a fantastic rate? Consider population. When Columbus discovered America, total world population was 500 million. It took over 300 years—until 1815 for this to increase by 500 million to a billion. In the next hundred years, population doubled again so that at the end of World War I, it was 2 billion.

But now what's happening? From 1933 to 1950, a period which included the most ravaging war in history, a war in which millions of people perished, in this 17 years, world population increased by 500 million people. In short, the world is growing at a rate of one billion people every 35 years. Every 35 years we are adding to world population twice as many people as existed at the time America was discovered.

U. S. population is exploding too. In 1920, we had a population of 106 million. In 1950 it had

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grown to 152 million. By 1970 it is estimated that it will be 214 million, and by the year 1980, 260 million. What a market for life insurance! What a market for mutual funds!

And what a responsibility for us! To feed, clothe, shelter and provide ever-increasing standards of living for this exploding population requires an even greater technological explosion than the one now taking place. We in life insurance and mutual funds aren't the technologists; the researchers, scientists, analysts and dreamers, perhaps. But we are the money-raisers; and the secret ingredient in progress is money. It is up to us in the securities business and those in the life insurance business to sell ourselves and our products to increasing numbers of people in increasing amounts to finance the increasing technology which is essential to maintaining and increasing living standards for our rapidly increasing population.

Can we do it? Of course we can. But not nearly so effectively, I submit, if we permit ourselves to lose sight of the real goals and be diverted into the dead-end paths of inter-intra-mural bickering.

Do you suppose that those who will have taken our places in business 20 or 30 years hence will be aware that this current competitive problem ever existed—this problem that seems so all-important today to some few individuals in each business? Of course, they won't. History records matters of moment, not matters of a moment.

Will our successors a generation hence be worried about dual licensing? Will they spring into a frenzy when "variable annuity" is mentioned? I say No. They'll be in the midst of providing ever-enlarged services and benefits to an ever-enlarging population.

Earlier I said that each of the industries is sufficient unto itself —that neither depends on the other for its prosperity or for survival. I believe this deeply. But each has a tremendous responsibility to serve. Is it not clear that each can do his job better if we understand the other, respect the other and sell our own product positively? Is it not clear that if we start thinking and acting this way now, we will earn for ourselves the right to participate sooner in the better insured, better invested, bigger, more prosperous world which lies right around the corner?

*An address by Mr. Burr before the Agent's Forum of the 70th Annual Convention of the National Association of Life Underwriters, Philadelphia, Pa., Sept. 22, 1959.

## Northern Nat'l Gas Co. Issue Oversubscribed

Blyth & Co., Inc. and associates on Oct. 6 offered to quick oversubscription an issue of 200,000 shares of Northern Natural Gas Co. 5.60% cumulative preferred stock, par $100, at par.

The new stock is redeemable at prices ranging from $115 per share if redeemed on or before Sept. 30, 1964 to $100 if redeemed on and after Oct. 1, 1976, plus, in each case, accrued dividends. As a sinking fund for the new series, the company is to make provision on or before Sept. 1, 1963 and on or before Sept. 1 in each year thereafter for the redemption at $100 per share, plus accrued dividends of 8,000 shares of the new series.

Net proceeds from the sale of the new preferred stock will be applied toward the cost of the company's 1959 construction program, the repayment of bank loans incurred for construction, the purchase of securities to be issued by subsidiary companies for their costs of construction and for other corporate purposes. Construction expenditures of the company and its subsidiaries in 1959 are estimated to require $60,400,000 in cash and the use of $17,800,000 of material and equipment already paid for.

Northern Natural Gas Co., directly and through subsidiaries, owns, operates and maintains a pipeline system of approximately 11,967 miles of main, lateral, distribution and gathering lines through which it transmits natural gas purchased principally from the Texas Panhandle, Hugoton and Hansford, Texas area gas fields and the Permian Basin to points in Kansas, Nebraska, Iowa, Minnesota and South Dakota.

For the 12 months ended June 30, 1959, operating revenues of the company amounted to $146,910,548 and net income to $16,330,953 compared with operating revenues of $138,627,831 and net income of $15,565,824 for the calendar year 1958.

Giving effect to the sale of the new preferred stock, capitalization of the company and subsidiaries at July 31, 1959 was: $230,766,000 in funded debt; 628,675 shares of preferred stock; and 8,262,722 shares of common stock, par $10.

## NY Security Dealers Announce 34th Dinner

The New York Security Dealers Association will hold their 34th annual dinner on Friday, April 8, 1960 in the Grand Ball Room of the Hotel Biltmore.

## David Silbert Opens

RIVERDALE, N. Y.—David Silbert has opened offices at 3635 Johnson Avenue to engage in a securities business.

## With Brown, Bechard

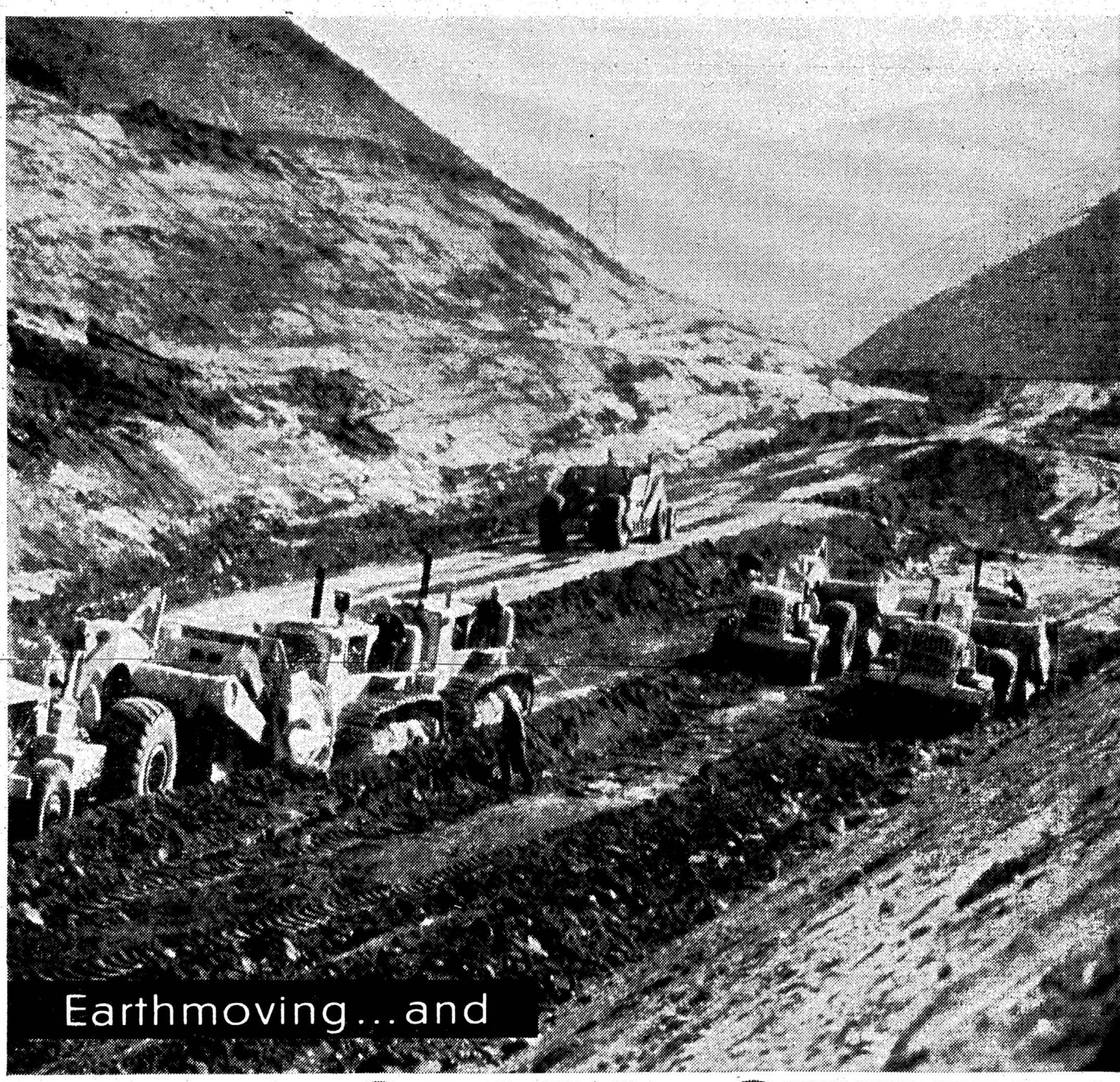
(Special to THE FINANCIAL CHRONICLE)

JACKSONVILLE, N. C.—Clyde E. Brick and William C. Spence have joined the staff of Brown Bechard & Co., Ltd. of Norfolk, Virginia.

## La Hue Adds

(Special to THE FINANCIAL CHRONICLE)

ST. PAUL, Minn. — Arthur C. Omholt has been added to the staff of La Hue Investment Company, Pioneer-Endicott Arcade.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# What Canadian-American Policies Should There Be?

*By Cyrus Eaton,* Chairman of the Board of Chesapeake and Ohio Railway and Steep Rock Iron Mines, Ltd.*

**American-Canadian industrialist: (1) assails tight money policy and prefers, instead, Soviet policy of abundant money supply and low interest rate; (2) finds Canadian dollar's premium and U. S. dollar's weakness costs Canada plenty; (3) disagrees with arguments against devaluation of gold; and (4) warns Canada of the pressing international competition for capital and the folly of hoarding raw materials. Equally outspoken are Mr. Eaton's claims of our "faltering financial condition" said to result from our national defense and foreign policies. Industrialist urges that we cast off our crushing tax load by slashing armament outlays, abandoning foreign bases and eliminating foreign aid. And he advises Canada to take a forceful stand before her neighbor goes broke as a result of "inane international policies that are relentlessly pushing . . . [us] to bankruptcy or destruction," and to establish official parity between the two countries' dollars.**

Cyrus Eaton

May I call attention briefly to some monetary, fiscal and economic considerations that affect all industry, but mining in particular, in my opinion, at this time. Unlike the theoretical economists, I am not going to argue my position. I shall simply state my own opinions, conclusions and preferences based on well over half a century of active participation in industry, mining and banking.

### What Is the Role of Money in Mining?

Let us look first at the crucial role of money in mining. The industry both consumes and generates vast sums of money. At Steep Rock, for instance, expenditures for development, production and transportation, including the $60,000,000 investment of our Inland Steel friends in their mine, are now over the $300,000,000-mark. Outlays on a comparable scale are being made by other mining companies all over Canada, so that official monetary policies play a decisive part in the development of this great industry.

Many are familiar with the endless debate that goes on in leading industrial nations of the world over the supply of money, interest rates and related questions. This subject, as it relates to Great Britain, is given considerable attention in the monumental report lately issued by a commission that has spent better than two years under the leadership of Lord Radcliffe in blueprinting the British monetary and credit system. Since the Radcliffe Report represents the unanimous findings of nine men of more or less diverse views, it adopts a more temperate and less opinionated tone than generally characterizes the super-authoritative dicta of the solitary professional economic theoretician.

### Do Theoretical Economists Ever Agree?

I have enjoyed the warm friendship of a number of theoretical economists, and I am reluctant to hurt their feelings. I cannot refrain from recalling, however, a three-day conference that I helped sponsor in the depths of the depression of the Thirties, to bring together America's leading economists. All of them were famous men. Most of them had influential books to their credit, while many were heads of the departments of economics of the most noted universities.

Each professed to know exactly what should have been done to avoid the depression. Each likewise issued a positive prescription to lead us out of it. And, alas, each was sure that every other man's remedy led straight down the road to utter ruin! Like Omar Khayyam, I "heard great argument . . . but evermore came out by the same door where in I went." I could not help reflecting that history's two most famous practitioners of the profession, Adam Smith and Karl Marx, had long since provided the classic illustration of the diametrically opposite positions that theoretical economists can take. Then I consoled myself with the happy thought that Carnegie, Rockefeller and Ford had all done pretty well without consulting the theoreticians or even attempting to read their books.

### Tight Money Hurts Mining

Against this background, I humbly state that I believe an official policy of tight money and high interest rates, influenced by central banks or governmental authorities, is not helpful to the general economies of Canada and the United States, and is distinctly harmful to the mining industry. The policy poses not so much of a handicap to the giant established corporations, which either have funds of their own at their disposal or, if they enter the money markets, command the most favorable rates. It is the newer and smaller borrowers that find themselves hamstrung.

The plight of the individual is even more pitiable. I know a young engineer in Nova Scotia who was forced to contract for 8% on a first mortgage and 14% on a second mortgage in order to buy a house this summer. If he could have waited to build a house for his growing family, he still would have been obliged to pay 6%. The cost of money to a similarly situated young man building a house in the Soviet Union, by contrast, is 2%. The Soviet Union charges the same 2% rate when it loans money to outside governments. I am a dyed-in-the-wool capitalist, who subscribes enthusiastically to the system under which I have prospered, but I believe there is much to recommend the Soviet policy of an abundant money suppl yand low interest rates. The investor is not likely to put his money into Canadian mining when he can realize 14% on a safe mortgage.

### Denies Premium on the Canadian Dollar Is Beneficial

Paradoxical as it may sound, another weakness in the economic fabric is the strength of the Canadian dollar as contrasted with the American dollar. Most frequently cited causes of the present premium on Canadian currency include the Canadian Government's policy of restricting supplies of money and credit, as well as high Canadian interest rates. The partiality of American investors for Canadian securities further sharpens the bidding for Canadian dollars.

A perhaps less obvious but increasingly urgent factor in the disparity between the two countries' dollars is America's faltering financial condition, the sorry product of an unwise postwar foreign policy that has futilely sought to purchase peace and friendship by profligate expenditures for armaments, military establishments on foreign soil and foreign aid. Starting with the Korean war, the image of Uncle Sam has been undergoing a subtle but steady change from the dignified portrait of a responsible world citizen to a crude caricature of the proverbial drunken sailor squandering his money in practically every port on and off the Seven Seas.

### What Ails the American Economy?

The American taxpayer is already groaning under the backbreaking burden of record peacetime budgets that include $40 billion to $50 billion per annum for so-called defense implements which, if ever used, would annihilate us all. Despite the crushing tax load, moreover, last year saw the U. S. Government spend $12.6 billion more than it took in, the worst peacetime deficit in history. Unless the United States can be persuaded to mend her ways, fiscal and international, she will either go broke or be plunged by the self-righteousness of her statesmen and the vanity of her military leaders into a nuclear holocaust that will wipe mankind off the map.

The policies that cry for immediate adoption by the United States are (1) a slashing reduction in armament expenditures, (2) abandonment of foreign military establishments and (3) elimination of foreign aid to enable (4) a drastic cut in taxes. If the Government of the United States of America could be persuaded to mind its own business, private American investors would have more than ample funds for essential investments, both at home and abroad.

### Weakness of the American Dollar Costs Canada Plenty

How does all of this affect Canada and what can Canada do about it? Since the United States is Canada's best customer, the weakness of the American dollar costs Canada plenty. The Canadian miner, lumberman, farmer and fisherman pays premium Canadian dollars to cover all of his operating expenses. He sells most of his product to the American market for discount American dollars, and stoically absorbs the difference.

The Canadian mining industry bears the chief brunt of the consequent loss. Canadian exports for the first six months of this year ran close to $2.5 billion, with mining products accounting for almost $1 billion or 40% of the total, far ahead of products of forests and farms. Mining exports for the full year, mostly to the United States, will probably exceed $2 billion, so that accepting payment in American dollars will cost the Canadian mining industry alone close to $100 million.

### Urges Forceful Canadian Policy

Canada cannot afford to let her best customer go broke, nor should she sit supinely by and acquiesce in the inane international policies that are relentlessly pushing her American neighbor along the path to bankruptcy or destruction. A forceful stand on Canada's part against American foreign folly would carry full weight with Washington and the American public. At the same time, in order to stop present severe exchange losses, as well as to meet the many technical considerations raised by monetary experts, the Canadian authorities ought to take immediate steps to establish official parity between the Canadian and American dollars.

Let us turn now for a moment to the special hardship case of Canada's gold mining industry, a direct victim of American governmental policy. The arbitrary and fixed price established for gold by the United States in 1934 still obtains, although the price of every other commodity for which there is a world-wide demand has increased in the intervening 25 years of prosperity and inflation. The result is that gold must be produced at a loss or be subsidized by the government of the country where the mines are located. I have familiarized myself with the many theoretical arguments against a rise in the price of gold. Despite all the theories, I cannot persuade myself that it is equitable or sensible to prolong artificial conditions that discriminate against a particular industry. Here, again, a forceful and resourceful presentation of Canada's case could set the wheels in motion for a long overdue change.

In view of what I have been saying, one might conclude that Canada would be well advised to declare her complete economic independence from the United States. Since the economies of the two countries are inextricably intertwined, such a drastic step would be utterly impossible. Still there is a Canadian school of thought whose strong anti-American arguments deserve a thoughtful answer. As a son of Canada, who has never waivered in love of his native land, while spending much of his time in his adopted country across the border, perhaps I am as well able to take the objective view as anyone else.

### Should Canada Close the Door to American Capital?

Let us consider the frequently voiced complaint that too much American capital is coming into Canada. If Canada is to develop her vast natural resources and to become the advanced industrial nation of her ambition, no one can deny that she will have to call on outside capital to accomplish the job. I, for one, think it will take far more money than American investors can or will provide. I would, in fact, urge Canada to encourage all possible investment from Great Britain, the Scandinavian countries, Holland, France, Belgium and Germany, but not to the exclusion of the United States.

In the past, it is true, Americans have been somewhat parochial in putting most of their foreign chips on Canada. They have been influenced by Canada's proximity, the character of her people and the stability of her federal and provincial governments. American respect and affection for Canada has in no wise diminished, but I look for U. S. investors to broaden their horizons.

To begin with, rapid modern transportation has made close neighbors of most nations of the world. In the second place, almost every country on every continent has become determined to develop its natural resources and to industrialize as rapidly as possible. Few backward lands save Tibet remain with a will to cling to poverty, ignorance and superstition.

### Competition for American Capital

India aptly illustrates the change. Not too many decades ago, her great poet Tagore told me emphatically that India was happy in her poverty, and wanted no industrial intrusion to disturb the even tenor of her ancient ways. Today the statesmen and industrialists of India are feverishly engaged in a superhuman endeavor to attract American capital and know-how. Delegations of government officials and private businessmen pass back and forth between India and the United States almost every week.

What holds for India is also true of Brazil, Venezuela, Peru, Chile and countless other countries. Like Canada, many of them are blessed with huge and rich reserves of iron ore. They want American financial and technical assistance to bring their iron ore and other natural resources into production, and then hope that the United States will become a major customer as well as investor.

### Should Canada Hoard Her Raw Materials?

This brings us to the companion complaint of some Canadians that their raw materials should not be exported. I think that Canada should move forward to upbuild her industry as rapidly as possible, in order to fabricate a maximum amount of her raw materials into finished goods. As long as she has a surplus of iron ore and other mineral resources, however, she will serve her own highest interest by selling them abroad wherever transportation costs will permit delivery in competition with the rest of the world. Otherwise, someone else will seize Canada's markets and establish close relationships with her customers. Along with the other countries I have already mentioned, the Soviet Union, for example, is letting it be known that she is prepared to sell iron ore, as well as manganese and chromium, in world markets.

As Canada's population increases and pushes her frontiers northward, an expanding market will open up for her manufactures. Meanwhile, the spectacular discoveries of modern science dictate the prudence of the fullest sale rather than the hoarding of abundantly available raw materials. Science displays an uncanny tendency to find new products and new methods. The statesmen not only of Canada but of many another nation need to make an effort to learn more of the miracles that are taking place in the world's laboratories.

### A Golden Future Lies Within Canada's Grasp

Having sounded these somber notes of warning, I should like to conclude by reaffirming my faith in the golden future that lies within the grasp of Canada and her able and energetic people. By wise management of her veritable treasure trove of natural resources, and by exercise of a leavening influence on the conflicting ideologies that have kept the world in turmoil, Canada has it within her power to take her rightful place among the happiest and most enlightened of nations. I only wish I could return to Regina after another half century to see the marvelous advances that will have been made.

*From a talk by Mr. Eaton before the 16th annual Conference of the Provincial Ministers of Mines of Canada, Regina, Saskatchewan, Sept. 14, 1959.

## Bostic Concrete Co. Inc. Securities Now Offered

Syle & Co., of New York City, on Oct. 6 publicly offered on behalf of Bostic Concrete Co., Inc., $250,000 of convertible debentures due July 1, 1969, 10,000 shares of class A common stock (limited voting rights—par $1) and warrants to purchase 40,000 shares of class A common stock (exercisable from Jan. 1, 1961, through Dec. 31, 1962). These securities are being offered only in units of one $500 convertible debenture, 20 shares of class A common stock and warrants to purchase 80 shares of class A common stock, at a price of $600 per unit.

The net proceeds will be used for repayment of notes, for payment of accrued income taxes, and for working capital and general corporate purposes.

The corporation was organized on July 8, 1947, under the laws of the State of Louisiana as Lafayette Concrete Pipe Co., Inc. The present name was adopted on May 21, 1958. The corporation was formed to engage in the business of manufacturing concrete products, including concrete pipe, and ready-mix concrete.

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# A Proposal for Issuance of Federal Purchasing-Power Bonds

By Dr. Daniel K. Andrews, *Assistant Professor, College of Commerce, University of Illinois, Navy Pier, Chicago, Ill.*

**Illinois professor finds it timely to review the advantages of Federally issued purchasing-power bonds of various types. He avers they provide a stabilizing effect on the economy; and perhaps, increase savings. Moreover, Dr. Andrews hopes the success of the gradual introduction of such issues would halt a rising price level; lower the cost of interest; restore traditional stock-bond yield relationship; and curb speculation in real estate and equities.**

Since setbacks in the economy no longer send prices tumbling, it is now widely believed that the long-run trend of the price level must be upward. This helps explain why federal bonds cannot presently be issued at a yield as low as many think desirable, for a higher rate is needed to compensate for the expected degree of inflation.

D. K. Andrews

In the recent controversy about the need to raise the rate ceiling on government bonds if the Treasury is to market long-term issues successfully, no consideration seems to have been given to the fact that bonds could undoubtedly be marketed at a very low rate of interest if the purchasing power of the bonds were guaranteed. Having given such a guarantee, the government would be under constant pressure to prevent inflation which would increase the dollar cost of servicing the debt.

Such purchasing-power bonds could be geared to the Bureau of Labor Statistics cost-of-living index, inasmuch as that index is the most accurate gauge presently existing to measure changes in the cost of living. If the index rose, dollar amounts needed to service the debt would increase by a determinable and visible extent. This would have the effect of a finger constantly pointing to the impact of governmental policy on the price level, and, as such, would be a warning against political irresponsibility.

The implications of such purchasing-power bonds might be very far-reaching in providing a stabilizing effect on the economy. The existence of a safe investment medium not threatened by the dangers of inflation would help to restore the traditional relationship between the yield on common stock and that of high quality bonds. It might help to curb speculative excesses in the real estate and common stock markets by siphoning off some of the demand for equities, which are now thought of as the only protection of capital against the threat of inflation.

The probability that such bonds would be very popular could mean that the first issue, if a very large one, might give other security markets a sudden jolt. For this reason purchasing-power bonds should be introduced on a small scale, so as not to prove drastically unsettling. In the course of time, as the economy became adjusted to the idea, the issues might become very large without upsetting any applecarts.

Pension funds and other institutional investors would be attracted to such bonds. Insurance companies might use them as a basis for offering annuities more reliable in protecting purchasing power to the holder than present-day "variable annuities" which fluctuate in dollar amount only with the ups and downs of the stock market, not necessarily with the cost of living. Insurance companies would also, of course, be enabled to gear death benefits to purchasing power, and savings and retirement plans for many individuals could be protected with far greater certainty. In fact, these bonds might prove so popular as to reverse the present trend and to lead to a propensity to over-save on the part of the public—in which case a responsive and responsible fiscal policy could counteract any adverse effect on consumption by lowering taxes.

The bonds would be marketable issues, floated by having the Treasury ask for bids, and, after issuance, probably would be quoted on a flat basis. To serve their purpose of protecting income or principal or both, these issues should necessarily be non-callable, though always, of course, purchasable on the open market by the Treasury or the Federal Reserve System. Calculations concerning the cost of living could be made once a year. For example, the change in the cost of living would be determined in November in regard to an issue that had been marketed in a previous November. The October index number would be compared with the year earlier number. There would be some bookkeeping saving to the Treasury if interest payments were made only once a year.

### Types of Purchasing Power Bonds

The Treasury could issue as many as four major types of purchasing power bonds, offering various degrees and kinds of purchasing-power protection to the investor, and differing somewhat in ease of administration. The first three types would resemble present Federal issues in having definite maturity dates. Type 1 might guarantee the purchasing power of the principal. Type 2 might protect the purchasing power of the interest payments only, and Type 3 might protect both the principal and the interest stream. Type 4 might resemble non-callable preferred stock or British consols in having no maturity date—in other words, it would be a perpetuity which would guarantee a perpetual annuity of fixed purchasing power.

Type 1 bonds, being the easiest of all to administer and differing least from conventional issues, would probably be the most politically palatable of all four types. These securities would be like present marketable coupon issues except that the redemption price would be a fixed amount of purchasing power, not a fixed number of dollars. The number of dollars the holder would receive would be the face value of the bond, as modified by any change that had occurred in the BLS index. If the index had doubled between issuance and maturity dates of the bond, the holder would receive 200% of the face value of the bond upon redemption. The obvious disadvantage to the Treasury in refinancing Type 1 bonds if such inflation were allowed to occur might be compensated for by the very low yield such bonds could command. Investors would undoubtedly bid high for the protection of their principal in terms of purchasing power.

Type 2 bonds would be much less popular, for though they would provide the investor with income protection against inflation during the life of the instrument, they would protect his principal no more than presently existing issues do. Like conventional bonds, their redemption price at maturity would be fixed merely in terms of dollars, not in terms of purchasing power. But this type, probably requiring a somewhat higher yield than the other types, might admirably fit the needs of many investors more concerned with assured income over a period of time than with conservation of capital. For type 2 bonds, and other types whose interest payments would vary as to numbers of dollars, coupons would be impracticable. Therefore, they should be registered so that interest checks, determined as to amount by the price index, could be mailed to the holders annually. Assume, for example, an increase in the price level of 1% yearly during the life of a 20-year 2% bond of $1,000 face value. The first check the holder would receive would be for $20.20, the fifth would be for $21.02, the tenth $22.10, the fifteenth $23.22, and the twentieth $24.40, plus redemption of principal only at par.

Type 3 bonds, offering all the special features of the first two, would undoubtedly be the most attractive to investors of all the stipulated - maturity purchasing-power bonds. The demand for these bonds which would guarantee the purchasing power of both interest and principal might be so great that an interest rate of 1% of face value would be high enough to sell at par a rather large issue. Conceivably they might be sold at such a premium as to produce a zero or even negative yield—for who knows how much investors might be willing to pay for such protection? Such a yield might result, especially, on a long-term issue with a relatively high nominal rate. Assume a 20-year issue at 5%. Demand might be so strong that the winning bids for each $1000 par might be $2000, which would mean that the Treasury would receive immediately as much, in terms of purchasing power, as it would eventually repay, including interest—a zero yield!

The three types of fixed-maturity bonds can best be compared by making certain artificial assumptions: that each type is issued as a 20-year 2% bond of $1000 par value, and that during the life of each the price level rose 1% each year. Then, total interest payments and redemption price for each type would be as follows: Type 1: $400 interest, $1,220 principal; Type 2, $444.80 interest, $1,000 principal; Type 3, $444.80 interest, $1,220 principal.

What these bonds would cost the Treasury would be known in terms of purchasing power as soon as the bids were in for any given issue. What it might cost in terms of dollars would be up to the government to determine by its own actions relating to the price level.

The Type 4 bonds, purchasing-power perpetuities, would offer the greatest theoretical advantages in administering the debt. They would permanently relieve the Treasury from any future refinancing problems, and debt in this form would be permanently demonetized unless bought back by the government in the open market. From the investment viewpoint, they would be ideally suited for endowment funds and to implement other very long range planning.

In offering such an issue, no par value should be stated, since the bonds would have no redemption value. Instead the Treasury might accept the highest bids for a perpetual stream of fixed purchasing power. With no comparable precedent as a guide in estimating what investors might be willing to pay for such an annuity, it can only be guessed that bids for a $10 annuity, for example, might range from a low price of $500, or 2% yield, to a high of $1,000 or 1% yield. The Treasury might then accept only the very highest if they were sufficient; or progressively lower bids could also be accepted, as determined by the amount of cash needed or, possibly, by the rate of interest it wished to establish.

For any given year the amount of interest, like that of Type 2 and 3 bonds, would fluctuate in dollars with any change in the index. The open market price of perpetuities could be expected to rise, if inflation had occurred, for the dollar amount of interest would rise with the price level. The market price would fluctuate also with any changes in the prevailing rate of interest, as is true of all long-term marketable issues.

Other variations of these purchasing-power bonds might be devised and used to fit other specific investment needs. Savings bonds, for example, of guaranteed purchasing power could undoubtedly be issued at a mere token rate of interest. But all savings bonds can substitute at least in part for cash in cash balances, because they are by definition redeemable upon demand for cash. They are, in fact, one degree superior to money itself in that they pay interest. Purchasing-power savings bonds, then, would be two degrees superior to money, being not only redeemable upon demand and paying interest, but also guaranteed in terms of purchasing power. Since they would, in effect, be a superior kind of money guaranteed in terms of purchasing power, they would thus defeat the objective of demonetizing the debt, unlike the marketable purchasing power bonds described above.

In the above discussion, a constantly rising price level has been assumed, but only to illustrate the potentialities of the bonds as a protection against inflation and the present public fear of it, as expressed in both the stock and bond markets. If, however, purchasing-power bonds should come into actual existence, and in amounts large enough eventually to exert their hypothetical influence on the economy, such a constantly rising cost of living might very well prove contrary to fact.

## Ira Haupt Branch In San Francisco

SAN FRANCISCO, Calif. — Ira Haupt & Co., members of the New York Stock Exchange, have announced the opening of a branch office at 315 Montgomery Street, San Francisco, Cal. Edward J. Meyers is Resident Manager of the new office which will specialize in municipal and corporate bonds.

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# Mutual Funds

*BY ROBERT E. RICH*

## Prospects for Pioneers

Henry T. Vance and William F. Shelley are men who have almost boundless faith in the future of Canada. It is understandable that they do. Vance and Shelley are chairman and president, respectively, of **Canada General Fund Limited,** which is headquartered in Toronto. As fundmen close to the Canadian scene, they have a strong pitch to make for Canadian securities both to U. S. investors and their brother fund managers this side of the border.

It is the thesis of these men that Canada has not only come a long way in recent years but, with the opening of the St. Lawrence Seaway and the continued development of the nation's vast resources, is facing a bright new era. In Canada General Fund's annual report for the fiscal year ended Aug. 31, Vance and Shelley show just how far Canada has come since the fund was organized back in 1952. Over the last seven years, the nation's Gross National Product has grown by 43%, its national income has gained 33% and its population has increased 20%. Even more striking is the growth of natural gas production, up 250%, and oil production, up 170%.

How about the future? Taking their statistics from estimates of the Gordon Royal Commission, Vance and Shelley report these estimated percentage gains over the 1958-1980 period: Gross National Product, 140%; national income, 150%; population, 60%; natural gas production, 790%; and oil production, 670%.

If Canada General Fund has emphasized oil and natural gas to the exclusion of other industries, it can be forgiven. Some 24% of the fund's assets fall into this bracket, while such other key Canadian industries as mining and forest products account for much less. Still, the statistics are telling. Canada is in its pioneering phase. There are plenty of possibilities ahead.

As Vance and Shelley make clear, the reason for Canada's belated upsurge is that the nation did not reach maturity until after World War II and has only recently entered its period of high mass consumption. And even despite the relatively slow growth of its population, Canada has big consumer markets still to be tapped. Canadian auto registrations last year amounted to one for every five people, compared with one for three persons in the U. S. Similar per capita disparities exist in steel capacity and other areas.

"Potential and realization are two different things," point out Vance and Shelley in their report, "but in the history of the economic development of the world the latter follows the former as surely as night follows day. And as many responsible authorities hold, nowhere in the free world today is growth potential more clearly and measureably apparent than in Canada."

## The Mutual Funds Report

Celebrating the first decade of its operation, **Texas Fund Inc.** reported net assets up from $32,477,032, equal to $8.37 per share, to $38,805,007, equal to $9.67 per share, over the fiscal year ended Aug. 31, 1959. During the recently completed year, dividends from net income declined to 18¢ per share from 21¢ per share in fiscal 1958, but dividends from realized capital gains increased to 25¢ per share from 20¢ per share the previous year.

Eliminated from portfolio were Jefferson Lake Sulphur and Kerr McGee Oil Industries 4½% convertible preferential preferred. Reduced were holdings in Arkansas Louisiana Gas, Houston Natural Gas, Texas Eastern Transmission, Freeport Sulphur and Socony Mobil Oil. There were increased commitments made in Bank of the Southwest National Association, Texas National Bank of Houston, E. I. du Pont de Nemours and Texas Gulf Producing.

The fund was 96.32% invested in common stock at the close of the period. Largest industry holdings were in electric utilities, 29.72%; oil and gas, 22.69% and gas distribution and transmission, 11.85%. Biggest common stock investments were in Texaco, Gulf States Utilities, Texas Utilities, Central and South West Corp., Southwestern Public Service and Tucson Gas, Electric Light and Power.

* * *

The **National Growth Investment Plan,** a contractual program for the accumulation of shares of National Growth Stocks Series was announced Oct. 6 by Henry J. Simonson Jr., President of **National Securities & Research Corporation.** The plan provides for monthly investments in **National Growth Stocks Series,** a mutual fund composed of a diversified group of securities selected for long-term growth of capital with special consideration given to corporations actively engaged in newer scientific developments. The fund currently has assets of approximately $70 million and is one of the National Securities Series of mutual funds which have combined assets in excess of $460 million. Growth Stocks Series is the only fund in the group which will be offered on a contractual basis.

"It has become clear to us," said Simonson, "that compulsory savings in the form of equity investment that will create an estate over a period of time and may be a partial offset to future inflation, combined with insurance protection on the life of the investor which can assure completion of payments, is an important economic need for people to provide for children's education, old-age retirement, a fund for travel and numerous other benefits.

"I place emphasis on compulsory because it has been established that when investors pay a high sales charge in the first year or two out of their payments they then feel compelled to continue payments. Also knowing that insurance protection will be cancelled if a monthly payment is not made within 30 days of its due date is another compelling force that influences investors to make prompt payments."

Continuing his comments, Mr. Simonson added, "Every precaution is being taken in the Prospectus, sales literature and Plan Certificate to make it clear to a prospective investor that 50% of his first nine payments are being taken out as sales commission. In order to assure the Planholders full understanding and satisfaction with the terms and conditions of the Plan, upon acceptance of the application from a new Planholder a letter is sent to him offering to cancel the Plan if he is dissatisfied and refund the total amount of his initial payment at any time within 30 days after the Plan has been accepted and established by Empire Trust Company, Custodian. It is my hope that aided by these procedures we will acquire thousands of satisfied Planholders who will obtain the benefits of their accumulations over a period of years."

Plans will be available in denominations of $2,500, $5,000, $10,000, $25,000, $50,000 and $100,000 calling for equal monthly payments of $25, $50, $100, $250, $500 and $1,000 respectively. An amount equal to five monthly payments is required initially to start a Plan. Optional creditors' group life insurance will be available on Plans in denominations ranging up to $25,000 in those states permitting such coverage. The amount of the insurance, written jointly by **John Hancock Mutual Life Insurance** and **Columbian National Life Insurance,** will pay up the unpaid balance of the Plan in the event of the death of the Planholder. Under terms of the National Growth Investment Plan monthly payments would be made for an eight year period. During this time all income and capital gain distributions would be automatically reinvested, after specified deductions, in shares of National Growth Stocks Series at net asset value. Under a novel feature, the Planholder may accumulate additional shares for a period of seven years after payments have been completed by permitting his shares to remain with the Custodian who would continue to reinvest all distributions, after specified deductions, in additional shares at net asset value.

From an historic point of view, the National Growth Investment Plan is of particular interest as it marks the re-entry into the field by National Securities & Research Corporation which introduced the first contractual plan in May of 1930. Mr. Simonson was President of the company at that time — a post that he has continuously held to the present time. Empire Trust Company, which acted as Trustee for that first contractual plan, will serve as Custodian for the new National Growth Investment Plan.

* * *

In the three months ended Aug. 31, **Fidelity Capital Fund, Inc.,** boosted its total net assets 6.5% to $11,795,538 and its assets per share 3% to $12.23. Over the same period, shares outstanding gained 3.4% to 964,350 and the number of stockholders increased 5.4% to 5,900.

There was a slight proportionate enlargement of common stock investments, up from 95.3% of assets last May 31 to 96.4% on Aug. 31. Predominant industry holdings were chemicals, 14.8%; consumer goods, 10.8%; electronics and missiles, 8.2%, and amusement and recreation, 7.8%. Common stocks which individually accounted more than 3% of assets were International Business Machines, Allied Chemical, U. S. Foil Co. "B", Caterpillar Tractor, Fruehauf Trailer and American Machine & Foundry.

New securities added during the latest three months were Aluminum Co. of America, Armour & Co., Cenco Instruments, Factor (Max) & Co. "A", Minnesota Mining & Manufacturing, National Lead, Owens-Illinois Glass, Prentice-Hall, Standard Packaging, Stanley Warner and Unilever N. V. Securities eliminated were Anderson-Pritchard Oil, Armstrong Rubber Co. "A", Atlantic Refining, Champlin Oil & Refining, Colorado Interstate Gas, Fibreboard Paper Products, Kerr McGee Oil Industries, Louisiana Land & Exploration, Mansfield Tire & Rubber, Martin Co., New Hampshire Ball Bearings, Northwest Airlines, Phila-

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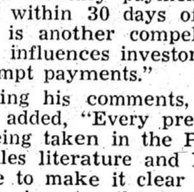

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* * *

**The One William Street Fund,** which last July absorbed the $1,037,000 assets of The Virginia and Delaware Corp., has purchased another personal holding company, Federated Holding Corp. of Delaware. For the $1,759,919 assets of Federated, One William Street traded 132,524 shares. These shares have already been distributed to Federated's shareholders.

* * *

In order to bring the offering price of its stock more closely in line with that of other similar investment companies, **T. Rowe Price Growth Stock Fund, Inc.** will distribute two shares of stock of one dollar par value for each share outstanding at the close of business on Oct. 9. Stockholders have approved an increase in authorized capital stock of the fund from 2,000,000 to 10,000,000 shares.

* * *

**Nation-Wide Securities Co.,** a balanced fund, increased its total net assets its total net assets by 14% to $34,469,406 in the 12 months ended Aug. 31. As of that date, the fund had 53.97% of its assets in common stocks, 25.66% in preferred stocks, 18.17% in bonds and 2.20% in cash and receivable. Largest common stock commitments were in petroleum, 9.36%; retail trade, 6.06% and banks and finance, 5.42%.

* * *

A new and revised "Living Trust with a Spendthrift Clause" has been made available to shareholders of **The Income Fund of Boston, Inc.,** who wish to create such trusts for their children and other beneficiaries. The trust is designed to protect both principal and income from possible attachment by any creditor, assures the donor that it will accomplish his wishes.

The fund is also offering two forms of reversionary trust which permit the investor in a high tax bracket to reduce his income taxes by giving property to a trust for not less than 10 years, with the income from the trust to go to his children, a school, church, charity or other organization, or to a person or persons in a low tax bracket. At the end of 10 years, the principal of the trust returns in full to the investor together with all of the income thereafter.

* * *

During recent months, **Nucleonics, Chemistry & Electronics Shares, Inc.** has made its shares available to European investors through banks in West Germany, John M. Templeton, President of the fund, has announced.

Over the nine-month period ended Aug. 31, the fund boosted its net assets 76% to $6,121,808 and its assets per share 31% to $13.88. The number of 10-year contractual programs gained sharply, rising from a total value of $12,381,936 to $17,117,300 during the latest nine months.

## Comex Elects Two to Trading Privileges

The Board of Governors of Commodity Exchange, Inc. has announced the election of two new members to full trading privileges on the exchange.

Elected were: Henry U. Harris, Jr., general partner, Harris Upham & Co.; George A. Hunter, general partner, T. A. Richardson & Co.

Commodity Exchange, Inc. is the marketplace for futures trading in copper, lead, tin, zinc, hides, rubber and burlap.

## L. M. Gregory Opens

SHREVEPORT, La. — Louis M. Gregory is conducting a securities business from offices at 1706 Centenary Boulevard.

# Statewide Bank Holding System for New York Favored

**Study by Messrs. Nadler and Bogen upholds extension of holding company principle on the grounds that it is superior to branch-banking; provides a stronger banking service badly needed and, yet, retains identity of local banks. New York University economists also aver undue concentration of control, via the holding company, can be avoided by widened stock ownership and State and Federal regulation.**

A business research study by Dr. Marcus Nadler and Dr. Jules I. Bogen, "Economic Changes and Banking Legislation in New York

Marcus Nadler

Dr. Jules I. Bogen

State," has been released Oct. 5. The study was made under the auspices of the Graduate School of Business Administration, New York University, and financed by a grant given by Marine Midland Corporation. The authors write of the state's economic changes since 1934, resultant banking problems and postwar banking changes.

After considering several proposed ways of providing adequate, efficient, competitive and continuous banking service, the two leading economists conclude, "Statewide holding company systems competing with branch and unit banks in each area would provide the best assurance that such service will be made available to the people and to business enterprises throughout the state of New York."

### Conclusions

Their conclusions are:

"(I) Population shifts, business concentration and rapid economic growth have profoundly affected the banking needs of New York State. The banking districts into which the state was divided in 1934, in a period of depression, hamper to an increasing extent the adaptation of the banking structure of the state to the changing requirements of a dynamic economy.

"(II) Major problems have arisen for commercial banks as a result of the economic changes of the past quarter century. These include a growing need for additional capital, for highly-trained management and personnel and for skilled asset management. Increasing competition from other financial institutions makes the solution of these problems the more urgent for commercial banking.

"(III) Commercial banking has adapted itself to changed economic conditions to a degree through a series of mergers that has reduced the number of banks in the state by almost two-fifths since 1946. Mergers have resulted in the development of regional banks that have done much to solve the banking problems of the areas they serve. Creation of regional banks has been hampered, however, particularly in the New York metropolitan area, by restrictions imposed by the banking district lines drawn in 1934. And a rigid statutory framework will make it increasingly difficult for commercial banking to adapt itself to future changes that are bound to occur in the state's economy.

"(IV) Two proposals have been widely studied and discussed to provide more flexibility for the state's banking structure. These are (1) revision of banking district lines and (2) the authorization of bank holding companies that would serve large areas or the entire state.

"(V) The bank holding company form of organization would provide a solution for many of the banking problems resulting from economic changes. Local banks would remain autonomous entities, but their capital, management and other problems would be solved by their joining holding company systems.

"A holding company can provide capital needed by its affiliated banks to expand their services or to establish new banking facilities where the need arises. Banks affiliated with holding companies are in position to compete more vigorously and effectively, causing rival institutions to improve their services also.

"The record of the bank holding company form of organization has been quite favorable in New York State.

"(VI) Bank holding companies would best serve the requirements of the state's economy if permitted to operate on a statewide basis. Inclusion of New York City banks would result in stronger holding company systems with large staffs that will provide a wide variety of specialized services to all areas in the state. The quality and scope of banking services will be broadened by the development of several strong holding companies competing keenly with each other. Widening of stock ownership and state and Federal regulation would provide safeguards against undue concentration of control.

"The public and business are most interested in securing adequate, efficient, competitive and continuous banking service, rather than in the form of banking organization that is adopted. Statewide holding company systems competing with branch and unit banks in each area would provide the best assurance that such service will be made available to the people and to business enterprises throughout the state of New York."

# Ralph Gish V.-P. of North American Secs.

SAN FRANCISCO, Calif.—Directors of the Commonwealth group of mutual funds elected Ralph B. Gish a Vice-President of the funds at meetings here earlier this week. He also was elected a Vice-President of North American Securities Company, Russ Building, underwriter and investment manager of the funds, and of its parent company, North American Investment Corp. Mr. Gish, who heads the investment department, joined Commonwealth as an Analyst in 1951 and was made an Assistant Vice-President in 1957. Before joining Commonwealth he served two and one-half years in the analytical department of Wells Fargo Bank.

Ralph B. Gish

## George G. Elsaesser

George G. Elsaesser, member of the New York Stock Exchange, passed away Sept. 28 at the age of 53.

# Bank and Insurance Stocks

*BY ARTHUR B. WALLACE*

## This Week — Insurance Stocks

What does the insurance stock analyst look for? Let us confine our efforts to fire-casualty business, as this group's accounting ins-and-outs are not the same as the life companies!

First, it is well to work on the basis of at least a five-year experience and preferably one of ten years. This is because the insurance business being definitely a growth line of business, any brief experience is largely meaningless. In most cases rates in the fire and allied lines are established on a four-to-five year span. Thus, when a rate experience leaves the industry with underwriting losses, the companies go to the state supervisory authorities for relief, and apply to have the condition redressed. And when the supervisory authorities see high underwriting profit margins piling up they announce rate reductions,

Having established the business as a growth one, we go to the details.

The analyst will calculate the gain to the shareholder. This, it is emphasized, should be on a ten-year basis. The gain has two components, the increase in the equity or liquidating value in the decade, plus the cash dividends disbursed in the period—of course with appropriate adjustments for capital changes. This total ten-year gain may be reduced to an annual average, and this annual average may be related to both the price and the liquidating value at the start of the ten-year period. This will bring out sharp differences between some of the top grade stocks in the field and the secondaries.

Probably the most important part of an analysis is the ten-year underwriting profit margin. This profit margin is the difference between the combined loss and expense ratio of a given unit, and 100%, the difference being averaged over the decade. In other words, if a company's ten-year combined loss and expense ratio averages 95.0%, the profit margin is 5%.

There can be quite a wide divergence among companies. For example for the first half of this year the combined loss and expense ratio for as profitable a company as Insurance Company of North America usually is, was 102.1% indicating a loss margin in underwriting rather than a profit margin. On the other hand Seaboard Surety in the same period turned in a profit margin of 19.7%. Hence the importance of this factor in analysis.

Underwriting exposure is another factor to work out. Underwriting exposure is greatest among companies that carry a relatively large amount of unearned premium reserve to capital funds (policyholder's surplus). Conservatively operated companies as a general rule keep exposure low. Also, a low ratio makes it possible for a company to expand writings if it is deemed to be prudent. This exposure material should not be used to compare companies whose writings are not comparable.

The ten-year average expense ratio merits attention. To a great extent a company does not have the measure of control over its loss potential that it does over expenses. Losses involve at times force *majeur*, and other influences. Where, over a long period one company maintains a considerably lower expense ratio than a competitor in the same field of writings it well may be the direct effect of managerial ability and not be fortuitous.

When we move over to the investment end of the business we have two things to consider, movement in investment income over a period and change in the value of assets. As in practically all stock carriers, income from investments is the source of all cash dividends, it is obvious that the companies that do the best job of increasing investment income will be better able to increase dividends more frequently. Considerable importance may be ascribed to a company's ability to increase investment income at a more rapid rate than the average because of its connotation as to management.

As to the change in the value of assets, long term, at each yearly or half yearly statement date insurance companies adjust their marketable assets—bonds, stocks, mortgages, real estate, etc., to the market. Some services include in this total figure profits and losses on securities sold. If we go back far enough we can get pronounced differences. One study by the writer was for twenty years, a period that then took in all sorts of business harassments, war, postwar inflation, Korea, etc. And one group of stocks showed on average appreciation of 123%, while another was 183% higher in the valuation.

Price changes of these same two groups of stock were, respectively 52% and 223%.

The stocks that excelled in all tests were the high grades that gave us the best showing as long-term media.

## Security Assoc. Branch

SANFORD, Fla. — Security Associates, Inc. has opened a branch office at 110 East Commercial under the direction of Gordon Toll.

## Dempsey-Tegeler Branch

ANAHEIM, Calif. — Dempsey-Tegeler & Co. has opened a branch office at 2225 West Center Street, under the management of Harold U. Thomas.

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# News About Banks and Bankers

*CONSOLIDATIONS*
*NEW BRANCHES*
*NEW OFFICERS, ETC.*
*REVISED CAPITALIZATIONS*

A new bank branch was opened in temporary quarters in Woodside, Queens, Oct. 5 when **The First National City Bank of New York** establishes its 81st branch at 53-11 Broadway near Northern Boulevard.

Last spring First National City opened a branch in a trailer in Rego Park pending the completion of a permanent quarters. The Woodside branch will be located in what was formerly a market until the bank's new building is ready for occupancy at Northern Boulevard and 51st St. next year. The reason for temporary quarters in both instances is to provide complete banking service right away to these growing neighborhoods.

John L. Williams is the manager of the new branch. He has been with the bank for 34 years, much of his career having been spent with the branch organization in Queens.

* * *

Frank C. Grady and J. Frank Wiedeman were elected Vice-Presidents in the investment division of the **United States Trust Company of New York,** it was announced by Hoyt Ammidon, President. Mr. Grady joined the bank's training program in 1948 and has been an Assistant Vice-President since 1956. He will remain in charge of the investment portfolios of institutional accounts. Mr. Wiedeman joined the bank in 1937 and became an Assistant Vice-President in 1954. He will continue as a senior account executive handling personal investment accounts.

* * *

Appointment of Gordon W. Innes as an Assistant Vice-President of **Manufacturers Trust Company, New York,** is announced by Horace C. Flanigan, Chairman of the Board.

Mr. Innes joined the bank in 1935 and was appointed to Assistant Secretary in 1955. Mr. Innes is assigned to the Bank's Brooklyn Trust Office.

* * *

**THE CHASE MANHATTAN BANK NEW YORK**

| | Sept. 30, '59 | June 30, '59 |
|---|---|---|
| | $ | $ |
| Total resources | 7,933,205,171 | 8,053,250,556 |
| Deposits | 6,967,501,097 | 7,134,234,194 |
| Cash and due from banks | 1,860,342,192 | 1,902,792,164 |
| U. S. Govt. secur. holdings | 1,237,780,494 | 1,379,789,639 |
| Loans & discts. | 3,851,400,230 | 3,770,838,031 |
| Undivid. profits | 86,116,870 | 79,478,104 |

* * *

**CHEMICAL CORN EXCHANGE BANK OF NEW YORK**

| | Sept. 30, '59 | June 30, '59 |
|---|---|---|
| | $ | $ |
| Total resources | 4,140,956,972 | 3,449,509,100 |
| Deposits | 3,610,441,881 | 3,049,723,114 |
| Cash and due from banks | 875,695,457 | 805,415,697 |
| U. S. Govt. secur. holdings | 532,689,008 | 473,971,195 |
| Loans & discts. | 2,169,068,481 | 1,635,685,623 |
| Undivid. profits | 62,997,138 | 52,068,653 |

* * *

**MORGAN GUARANTY TRUST COMPANY OF NEW YORK**

| | Sept. 30, '59 | June 30, '59 |
|---|---|---|
| | $ | $ |
| Total resources | 3,823,012,579 | 4,044,999,163 |
| Deposits | 3,135,975,338 | 3,334,011,968 |
| Cash and due from banks | 760,514,724 | 963,890,933 |
| U. S. Govt. secur. holdings | 609,118,431 | 703,831,645 |
| Loans & discts. | 2,024,044,161 | 1,984,116,036 |
| Undivid. profits | 94,851,812 | 91,803,971 |

* * *

**BANKERS TRUST COMPANY, NEW YORK**

| | Sept. 30, '59 | June 30, '59 |
|---|---|---|
| | $ | $ |
| Total resources | 3,029,684,981 | 3,006,165,989 |
| Deposits | 2,633,503,928 | 2,656,615,528 |
| Cash and due from banks | 812,730,461 | 770,186,655 |
| U. S. Govt. secur. holdings | 401,217,445 | 505,481,163 |
| Loans & discts. | 1,558,205,493 | 1,524,439,154 |
| Undivid. profits | 78,095,723 | 74,229,225 |

**IRVING TRUST COMPANY, NEW YORK**

| | Sept. 30, '59 | June 30, '59 |
|---|---|---|
| | $ | $ |
| Total resources | 1,869,377,489 | 1,885,675,541 |
| Deposits | 1,639,294,060 | 1,677,146,752 |
| Cash and due from banks | 387,998,390 | 470,618,970 |
| U. S. Govt. secur. holdings | 377,118,915 | 412,635,951 |
| Loans & discts. | 958,089,426 | 868,306,530 |
| Undivid. profits | 29,328,343 | 27,873,421 |

* * *

**THE MARINE MIDLAND TRUST CO. NEW YORK**

| | Sept. 30,'59 | June 30,'59 |
|---|---|---|
| | $ | $ |
| Total resources | 638,407,734 | 651,902,658 |
| Deposits | 565,108,610 | 577,488,908 |
| Cash and due from banks | 175,404,117 | 193,622,894 |
| U. S. Govt. security holdings | 117,889,013 | 116,640,271 |
| Loans & discounts | 315,173,833 | 303,547,045 |
| Undivided profits | 14,719,057 | 13,899,092 |

* * *

**THE BANK OF NEW YORK**

| | Sept. 30,'59 | June 30,'59 |
|---|---|---|
| | $ | $ |
| Total resources | 542,891,063 | 577,237,321 |
| Deposits | 468,243,639 | 503,635,296 |
| Cash and due from banks | 127,692,588 | 165,085,632 |
| U. S. Govt. security holdings | 80,212,279 | 98,492,770 |
| Loans & discounts | 287,991,950 | 271,021,788 |
| Undivided profits | 7,140,770 | 6,748,679 |

* * *

**GRACE NATIONAL BANK OF NEW YORK**

| | Sept. 30,'59 | June 30,'59 |
|---|---|---|
| | $ | $ |
| Total resources | 201,328,349 | 206,930,698 |
| Deposits | 177,023,799 | 181,081,322 |
| Cash and due from banks | 49,898,803 | 42,220,213 |
| U. S. Govt. security holdings | 41,067,986 | 51,377,722 |
| Loans & discounts | 87,478,382 | 86,045,038 |
| Undivided profits | 3,726,804 | 3,241,723 |

* * *

**COMMERCIAL BANK OF NORTH AMERICA, NEW YORK**

| | Sept. 30,'59 | June 30,'59 |
|---|---|---|
| | $ | $ |
| Total resources | 169,675,877 | 171,842,128 |
| Deposits | 145,054,658 | 152,418,228 |
| Cash and due from banks | 19,416,545 | 24,142,023 |
| U. S. Govt. security holdings | 47,292,796 | 47,301,451 |
| Loans & discounts | 87,736,876 | 83,079,176 |
| Undivided profits | 2,710,871 | 2,430,198 |

* * *

**THE STERLING NATIONAL BANK & TRUST COMPANY, NEW YORK**

| | Sept. 30,'59 | June 30,'59 |
|---|---|---|
| | $ | $ |
| Total resources | 152,992,890 | 152,380,843 |
| Deposits | 136,149,382 | 136,726,745 |
| Cash and due from banks | 24,853,500 | 28,876,052 |
| U. S. Govt. security holdings | 33,130,603 | 33,134,688 |
| Loans & discounts | 90,152,703 | 87,235,971 |
| Undivided profits | 1,863,528 | 1,832,296 |

* * *

Lindsay Bradford, retired Vice-Chairman of the Board and former President of the **City Bank Farmers Trust Company, New York,** now the **First National City Trust Company,** died Oct. 6 at the age of 67

Mr. Bradford came to the **New York Trust Company** in 1919 and in 1927 he joined the old **Farmers Loan and Trust Company** as a **Vice-President**

Mr. Bradford was elected a Director of the trust company in 1934 and President on March 10, 1936. On Dec. 4, 1951, he was elected Vice-Chairman of the Board. He retired on Dec. 31, 1956.

* * *

**State Bank of Albany, Albany, N. Y.,** was given approval on Sept. 25 by the New York State Banking Department to increase its capital stock from $5,033,700 consisting of 503,370 shares of the par value of $10 each, to $6,633,-700 consisting of 663,370 shares of the same par value.

* * *

**Security Trust Company of Rochester, New York,** was given approval on Sept. 28 by the New York State Banking Department to increase its capital stock from $6,509,225 consisting of 260,369 shares of the par value of $25 each, to $6,646,100 consisting of 265,844 shares of the same par value.

* * *

**Marine Midland Trust Company of the Mohawk Valley, Utica, N. Y.,** was given approval by the New York State Banking Department to increase its capital stock from $3,100,000 consisting of 620,000 shares of the par value of $5 each, to $3,320,000 consisting of 664,000 shares of the same par value.

* * *

**SOCIETY NATIONAL BANK OF CLEVELAND, OHIO**

| | Sept. 30,'59 | June 30,'59 |
|---|---|---|
| | $ | $ |
| Total resources | 414,538,142 | 409,402,760 |
| Deposits | 376,468,634 | 373,440,156 |
| Cash and due from banks | 42,261,893 | 42,114,192 |
| U. S. Govt. security holdings | 94,249,026 | 90,580,783 |
| Loans & discounts | 221,977,200 | 220,319,947 |
| Undivided profits | 1,754,825 | 1,624,979 |

* * *

Alvah Woolley, Vice-President of the **First National Bank of Bradley Beach, New Jersey,** died Oct. 3 at the age of 68.

* * *

Three businessmen have been named to serve as Directors on the newly created South Richmond board of **The Bank of Virginia, Richmond, Va.,** Herbert C. Moseley, Bank President, announced Oct. 1.

They are Clarence E. Copley, Herbert L. Mitchell, Jr., and Thomas C. Redford. Tazwell M. Carington, III, a member of the bank's General Board of Directors, will act as Chairman of the new board.

* * *

**The Citizens National Bank of Waukegan, Waukegan, Ill.,** increased its common capital stock from $600,000 to $800,000 by a stock dividend, effective Sept. 24. (Number of shares outstanding—40,000 shares, par value $20).

* * *

Walter J. Delaney, Senior Loan Consultant at **Pullman Trust & Savings Bank, Chicago, Illinois.,** passed away Sept. 27,

Mr. Delaney, 68, had been connected with Pullman Bank since Sept., 1957. For 37 years previous to that he had been with the **Continental Illinois National Bank, Chicago, Illinois,** 25 of them as Senior Vice-President.

* * *

By a stock dividend **The Union National Bank of Manhattan, Kansas,** increased its common capital stock from $175,000 to $350,000 effective Sept. 25. (Number of shares outstanding—17,500 shares, par value $20).

* * *

George A. Baker was elected Vice-President of the **Bank of America, San Francisco, Calif.** Mr. Baker heads the Los Angeles metropolitan district for the business development department.

* * *

Appointment of four Executive Vice-Presidents for **Bank of America, San Francisco, Calif.,** and selection of three officers for the new post of Senior Vice-President was announced Sept. 15 by S. Clark Beise, President.

New appointments to the post of Executive Vice-President, highest official bank office next to the President and Chairman of the Board, were Vice-President Keath L. Carver, Frank M. Dana, Louis B. Lundborg and Samuel B. Stewart.

The four new Executive Vice-Presidents together with Chairman of the Board Jesse W. Tapp, Executive Vice-President, H. M. Bardt, W. J. Braunschweiger and Lloyd Mazzera, and Assistant to the President Roland Pierotti comprise the bank's Managing Committee of which President Beise is Chairman.

The newly appointed Senior Vice-Presidents are R. J. Barbieri, Corporation and Bank Relations, Nolan Browning, Loans in Southern California, and D. C. Sutherland, Loans.

Mr. Carver joined the bank in 1925 and following extensive branch experience assumed senior lending administrative responsibilities at the Los Angeles headquarters.

Mr. Dana has been with Bank of America since 1922 and is currently coordinator of the bank's activities. A specialist in bank operating procedures, he has for the past 10 years been closely identified with the bank's move into the use of electronic equipment.

Mr. Lundborg, executive officer for business relationships at the head office in San Francisco, came to the bank in 1949 from Stanford University where he was Vice-President in charge of university development.

Mr. Stewart was general counsel for Bank of America since 1947.

Mr. Barbieri has been with the bank since 1915 and heads the Corporation and Bank Relations department at the head office in San Francisco.

Mr. Browning's career with the bank dates from 1926, most of it at Los Angeles headquarters.

Mr. Sutherland has been a banker for more than 30 years and with Bank of America since 1947.

* * *

Merger certificate was issued Sept. 22 by the office of the Comptroller of the Currency approving and making effective, as of Sept. 18, the merger of **Security State Bank, Everett, Washington, Everett, Washington,** with common stock of $100,000, into **National Bank of Washington, Tacoma, Washington,** with common stock of $5,525,062.50. The merger was effected under the charter and title of **National Bank of Washington, Tacoma, Washington,** with capital stock of $5,600,062.50, divided into 448,-005 shares of common stock of the par value of $12.50 each.

## Howard, Weil Firm Expands Facilities

NEW ORLEANS, La.—Howard, Weil, Labouisse, Friedrichs and Company, New Orleans investment banking house and member of the New York Stock Exchange, have announced the formal opening of the firm's new offices located at 211 Carondelet Street.

A feature of the expanded quarters is an entirely new type of electric stock quotation board, the first of its kind in the South, which will reflect instantaneously sales on the New York Stock Exchange and the American Stock Exchange. The board will have color bars and large numerals for maximum legibility.

The board room is located on the second floor which may be reached by means of a private elevator from the reception lobby on Carondelet Street or from the main elevators of the Maritime Building. On this floor are also the partners offices and the research, municipal and trading departments. For the convenience of customers the securities receipt and delivery department and the bookkeeping department will be located on the ground floor and will have access from Varieties Alley as well as from Carondelet Street.

In the basement the firm has a full-size bank vault for the custody of securities.

Partners of the firm are Alvin H. Howard, John P. Labouisse, Walter H. Weil, Jr., G. Shelby Friedrichs, Paul T. Westervelt, F. Hunter Collins, Jr., Thomas C. Holmes, Jr. and Forres M. Collins. The firm was founded in 1946 as Howard, Labouisse, Friedrichs & Co. and merged with Weil & Co. in 1950.

### With Phillips Secs.

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis.—John J. Danielson is now with Phillips Securities, Inc., 5856 North Port Washington Road. He was formerly with Walston & Co., Inc.

## Puerto Rico Names In Promotion Drive

Puerto Rico's Economic Development Administration (EDA) has named two top officials for its "Operation Bootstrap" promotion

Juan Gonzalez-Ramos J. F. Diaz-Hernandez

program in the U. S.: Juan Gonzalez-Ramos as Executive Director and J. F. Diaz-Hernandez as Director of Industrial Development.

Formerly EDA Controller in San Juan, Mr. Gonzalez-Ramos will oversee the island Commonwealth's stateside operations which include four development programs: industry, rum, tourism and marketing promotion. Puerto Rico maintains "Bootstrap" headquarters at 666 Fifth Avenue, New York, and branch offices in Chicago, Los Angeles and Miami. As Executive Director, he will direct a campaign which last fiscal year established three records for Puerto Rico: 136 new U. S. plant affiliates, more than one-quarter million visitors to the island and a new high for Puerto Rican rum sales in the U. S. He succeeds Rafael Durand, who is returning to Puerto Rico to become Director of the Puerto Rico Ports Authority.

The new Executive Director has been associated with Puerto Rico's development program for many years. In addition to serving as Controller for the Economic Development Administration, he has been Chief of the Capital Budget Division of the Commonwealth's Planning Board.

A graduate of both the University of Puerto Rico and the University of Chicago, Mr. Gonzalez-Ramos last year represented Puerto Rico at the second annual meeting of the Inter-American Planning Association in Lima, Peru.

Mr. Diaz-Hernandez, newly appointed Director of Industrial Development, headed EDA's Rums of Puerto Rico since 1957. Previous to this he served with the Economic Development Administration in San Juan, lectured at the University of Puerto Rico and was with both the Economic Stabilization Administration and the Governor of Puerto Rico's Office of Statistics. Mr. Diaz-Hernandez coauthored "Gross Product of Puerto Rico, 1945-1946," and also wrote "Net Income of the Puerto Rican Economy, 1946-1948." He holds a Master's Degree in Business Administration from the Wharton School of Business and is an honorary graduate from the University of Puerto Rico.

In addition to Industrial and Rum promotion, other EDA revenue producing programs in the U. S. include Tourism and Marketing.

## H. J. Steele Co. In Pittsburgh

PITTSBURGH, Pa.—Steele, Haines & Co. (formerly Fauset, Steele & Co.), First National Bank Building, has announced the change of the firm name to H. J. Steele & Co. and the continuation of the firm's business.

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## Automated Savings and Mortgage Operations Discussed by Bank Head

**Dime Savings President explains the advantages of "on line" automated computer installations for savings accounts and mortgage operations. He also discusses arrangements that can accommodate smaller banks within a 100-mile radius of a central computer.**

Forty tellers, entering savings deposit transactions at the same instant, can all complete their transactions in 60 seconds, with the use of "on line" electronic computer installations, delegates to the 35th annual national convention of NABAC, The Association for Bank Audit, Control and Operation learned at their Boston meeting. "I may add,"

Everett J. Livesey

said the speaker, Everett J. Livesey, President, The Dime Savings Bank of Brooklyn, "that speeds are improving all the time."

He was discussing the advantages and disadvantages of "on line" and "off line" computer installations for savings bank and defined the differences as follows: "Under an 'on line' system, the window machines are an integral part of the computer installation. As the passbook is being posted, the memory storage in the computer is brought up to date automatically, the balance is checked, and the account searched for a 'hold' condition. Further, any unposted interest and any previous 'no book' entries are transmitted automatically to the window for entry in the passbook.

"Under an 'of line' system, the window operation is not an integral part of the computer operation. The passbook is posted at the window. Later, through punched paper tapes, punched cards, or some other input device, balances in the computer are brought up to date, interest is figured, and so on."

Mr. Livesey described specifically the system devised by Teleregister Corporation, which perfected the system for travel reservations in use by major air, rail and steamship companies.

"How about signatures?" Mr. Livesey asked. "The Teleregister Corporation has developed an idea of reproducing in each passbook a 'scrambled' signature which can be read only through a special apparatus at the teller's window.

"This procedure has obtained the approval of the supervisory authorities to whom it has been submitted . . . is now being manufactured by the LeFebure Corporation . . . the 'scrambling' can vary from bank to bank so that one bank's apparatus will not 'unscramble' another bank's signatures."

### Mortgage Operations

Mr. Livesey pointed out that mortgage operations can be handled through the same computer system. "A complete file for 8,000 mortgages can be carried on a single 2,400 foot reel . . . the computer is capable of accepting payments of odd amounts and automatically applying them in accordance with the terms of the mortgage and policy of the bank. It is estimated that for a portfolio of 25,000 mortgages, total monthly processing time will be 25 hours."

For "on line" computers for smaller banks, Mr. Livesey pointed out that computer service center agreements could be worked out and had proven successful with many firms already.

Pointing out that RCA also had an approach to "on line" savings bank systems, Mr. Livesey said their approach is to develop such a system out of equipment currently in existence.

"On line" computer savings will become a reality in this country, he added, in June 1960, when the Howard Savings Institution in Newark, N. J., will have the first. "The second system, to be installed at the Union Dime Savings Bank in New York City, is to be functioning one month after that; and the third, scheduled for The Society for Savings in Hartford, one month after the second."

The biggest advantages of such systems, Mr. Livesey explained, "are in relieving the strain and pressure on tellers, and in expediting service to the public—both of which are goals devoutly to be desired." This observation led him to the declaration that with a system such as will be installed at Howard Savings Institution, their data processor "will be able to be expanded to handle a million accounts and 145,000 mortgages, with additional file drums, teller machines and communication equipment."

As to reliability, Mr. Livesey noted that an electronic computer, "will not make more than one error to every 10,000 human errors . . . furthermore, this error will not necessarily go undetected. A checking code, and controls built into the equipment, will not let it pass . . . the important fact is that errors will not persist in the record."

### Disadvantages Discussed

The "on line" system also releases costly floor space, permits flexibility of layout and "will undoubtedly revolutionize bank architecture of the future."

The disadvantages, Mr. Livesey noted, of "on line" computer installations, include the high cost of rental or purchase, the peripheral equipment, the high cost of labor to service such a system, the inability to handle exceptions efficiently, or not at all, the lack of visual records and a "final disadvantage for us in the savings bank business. Since we are only at the doorstep to electronic data processing, we have no savings bank computer experience upon which to draw.

"Down time" of machines is also a factor, Mr. Livesey said, but added that all electronics are are "dual" except drum storage.

In coping with the high cost of computer installations, Mr. Livesey listed these areas as those "where an electronic data processing system will present a real potential for savings: machinery purchased, office equipment purchased; earnings list on monies invested in such machinery and equipment, machinery rented, personnel (regular, part or over time), stationery and miscellaneous supplies, telephones and space.

"But what about your operations over the next 10 years, when a computer will stabilize capital expenditures and personnel requirements at close to present levels . . . new branch offices in an expanding economy, especially since the computer permits a new type of construction at much lower costs . . . the value of receiving timely reports that permit decision-making based on live facts? Additionally, why can't two, three or even more of you join forces and share the expense of a computer system upon a pro-rata usage basis?"

### Smaller Banks

Mr. Livesey said that because distance is no problem to electronics, small banks in a 100-mile radius could use a central computer, that "confidential information" was not a realistic objection because the only information fed to the computers would be account numbers and balances, not depositors' names, and that mortgage information was already a matter of public record.

He cited the example of the Middletown, Connecticut Savings Bank and the Middletown Mutual Assurance Company, both more than 100 years old, who are joining together in a similar automation project. Mr. Livesey also described in detail the project of three insurance companies in Hartford — Springfield, Phoenix and Aetna—who support an IBM-equipped computer center for all their record and report work by use of an IBM 705. All of the work done here, Mr. Livesey said, is in the nature of an off-line operation involving tremendous volume.

## Tenn. Investors Inc. Com. Stock Offered

Tennessee Investors, Inc. on Oct. 7 offered for public sale 500,000 shares of its common stock at $12.50 a share, Lee Davis, President, announced. The stock will be sold by more than 30 security dealers throughout Tennessee and surrounding states and New York, including many stock exchange firms operating on a national basis. The shares have been cleared for sale by the Securities and Exchange Commission and with the "Blue Sky" Division of Tennessee and other states where the dealers may offer the stock.

The corporation was chartered in Tennessee on Aug. 28, 1958 with an authorized capital of $10,000,000 of $10 par value common stock, being the first in Tennessee to be organized under the Small Business Investment Act of 1958. It is also the first and only SBI company licensed in the nation which is organized with the statewide participation of a large group of independent banks. Forty-two banks and 20 individuals purchased the initial 29,000 shares of stock for $333,500 to qualify for the Federal license.

The proceeds of the sale of the shares being offered will give the corporation a capital and surplus of $6½ million for the purpose of purchasing investments in small corporations and making long-term loans to small businesses to supplement bank credit. The corporation may borrow additional funds as needed in order to expand its lending operations. It is also eligible to borrow from the government for re-lending purposes. As a Federal licensee this private corporation will be subject to the regulations of the Investment Division of the SBA.

Governor Buford Ellington of Tennessee, who sponsored legislation to assist overall business expansion, signed into law last Feb. 19, 1959, an Act enabling state banks to purchase stock in SBI companies up to 1% of the bank's capital and surplus, to the same extent as national banks, thus Tennessee became the first state to permit state banks to invest directly in this program.

## Stanley Miller With Truman, Wasserman

Stanley L. Miller has become associated with Truman, Wasserman & Co., Inc., 70 Pine Street, New York City. Mr. Miller was formerly with the Federal Reserve Bank of New York and the Empire Trust Company.

## Allan D. Converse

Allan D. Converse, Vice-President of A. C. Allyn and Company Incorporated, with headquarters in New York City, passed away Sept. 27 at the age of 79.

## Our Reporter on Governments

*BY JOHN T. CHIPPENDALE, JR.*

The first fall money raising venture of the Treasury was a very successful operation, with the short-term issue and the intermediate-term obligation being well taken by investors. The next time the Treasury is expected to come into the market for new funds is late in November when $2 billion to $3 billion additional will be raised. Additionally, the Treasury will be in the money market to refund about $9 billion of debt which comes due the middle of November. Of this total, about $3.8 billion is held by the public, with the balance owned by the Federal Reserve Bank and Government investment accounts. Then in January of 1960, new money will again have to be obtained, after which the Treasury will be out of the market for a period of time, aside from refunding operations.

Even in face of the Government's new money raising and refundings, no change in monetary policy is looked for. Until the inflationary pressure subsides further, restrictive money and credit conditions will prevail.

### New 5% Note Well Received

The Treasury in its October new money raising operation went to the short-term sector of the money market, as well as the intermediate-term area, when they offered $2 billion of tax anticipation bills due June 22, 1960 and $2 billion of 4 years 10 months notes due Aug. 15, 1964. The tax bills were definitely expected by the financial district, while on the other hand the 5% notes due in 1964 were a bit of a surprise. It had been the opinion of most money market experts that the Treasury would also come along with a one-year obligation, as part of the package deal, and in this way would confine its new money raising to the near-term end of money market.

However, there never has been any doubt but what the Treasury is very much interested in selling issues with as long a maturity as it is possible to put out under the existing circumstances, and therefore the use of the 1964 note was by no means completely unexpected by the financial district. The 5% note definitely has had appeal to investors as this rate is the highest return that has been paid by the Treasury since the 1920s.

### Pressure Continues on Short-Term Sector

The tax and loan account was again used by the Treasury in its new money raising, which means that the commercial banks acted as underwriters for the new issues with the ultimate investor eventually obtaining either the bills or notes when they are disposed of by the deposit institutions. The 245-day tax anticipation bill, being a discount obligation, puts the setting of the yield up to the buyer which relieved the Treasury of this job. Also, there has not been and there is not likely to be any shortage of short-term Governments for the foreseeable future, which probably indicates that the pressure will continue to be strong on this sector of the money market.

### No Addition to Money Supply

According to reports, not only were institutions sizable buyers of the 5% note, but also there was and still is very important purchases of this issue by individuals (the small investor) with an important amount of the latter funds coming out of savings banks and commercial banks with savings deposits. The return of 5% is still very much above that available in not only savings banks (deposits) but also the return which is obtainable in Government savings bonds.

To the extent that the 5% note as well as the 245-day bills are sold to ultimate investors, there will not be any inflationary implications since there will only be a shift in deposits. This would mean that there will not be a further increase in deposits or purchasing power. This is a favorable development as far as the economy and the Treasury is concerned.

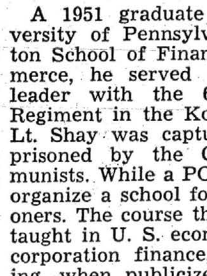
### Best of Possible Investments

The use of short-term and middle-term government issues with yields which are attractive to buyers indicates that the Treasury is able to raise its funds without resort to the long-term or capital market. To be sure, it is always desirable to put out obligations with as long a due date as it is possible to sell so that there will be longer intervals between the times when the Treasury will be coming into the market.

On the other hand, the very desirable and high yield which is now available in short-term and intermediate-term Governments means that money which would ordinarily be available for investment in long-term Governments is being put to work in the first named issues. A Treasury note due in 4 years and 10 months has no prior call date and the best credit available with a 5% rate for nearly five years has had particular attraction for investors.

## Shay, Balt. Mgr. for Goldman, Sachs & Co.

BALTIMORE, Md.—David Shay has been appointed manager of the Baltimore office of Goldman, Sachs & Co., 300 St. Paul Place, it has been announced.



David Shay

Mr. Shay until recently was Assistant Treasurer of the Maryland Casualty Co., serving in the company's investment division. Prior to that he was with Merrill Lynch, Pierce, Fenner & Smith in New York City.

A 1951 graduate of the University of Pennsylvania's Wharton School of Finance and Commerce, he served as a platoon leader with the 65th Infantry Regiment in the Korean conflict. Lt. Shay was captured and imprisoned by the Chinese communists. While a POW, he helped organize a school for fellow prisoners. The course that he himself taught in U. S. economic history, corporation finance, and investing, when publicized in a West Coast newspaper by a friend returned to the United States for rehabilitation, led Merrill Lynch to seek out Lt. Shay on his release and offer him his first job in the securities business.

Goldman, Sachs, founded in 1869, is one of the country's leading investment banking houses.

In addition to Baltimore, Goldman, Sachs & Co. has offices in New York, Boston, Chicago, Philadelphia, St. Louis, Albany, Buffalo and Detroit.

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# AS WE SEE IT

*Continued from first page*

What the future will bring forth, therefore, the future must disclose.

Approval of the general idea by the Bank and the Fund would, however, seem to make this an appropriate time for some general observations on the whole broad question of placing large funds into the hands of borrowers who can not (or will not) satisfy the private investor as to their credit worthiness. It is odd that such a proposal as this gained, or seemed to gain, wide approval from groups which at the same meetings appeared to have become convinced that the financial salvation of all nations of the globe depended upon a return to something approaching conventional practices of financial prudence. So many countries whose currencies had appeared almost hopeless have in the past few years led themselves at least partly out of the wilderness by getting their own financial house in order, that a world wide revival of older commonsense seemed to be the order of the day—a general frame of mind with which this movement for a "softer" lending institution seems hardly consistent.

### Government to Foot Bills

Obviously, it is the member governments which are expected to furnish at least a large part of the required funds and to assume the risks entailed—as, of course, has been the case with the two older Bretton Woods institutions. A very substantial part of the funds now outstanding in loans to borrowers from the World Bank were, as is well known, provided by private buyers of the bonds of the Bank, but no one supposes that funds in these amounts could have been obtained on any sort of workable basis from private investors had they not known full well that in one way or another, directly or indirectly, the credit of the member governments—particularly, of course, of the United States—stood behind the obligations of the Bank. In point of fact the Bank has operated rather more carefully and conservatively—and on paper at least successfully—than many had expected, which doubtless is in part the reason for the current demand for the new institution.

Two questions therefore must arise concerning this newly projected undertaking. The first is: Is it the part of wisdom in the long run for the more solvent governments of the world to expand further this practice of guaranteeing private loans to private enterprises which it would not think it wise to make direct? The second is: Is it ever wise thus to mingle charity with business—to denominate these contributions to the needy as "loans" and thus lay the basis for later dispute and ill-will when the funds are not repaid when due? We made enormous "loans" to our Allies in World War I. For the most part they, along with accrued interest, are still on the books, and no one—or certainly very few—now ever even think of the possibility of settlement, although these debts were the subject of much bitter controversy during the inter-war period.

### Took the Dollar Sign Off

In World War II President Roosevelt through use of the so-called lend-lease arrangement "took the dollar sign off" much larger grants in aid. Even the modest hopes that we held of ever getting any large part of these funds back have met with disappointment. A large part of our postwar aid has taken the form of outright gifts and was so labeled—"unilateral transfers" is, we believe, the more polite term. Some of this was clearly required on humanitarian grounds. A good deal of its rehabilitated industry abroad in a way to provide American producers with severe competition which otherwise might not have arisen. Some of it was purely political generosity—which may or may not have been warranted in the circumstances then existing.

This long continued outpouring of our funds to various parts of the world has now raised serious doubts in many minds, in and out of Congress. This is the more true since for one reason or another—doubtless this generosity on our part is partly responsible—our so-called balance of payments has been unsatisfactory for a good while past, and has caused some observers who are not well informed to raise questions about the place of the dollar among world currencies. It is perhaps natural enough, politicians — and even human beings — being what they are, that ways and means should be sought by which these contributions of ours could be effected without weighing too heavily upon the current budget. We have long had to resort to such methods in our domestic financial matters. "Insurance," "guarantees" direct and through various devices to encourage private capital to go where it otherwise feared to tread are all too common in our domestic affairs. A very large part of our true national debt arises from such devices and does not show in the official figures of the national debt at all.

There can be no question that these so-called backward areas present problems, the more so since so large a part of the world has become acutely conscious of their poverty and since the Communists have seized upon their existence to try to conquer the world. Precisely how these problems could be best met and solved is a question we wish we could answer, but we feel confident concerning at least two aspects of the situation. One of them is that the poor will long be with us, to misquote the scriptures, and the other is that we are not likely to gain by deceiving ourselves about the nature of the efforts we make to solve them. And we may add that no solution will be real which does not with reasonable dispatch render these peoples fully self-supporting.

# U. S. Economic Stability: 1929 versus 1959

*Continued from first page*

speculative boom in stocks and real estate. On a prewar 1940 base, the real Gross National Product of the United States has risen 106%, consumer prices have risen 108%, and the composite stock price average has gone up 357%. Common stocks are now selling at a very high multiple of their earnings and at a lower yield in relation to the yield of high-grade bonds than at almost any time in history, despite the recent market setback. Since 1953, the direct ownership of common stocks has doubled — from $6\frac{1}{2}$ million to 13 million stockholders —and indirect ownership of stocks through mutual and pension funds has multiplied many times. Some pessimists argue that the speculative boom in stocks and real estate resembles that of 1929, and can only be liquidated by a drastic drop in equity values which will produce a cumulative downturn in production and employment.

A third reason advanced for expecting serious recession is the unsound expansion of credit, particularly consumer credit. Some observers point out that the gross public and private debt of the American people has risen by 273% since the outbreak of World War II and the end of last year —from 242 billion to 902 billion. Even more dangerous, say the pessimists, is the five-fold increase in short-term **consumer** debt and in home mortgage debt. The pessimists aver that this debt is potentially dangerous. Being predicated on steady employment and steady consumer income, some interruption of income through unemployment could generate cumulative declines in markets, as homes and automobiles are foreclosed and thrown on the market.

The fourth major weakness of the U. S. economy to which reference is often made is the deterioration of the dollar in the world and our loss of gold, and a forthcoming world gold shortage which may precipitate a liquidity crisis. It is pointed out that since 1957, United States exports have been falling and our imports have been rising. In the first five months of 1959, commercial exports were 6% lower, but commercial imports were 16% higher than in the corresponding months of 1958. Pessimists say that inflation of costs and prices at home is pricing U. S. business out of world markets. During the 18-month period ending last July 1 the U. S. monetary gold stock has dropped by \$2.6 billion — from \$22.9 billion to \$20.2 billion. Some argue that this indicates weakening confidence in the dollar, that foreigners are likely to withdraw some of the \$16.8 billion of short-term balances they hold in the United States, and this could lead to a drastic shrinkage of domestic credit and possibly to devaluation of the dollar.

#### Analysis of Arguments for Expecting Deep Recession

Let us calmly examine each of the four arguments advanced for expecting a serious recession.

I believe we can quickly dispose of the alleged pattern of a "secondary" postwar recession as an argument for expecting a severe setback. Historical analogy is not a satisfactory basis for economic predictions. Unlike the natural world, the economic world changes radically in its structure and processes. That is why astronomers can confidently predict the return of Haley's Comet every 76 years, but economists cannot have any confidence in a prediction of periodic return of deep recession. Basic changes in the structure and processes of the U. S. economy and in the world since 1929 have invalidated the old patterns.

Does the speculative boom in stocks pose a threat to the stability of the economy? Judged by the usual criteria, such as price-earnings ratios, the relation of stock yields to bond yields, and the growth in the stock price index versus the growth in GNP, the American stock market today is undoubtedly high. Current stock prices are not only discounting the future growth in sales and profits, but an expected future rise in the price level. Because we are **not** likely to have as much inflation as stock buyers expect, a decline in stock prices is likely when inflationary expectations abate. The important question is whether such a decline would produce a **cumulative** decay of public confidence, consumer expenditure and employment as it did in the years 1929 to 1932.

I conclude that the answer to this question is negative. In the first place, our present stock market is a cash market and not a credit market. Stock market credit forms only 1.5% of the market value of shares listed on the New York Stock Exchange—\$4.5 billion in a total of 276 billions. At the peak in 1929, stock market credit comprised nearly 25% of the market value of shares listed on the New York Stock Exchange—16 billion out of 67 billion. Margin requirements today are 90% against $5\frac{1}{2}$% in 1929. Forced liquidation of stocks as a result of the wiping-out of margins during a decline is therefore absent. Moreover, the demand for stocks has acquired a much broader base than it ever had in the past. Pension and investment funds exert a strong and continuing demand for stocks which is a stabilizing force. It should also be pointed out that the confidence of American investors has recently survived a substantial setback in the market. During the last half of 1957, the Composite Stock Price Index dropped 16%—which was tantamount to a 115-point drop in the Dow-Jones Industrial Index today. Yet consumer spending was unimpaired and the mutual funds actually gained new money from investors in this period. For all these reasons, I conclude that the U. S. economy would not be thrown into a cumulative decline, even by a fairly severe setback in the stock market.

Let us turn now to the allegedly dangerous rise in debt and consumer credit. Does this threaten our economic stability? In the first place, we should recall that in our kind of economy, the aggregate expansion of output and employment can only occur with an expansion of debt and credit. This necessary expansion may occur in public debts of governments or in the private debt of businesses and households. Today most people worry about the rise in Federal Government debt. However, its increase since World War II has been very slow, about 2.2 billions a year on the average. The great postwar expansion has been financed mainly by a rise in the debt of state and local governments, businesses, and households. Nevertheless, total United States debt has risen **less** since 1929 than has GNP. Our gross debt formed 205% of GNP in 1929, and forms only about 190% of GNP today.

While home mortgage and consumer debt has quintupled since 1946, we must recall that family incomes, assets, and equities in homes have grown proportionately. Sixty percent of American families live in homes they own, and half of these homes are free of mortgage debt. Moreover, nearly 40% of all home mortgage loans are VA-guaranteed or FHA-insured—55 billion of the 144 billion outstanding. With currently low default and delinquency ratios on mortgage debt, there appears to be no danger in this quarter.

Short-term consumer debt is currently equal to about $1\frac{1}{2}$ months of consumer disposable income. But consumer liquid assets amount to four times their short-term liabilities, and three-fourths of all American families hold some liquid assets. With moderate default and delinquency ratios, the quality of consumer credit also appears to be sound.

Does the recent outflow of gold from the United States betoken a deterioration of the dollar and a threat to our stability? I believe that the gold outflow of the past 18 months is due to special, and probably temporary, causes, and does not herald a collapse of the dollar. The essential facts are that a surplus of commercial U. S. exports **has continued**, but in reduced amounts. Meanwhile U. S. investment abroad and foreign aid has gone on at a very high rate. Most of the decline in U. S. exports has been in raw materials and semi-manufactured goods which have come into less demand abroad because of a pause during 1958 in European business expansion. Postwar capital investment has increased the competitive power of foreign countries, and they have chosen to strengthen their currencies by acquiring a larger gold base. This redistribution of gold reserves strengthens the free world and essentially has meant an exchange by the United States of unproductive gold for profitable investments abroad. There is no evidence of loss of confidence in the dollar by foreigners, for they have actually **increased** their short-term balances in the U. S. by $\$1\frac{1}{2}$ billion since the beginning of 1958. The outflow of gold will probably decline and cease as the level of domestic money rates rises closer to foreign rates, and as foreign discrimination against United States exports are removed. Our government should

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now make a determined drive for removal of the barrier to U. S. goods imposed by foreign countries. Nevertheless, we should maintain a steady fight against further inflation of our domestic cost and price structure. We should foster cost-reducing improvements in production and marketing through tax reform and other means in order to maintain the prestige of the dollar.

In regard to the fear that the world's monetary gold reserves are becoming inadequate to maintain stable price levels in an expanding world economy and we face a world "liquidity crisis," I believe this is not an imminent condition and there is adequate time to make necessary readjustments in our financial institutions.

**Structural Changes in the Economy Favoring Sustained Growth**

Our analysis has shown that the U. S. economy today is free of serious weaknesses, and that the fears of the pessimists are unfounded. This is the negative argument against expecting a severe recession. More important is the positive argument — that since 1929 the United States' economy has acquired structural elements of resistance to deep recession. The primary factors are, I believe, from: An explosion of population, a revolution in the distribution of income and wealth, a new age of science and technology, and an environment of world expansion and competition with Communism. Let us briefly note the impact of these structural changes upon the **future** growth of our economy.

We have all become aware of a radical increase in the rate of growth of the United States population since World War II. Earlier marriages, more children per family, and lower mortality rates, combine to raise the United States population today about 2½ times as fast as it increased during the Thirties. Our country experienced an increase of about one million people **per year** during the 30's; the increase is around 2½ million per year today. During the coming decade of the 60's the number of new family formations will increase rapidly. During the Thirties the number of American households increased by one-half million a year; during the Sixties the number will rise by well over one million annually. This we know, because the young people who will form these families are here today. A large family formation will create vast new demands for homes, autos, appliances, and community facilities. It banishes the specter of a "saturation" of demand for consumer goods.

Another structural element of strength is the far greater diffusion of income and wealth, arising mainly from the spread of education and the greater mobility and opportunities open to people. Nearly three out of five American families today have annual incomes of $4,000 or more, compared with one of the five in 1940, **measured in dollars of constant purchasing power.** Three-quarters of all American families today possess some liquid assets, as against a minute percentage in 1940. This wider distribution of income and wealth has made consumer expenditure more stable than it formerly was. Today, family expenditures are sustained in the face of temporary interruptions of jobs and income.

A third structural factor of stability is the new emphasis on science and technology. We can measure this by noting that in 1940 scientific research and development outlays were $1 billion a year and in 1958 they amounted to $9 billion. Scientific research and development activity is growing more than twice as fast as the U. S. economy. Edward Teller has pointed out that three-quarters of all the scientists the world has produced in its recorded history are alive today! Scientific research and development is creating new products, processes, and needs for capital more rapidly than they can be met by the savings of the people. This is the basic reason why interest rates are rising. It has banished the former periodic dearth of investment opportunities which caused severe recessions.

A final structural factor of strength is that the U. S. economy is in an environment of world expansion and Soviet competition. In 1929 the United States faced a world economy that was either stagnant or growing slowly and which offered small markets for our goods and services and our investors. Today, the world is moving ahead rapidly and offers expanding markets for both. In 1929, our country was not faced with a global ideological struggle which demanded a high performance of our economy as the price of survival. Today, we are engaged in such a struggle, and it will constantly spur us on to improve our economy by the adoption of policies that will foster rapid growth.

**Economic Stabilization Under the Employment Act of 1946**

Structural and environmental changes in our economy have made another deep depression improbable. Public policies adopted since the Employment Act of 1946 have also ruled out deep depressions. The Employment Act committed the Federal Government to use all of its powers to maintain high employment and steady growth, and Congress has built into the U. S. economy devices for automatically stabilizing take-home income in the face of reduced unemployment, such as progressive income taxes, unemployment compensation, social security payments, and farm-price supports. As a result of these "automatic" as well as of the deliberate economic stabilization actions of the Federal Government, we have **broken the traditional link between consumer expenditures and the level of employment.** Twelve years of experience in administering the Employment Act has taught us the need for counter-cyclical taxing and spending actions by the Federal Government. In 1954, for example, taxes were cut in the face of a Federal deficit in order to expand private demand and speed the return of prosperity. In the fiscal year 1959 the Federal Government ran a deficit of $12 billion and did not raise taxes to reduce that deficit because it was recognized that this would prolong a recession. Compensatory fiscal policy is no longer a controversial or partisan issue.

I believe that convincing evidence of the power of automatic and deliberate stabilization action by the Federal Government to moderate business cycles appears from a comparison of the business downturns that occurred before the Employment Act of 1946 with the downturns that have occurred since the Employment Act of 1946. The decline of 1929-32 lasted 43 months and was accompanied by a reduction of employment of 31%, in disposable personal income of 50%, and in personal consumer expenditure of 50%. The decline of 1937-38 lasted 13 months, was accompanied by a 10% cut in employment, by a 7.5% reduction in disposable personal income, and by a 4% cut in personal consumer expenditure. In sharp contrast, the three post-Employment Act recessions have averaged 11 months of decline, have been accompanied by a 4% reduction in employment, by less than one-half of 1% reduction in disposable personal income, and by an average **increase** of one-third of 1% in personal consumption expenditure.

**Strengthening the Economy For the Future**

Assuredly, the United States economy will continue to experience pauses and temporary setbacks in its long-run expansion. But never again will our economy suffer a prolonged and cumulative collapse like that of 1929-1932. It is now depression-proof.

Nevertheless, we would be wise to strengthen the basic forces of economic growth. This requires primarily tax reforms, measures for more adequate competition, regulation of labor unions, and a new policy for agriculture. Beyond this, we would be wise to strengthen the powers of the Federal executive to deal with cyclical changes in demand. For example, our experience with the boom in automobile credit and sales during 1955 demonstrates that consumer credit terms can become excessively loose and can form an unstabilizing factor in the economy. Hence, Federal powers to control the terms of consumer credit on a standby basis would serve the interests of stability. We also need to give the Federal executive broader powers to adjust current tax payments within limits fixed by Congress in order to help stabilize consumer expenditure. State and local governments are becoming almost as important as the Federal Government in the amount of goods and services that they purchase, and we need to study the problem of coordinating their taxing and spending policies with those of the Federal Government in the interests of stable economic growth.

Notwithstanding the opportunity that exists for improving the stability of our economy, a review of progress during the past 30 years should convince us that we can view the 30th anniversary of the onset of the Great Depression with confidence rather than misgiving.

*An address by Dr. Jacoby before the 45th Convention of the National Consumer Finance Association, Seattle, Wash., Sept. 29, 1959.

## To Form Hess, Grant & Remington, Inc.

PHILADELPHIA, Pa. — Hess, Grant & Remington, Inc. will be formed as of Oct. 19, with offices at 123 South Broad Street. The new firm will be members of the New York Stock Exchange.

Officers will be Arleigh P. Hess, Chairman of the Board; Freeman G. Grant, President; William M. Hess, Vice-President and Treasurer; James A. Grant, Helena J. S. Harden, Irvin Holden, and Charles F. Case, Vice-Presidents; Clifford G. Remington, Vice-President and Secretary; and Gilbert B. Thomas, Assistant Treasurer.

Messrs. Hess and Remington are officers of Woodcock, Hess, Moyer & Co., Inc., with which Mr. Thomas is also associated. Freeman and James Grant are officers of Grant & Co., Inc.

## Dale Hill With Boettcher

(Special to THE FINANCIAL CHRONICLE)

PUEBLO, Colo.—Dale R. Hill has become associated with Boettcher and Company, Thatcher Building. He was formerly head of Dale R. Hill and Company.

## R. W. Newton Opens

(Special to THE FINANCIAL CHRONICLE)

LITTLETON, Colo.—Ralph W. Newton, Jr. is engaging in a securities business from offices at 1785 Shepperd Street.

## F. A. Stinson Opens

(Special to THE FINANCIAL CHRONICLE)

LEBANON, Ill. — Frederick A. Stinson, is conducting a securities business from offices at 1007 College Drive.

# Securities Salesman's Corner

*BY JOHN DUTTON*

## The Customer Doesn't Want to Put You On the Defensive

There are times when you must ask for deliveries that are late, or checks that did not come in on time, and there is only one way to do it. Explain to your customer that there are rules that must be followed and that it is to their advantage to do business with a reputable firm that sticks to the "book." They will understand this anyway — they will know that when they are asked to comply with regulations they are doing business with an established firm that honors the proper rules of conducting this business. You won't have to explain it. I am referring to cash accounts but the same principle holds true with margin accounts. If your firm has a policy of maintaining margins at a point above the minimum allowable (now 25% of market on registered long securities) explain this before you open the account—don't be apologetic about something as important as this.

**Negative Thinking**

There are some salesmen who are afraid to ask their customers to mail their checks as soon as they receive confirmations. There are others who will tell a customer, "You don't have to worry about payment or delivery on the fourth business day. You can always wait till the seventh after the trade." This is a completely erroneous approach to a proper client - salesman's relationship. First of all, you want your customer to do business with a solvent, well managed, efficient firm —you wouldn't work for any other kind of organization. There is a compelling sales argument here. Why not say, "Mr. Smith, I am sure that you are aware that we conduct our business according to the rules and regulations that have been established to protect not only our customers, but this will also enable us to give you the most efficient transfer and delivery service, as well as provide accurate bookkeeping records pertaining to your account. In order to do so, we have a good rule. Please mail your check the day you receive your confirmation. If you are going to be out of town the day we make a trade, please let me know and I will obtain the amount due from our cashier and telephone it to you so that you can send us a check the day the trade is consummated. In this way we are going to give you the most efficient service possible." Any client that won't appreciate the sound business procedure involved in that request should be suspect.

**And About Payment**

It is not always possible to educate customers regarding the proper and acceptable form of payment (by check) that is acceptable under rules and regulations now existing (as well as good business procedure). There are some checks that should not be accepted in payment of securities that are purchased in cash accounts and people do not think twice about the legal aspects nor the liabilities upon the broker that are involved. When this happens, be nice about it but don't pussyfoot and crawfish around. Explain why it is important to go "by the book," or else just say "that's the rule with all reliable firms" and obtain the cooperation of your customer. Remember, he will appreciate sound practice on your part, you are not asking for any favors, this is the right way to do business so do it right. With that attitude, you can educate your customers and add to the prestige and goodwill involved in your business relationship.

Here is a letter, signed by the cashier of our firm, that I dictated to a new account who bought a few stocks and who obviously sent unacceptable checks. There is no apology implied, instead, a courteous explanation of facts. The next time the customer will know better. When she telephoned me in receipt of the letter I told her why it was important to "go by the book," both to *her* and to our firm:

"Dear Mrs. Customer:

"We are returning the check of Mr. L. Jones, of the B. & B. Appliance Corp. Inc., Chicago, in payment of 300 shares of Blasted Rock Products Class A preferred stock, bought in the name of Larry and Josie Smith.

"It will be necessary for us to have a check from Mr. Smith on his personal checking account rather than on the account of a corporation, because the latter is contrary to standard business practices conducted by the majority of firms who are members of the National Association of Securities Dealers and the New York Stock Exchange.

"Please have Mr. Smith send his check for the amount of $9,000 as promptly as possible so that this payment will not be in violation of time limit for payment in cash accounts that is four business days after date of trade, and in such a case as this we are allowed seven days due to this misunderstanding of proper form of payment.

"We also are returning a check in the amount of $1,000, endorsed by Josie Smith, which is the check of Sillson Properties. This check also must be a personal check of Josie Smith, in order to conform to standard rules and practices.

"Will you please, (and this is important) instruct us in a letter accompanying your new check in the amount of $1,000, to apply that check in payment of the accounts of James Jones, Mary Jones, and Edith Shuler.

"I want to assure you as does our Mr. Dutton, with whom I have discussed this that we regret causing you this inconvenience but I am sure that you will want to do business properly according to the established rules, and by necessity we must also do so.

"Thanking you for your cooperation, we remain,

"Yours very truly,

"Blank & Co.

"James R. Cashman (Cashier)"

* * *

**P.S.**—Your cashier will give you the rules pertaining to payment by check, what is acceptable and what is not. Other information regarding information needed for opening new accounts (N.Y.S.E.) can be obtained from the "Manual for Registered Representatives" available from the "Association of Stock Exchange Firms," 25 Broad Street, New York 4, N. Y. The Federal Reserve in your district or in Washington will send you a copy of the rules and regulations pertaining to Regulation T, margin requirements, etc. Once your customers know the rules, they will cooperate. Spend some time explaining proper procedure to new accounts. The best time to do this is when you have the first trade.

## I. Perlman Opens

RIDGEWOOD, N. Y. — Irving Perlman is conducting a securities business from offices at 799 Cypress Avenue under the firm name of Perlman Investment Company.

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# SEC and the "Hot" Issue

Continued from page 3

real public distribution occurs through the trading houses at prices which seem to reflect the highest price the market will bear! Following such a distribution pattern, corporate issuers will bring their stock out at a $5 initial offering price and trading houses to which stock was allotted at the retail price immediately establish a market at between $10 and $11. It is our belief that such a distribution pattern encompasses two public offering prices—one, the prospectus price available to only the selected customers and two, the price or series of prices not disclosed in the prospectus but established by the trading houses, which are not identified in the prospectus, for the remainder of the offering.

Certainly it appears that this whole distribution procedure makes a mockery of the existing prospectus disclosure requirements of the Securities Act of 1933 and of the rules promulgated under the Securities Exchange Act of 1934 and intended to prevent manipulative practices in the over-the-counter market.

Let me elucidate: there is no disclosure in the prospectus to the effect that the prospective offering is to be marketed at two or more different offering prices in the primary distribution, nor is there any disclosure that the trading houses which bought at the prospectus price actually are performing an underwriting function and, if they are, they should accordingly be identified and named as underwriters in the prospectus. Although these trading houses argue that they are under no obligation to furnish a prospectus before consummating a sale, it seems to me that they are in fact subject to Section 5 because the distribution has not been completed and the securities being sold have not come to rest in the hands of bona fide members of the public. Furthermore, adequate disclosure would require them to explain in the prospectus how they determined the price at which they proposed to offer the security and the method they propose to use to distribute their allotments.

I might also point out that the distribution pattern on its face seems to violate Rule 10 B-6 of the 1934 Act which in essence prohibits trading by a person interested in a distribution and Rule 15 C 1-8 which in effect prohibits representations as to market price where that price is made, created or controlled by the broker or dealer. In addition, there may be violations of the anti-fraud Section 17(a) of the Securities Act and the anti-manipulative Section 10(b) of the Exchange Act and of other rules promulgated thereunder.

An indication of the tremendous workload which we have been experiencing in the last few years is the fact that during the 25 year history of our Commission there have been 15,000 registration statements filed for a total dollar value of $161 billion, yet 1/3 of these filings and 1/2 of the dollar amount have occurred during the last six years.

I suppose it is perfectly natural that, along with this fantastic surge in capital market activities, there have been attracted into the securities business a horde of unscrupulous fraud artists, "con" men and swindlers whose only interest is making a few "bucks" for themselves by any scheme or artifice to defraud that their fertile minds can conjure up.

You would scarcely believe it but we even had to go into a Federal District Court in Oklahoma City to obtain an injunction against a celestially ambitious promoter who was continuing a distribution of securities among credulous public investors in a corporate venture which proposed to be building a flying saucer which was scheduled—so the prospectus said—for take-off from Space, Maryland, on Dec. 15, 1959, for a trip to the moon! Parenthetically I might tell you that in the prospectus there was mention of a do-it-yourself kit which could be purchased for $5.

In another case we enjoined a Washington, D. C. promotion which, although never filed with the SEC, was employing a prospectus identical in form with one which had complied completely with our filing requirements, even to the extent of using on its front page the familiar language, "These securities have not been approved or disapproved by the SEC nor has the Commission passed upon the accuracy or adequacy of the Prospectus. Any representation to the contrary is a criminal offense." This company had represented that its Board of Governors consisted of a Member of Congress, who had in fact never heard of the promotion, a retired Major General in the United States Army who had been dead for six months, and the President of the Gettysburg College.

There are, of course, many other cases which I could cite to you to establish the presence within the securities field of unscrupulous promoters. I am sure you are all thoroughly conversant with many of our problems. I am equally certain that you all recognize that the investment banking business has within it many men of the highest integrity and honor. Unfortunately there are others whose moral fiber lacks character and strength and whose basic desire is to serve a personal and greedy interest without any consideration for the effect their conduct may have upon the industry as a whole.

### Some Unscrupulous Promoters

Let me say that this latter type has kept us very busy during the last year. We instituted 111 broker dealer revocation proceedings in fiscal 1959 against 57 in fiscal 1958. In fiscal 1959 we referred to the Department of Justice and United States Attorneys throughout the country 45 new criminal references. This represented the largest number of criminal referrals in the past 17 years and the fifth highest in the entire Commission's history. The 45 referrals also are to be compared with the total referrals in the past two fiscal years which numbered 41. In 1959, while we made 1,471 broker dealer inspections against 1,452 in 1958, we found 2,070 indicated violations of either the SEC statutes or its rules. The Commission's securities violations file contains the names of 69,013 persons against whom Federal or State action has been taken in connection with securities violations. In keeping these latter records current, we added during 1959 items of information concerning 9,576 persons including 3,450 persons not previously identified in these records. As of the end of June, there were 4,907 brokers and dealers registered with our Commission. There are 4,913 NASD members as against 4,752 last year and 77,917 NASD registered representatives as against 65,314 last year.

In the Investment Company field I might say that the tremendous growth in the investment company industry has continued unabated, and as of the close of the past fiscal year, there were 512 registered investment companies with total assets estimated in excess of $20 billion. The rate of growth can be appreciated by comparing this amount with comparable ones representing the total assets of registered investment companies at year end in 1941 of $2.5 billion, in 1946 of $3.8 billion, in 1951 of $5.6 billion, and in 1956 of $14.0 billion. This phenomenal growth in the industry has resulted primarily from the increase in the size of individual companies, due to the sales of additional shares as well as from appreciation of portfolio securities.

### Investment Company's Size

The question of the size of individual investment companies was considered by Congress in enacting the Investment Company Act of 1940. As originally proposed the Act would have provided that investment companies could make no further sales if their assets exceeded $150,000,000. Today there are some dozen or so companies with assets in excess of this figure. Two open-end companies have assets of over $1 billion. However, in the final version of the Act specific limitations were replaced by Section 14(b) which provides that the Commission is authorized to make a study and investigation of the effects of size on investment policies of investment companies and on securities markets; on concentration of control of wealth and industry and on companies in which investment companies are interested, to determine whether any further substantial increase in size creates any problem involving the protection of investors or the public interest, and, if so, to make recommendations to the Congress for remedial legislation.

Pursuant to this mandate, about a year ago the Commission arranged to have the Wharton School of Finance and Commerce of the University of Pennsylvania conduct a fact-finding survey in connection with various aspects of this problem. Detailed questionnaires have been sent to 165 open-end companies and 60 closed-end companies, and completed replies have been received from most of them. A progress report has recently been received from the School which indicates that substantial data have been obtained and are being processed. We should have a preliminary report on some phases of the study early this fiscal year. The study will cover such subjects as changes in portfolio distributions, changing rates of growth of the investment company industry, investment companies' market operations, and portfolio turnover rates. Personal interviews with company representatives are being planned to supplement the data obtained from the questionnaires and to make the study more meaningful.

Another major project of the Commission in this field is the investment company inspection program. This program contemplates a periodic inspection of all active management companies for the purpose of ascertaining any deviation from the requirements of the statute. As originally planned, there would be a two-year cycle of inspections. Due to a shortage of personnel and the increased pressure of regular work, it has proved impossible to effect more than a minor number of inspections. This is most unfortunate since our experience, derived from the inspections we have made, indicates a need for review, in the field, of the operations of these companies to bring them into compliance with requirements of the Act. In some cases, we have found most serious violations. During the last year 14 inspections were made, as compared with 6 for the preceding year. For the current fiscal year 24 inspections are planned, and for 1961, 94, which will put the program on an estimated 8-year cycle.

### Cites Managed Funds

The need for such an inspection program is made crystal clear by the flagrant violation of the Act uncovered in the case of Managed Funds. On the basis of facts which were subsequently more fully developed at a public hearing, a stop order was entered suspending the registration of this company's securities under the Securities Act of 1933. In that case, the sponsors of the Fund had an investment advisory contract with the Fund for which they received compensation of 1/2 of 1% of average net assets per annum. Instead of performing the services required of them, they entered into an arrangement with an analyst associated with a New York Stock Exchange firm under which he managed the portfolio and was compensated by way of commissions on brokerage business in portfolio securities. This arrangement was not disclosed in the prospectus nor was stockholder approval obtained for it as required by Section 15 of the Investment Company Act. The Fund followed the practice of distributing fixed amounts of capital gains quarterly, which resulted in excessive portfolio turnover and represented a deviation from its stated policy of capital growth. The company is presently in the process of reorganizing its management.

Turning now to our Legislative Program which was discussed by Chairman Gadsby, last year at Mexico City, I might say that it was introduced into Congress during the recent session. Hearings have been held by the Congressional Committees concerned and it appears likely that they may take some action on the proposals at the next session.

### Discusses Proposed Amendments

In general, our proposed amendments to the Securities Act of 1933 are designed to: (1) clarify the jurisdictional basis of the civil liability provisions of the statute; (2) extend civil and criminal liability to documents filed with the Commission pursuant to Commission rules in connection with exempt offerings; (3) increase from $300,000 to $500,000 the size of offerings which may be exempted from registration under section 3(b) of the statute (Reg. A); and (4) make it clear that a showing of past violations is a sufficient basis for injunctive relief and that aiders and abettors may be responsible in civil and administrative proceedings.

The proposed amendments to the Securities Exchange Act of 1934 would make comparable changes with respect to injunctive relief and liability of aiders and abettors. In addition, changes are proposed which would: (1) make it a violation of this act to embezzle moneys or securities entrusted to the care of an exchange member or a registered broker or dealer; (2) clarify and strengthen the statutory provisions relating to manipulation and to financial responsibility of brokers and dealers; (3) authorize the Commission by rule to regulate the borrowing, holding and lending of customers' securities by a broker or dealer; (4) make it clear that attempts to purchase or sell securities are covered by the anti-fraud provisions of the statute; (5) revise the provisions relating to broker and dealer registration in several respects; (6) authorize the Commission to suspend or withdraw the registration of a securities exchange when the exchange has ceased to meet the requirements of its original registration; (7) clarify the Commission's authority to suspend a security from exchange trading where there has been a failure to comply with the act and where otherwise necessary in the public interest; (8) prohibit trading in the over-the-counter market for limited periods where the public interest and the protection of investors so requires; (9) provide that an insolvent broker or dealer may be adjudicated a bankrupt in an injunction proceeding instituted by the Commission; (10) provide for a civil monetary forfeiture for each day that any periodic report of registered companies or report of "insiders" of such companies, required to be filed under the act, is delinquent.

The Trust Indenture Act of 1939 requires that debt securities publicly offered for sale to the public must be issued under an indenture meeting certain statutory requirements and standards for investor protection and has been duly qualified with the Commission. The amendments to this act are designed primarily to conform the act to the amendments recommended as to the Securities Act of 1933.

Only three of the amendments proposed by the Commission to the Investment Company Act of 1940 were met with any opposition: one, the amendment which required that an investment company state as a matter of fundamental policy, which cannot be changed without approval of stockholders, its stated investment objective, or characteristic, such as a "growth fund," "income fund," or "balanced fund;" two, the amendment designed to insure that there be on every board of directors of an investment company a certain minimum number of "independent" directors—that is, persons not connected with the management, investment advisor, or principal underwriter for the fund; and three, the amendment designed to remove the exemption for a company which is subject to the regulation of the Interstate Commerce Commission, which is found to be primarily engaged in the business of an investment company.

The Investment Advisers Act provides for the registration of persons engaged in the business of advising others with respect to securities and prohibits certain activities by registered investment advisers. The proposed changes in this statute would, first, expand the bases of disqualification of a registrant because of prior misconduct; second, authorize the Commission by rule to require the keeping of books and records and the filing of reports; third, permit periodic examinations of registrants' books and records; fourth, empower the Commission by rule to define and prescribe means reasonably designed to prevent fraudulent practices; fifth, extend criminal liability for a wilful violation of a rule or order of the Commission; and sixth, revise the provisions relating to the postponement of effectiveness and the withdrawal of applications for registration. There has been little or no objection by any segment of the regulated industry to the amendments to the Investment Advisers Act, the Investment Counselors' Association being in entire agreement with these proposed amendments.

### Increased Fees

There are two other bills presently pending before the House of Representatives which I would like to discuss. These are the bills which would increase the fees charged for registration of new issues of securities under the 1933 Act and would increase the charges made for sales on the national securities exchanges from 1/500 of 1% to 1/100 of 1% and would apply this charge to sales in the over-the-counter market. The reason for my desiring to mention these two bills is because of the serious budgetary problem with which we are presently confronted by reason of the tremendous increase of activities in all areas of the capital markets. Believe me we have been literally swamped by the tremendous workload pressure under which we have been operating. If we are going to be effective as an Agency in protecting public investors in all areas where we are

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charged with primary duties by the statutes we administer, it is going to be essential that we seek a substantial increase in our overall budgetary requirements.

In my judgment, the additional cost problem could be fairly and logically answered if these two bills could be enacted into law. In addition to assisting this Commission in obtaining essential funds, they would for the first time give to the Commission some indication as to the probable size of the over-the-counter market. As of today, no one can actually foretell how many securities either in numbers or in dollar value are being sold in the over-the-counter market. It is our estimate that if these bills were to become law, the percentage of our total budget recoverable by the Treasury would increase from 34.6% to approximately 54%. While these recoverable funds are not usable by the Agency, the fact is that they would reimburse the Treasury for the cost which the Agency has budgeted. I am sure that you all recognize that the SEC is the Agency of the Federal Government which attempts to protect the soundness of our expanding financial system. Unless the integrity and the honesty of the capital market can be preserved so that public investors will continue to have faith and confidence in the functions of these markets, our whole capitalistic economy will not succeed in the cold war which we are facing today. It is the SEC as the "investors' watchdog" and as "Uncle Sam's police force" which is charged with the duty of protecting the financial markets. Unless we can be put in sufficient funds, we cannot hope to do the job in this period of tremendously dynamic and expanding activities.

*An address by Mr. Sargent before the 42nd annual convention of the North American Securities Administrators, Atlantic City, Sept. 10, 1959.

# Mortgage Banking's Direction Is Now at the Turning Point

Continued from page 9

vestment opportunities beckoning, life companies and savings banks may not provide as ready an outlet for your loans as previously. Moreover, the volume of savings flows into these institutions, hardly a static factor, places basic limits on their investing capacity. You are directly vulnerable to shifting investment policies of these institutions. You are vulnerable also to the changing availability of short-term funds from commercial banks. Indeed, few institutions are as directly dependent on the availability of both short-term and long-term funds as are mortgage bankers.

**Can These Challenges Be Met?**

I have posed four broad challenges encompassing several sub-challenges. No doubt you can think of others, but these are probably more than enough to digest after a full breakfast. Posing challenges is always much easier than suggesting answers; Moreover, there is usually no one "right" answer but alternatives. In suggesting some possibilities to you now, I do so in the hope that they will provoke thought, discussion, and eventually better answers.

(1) *Meeting outside competition.* The answer to this basic challenge is in a sense a complex of the answers to all the other challenges. Fundamentally, competition can be met only by continuing to provide a useful service at least as efficiently as your competitors. If this is not done, for one reason or another, mortgage banking as we know the industry today will not survive. There is no standing still. You either move forward with the times or give way to others who will.

The challenges raised by your competitors are, in the last analysis, based upon improved efficiency or new techniques of operation. If you rise to these challenges, your competition will be met. I did not say eliminated. This is neither expected nor desirable. But the threat posed by savings and loan associations and commercial banks of cutting further into your business will be thwarted.

(2) *Weeding out inefficient mortgage servicers.* If it is a valid assumption that your industry is faced with increasing competition and is, at the same time, passing from the "rapid growth stage" of development to what may be characterized as the "shakeout stage," then we may see a weeding out of inefficient servicers. In a more competitive and less expansionary environment inefficient operations will not be easily hidden; investors will insist upon improved and expanded service. But the exodus of marginal firms from your industry will only serve to strengthen it.

Maximum efficiency through improved techniques, increased mechanization of operations, and new services to investors, may be achieved most readily by larger size firms. Some investors may find it advantageous to consolidate their business among fewer servicers. This would permit centralized record keeping, less audit work, and generally lower home office costs. Larger firms may result from the steady growth of one firm or from the merging of two or more firms. An interesting speculation is the possible development of nationwide branch mortgage banking. There are no regulatory obstacles in the way of such a development so long as the minimum capital requirement under FHA regulations is met.

This question of capitalization is, of course, a major consideration today. Many investors, as you know, are concerned about your capital adequacy. To quote from a recent talk of William F. Keesler, of the First National Bank of Boston, one of the men most knowledgeable about mortgage banking: "Some companies have been so anxious to meet competition and grow in size that they have been trading dollars and have not had enough net profit to leave in the business to increase capital in reasonable proportion to the volume of business done and obligations outstanding. . . . One thing that protects some businesses from irresponsible and inexperienced competition is the amount of capital required. It could be a good thing for the industry itself to require growth of capital in proportion to size of activity as well as to provide further protection that the investor is entitled to and, in fact, is paying for."

Obviously size alone is no guarantee of capital adequacy. In fact, as Mr. Keesler points out too rapid growth may be a basic cause of inadequate capital. The shakeout period, therefore, may be characterized as well by a firming up of capital positions. Those firms unable or unwilling to expand capital relative to volume of business, may find it increasingly difficult to satisfy investors. Size of operations alone does not necessarily mean quality.

In brief, then, the period ahead may see some weeding out of mortgage servicers. It may be characterized by the emergence of larger firms operating over a wider geographic area, and having a strengthened capital position. There will still be a basic place for the smaller, efficient servicer, well capitalized, and able to utilize modern techniques to provide maximum service for his principals. Competition will be vigorous, however, and the small firm may be hard-pressed to keep up with the efficiencies of operation inherent in large-scale enterprise.

(3) *Developing new arrangements with investors.* The challenge you face in meeting current problems of investors strikes at the foundation of your operations. How can you reduce the uncertainties of time lags and fill the need for immediate mortgage deliveries? One possibility for faster delivery of completed loans is to assume directly part of the responsibility for initiating loan commitments to builders. When building has progressed substantially, completion time will be somewhat easier to judge and the lag between investor commitments offered at this point and final delivery will be reduced and, perhaps more important, will be less uncertain. Reduced delays and cancellations will be particularly important in attracting new types of investors such as pension and trust funds.

Obviously, for mortgage bankers to make commitments on their own responsibility they will need to strengthen their capital position. Thus, the need for greater capital is again apparent. Reinforced by additional capital, it is only one further step—but a giant one—to assume more of the underwriting risk by carrying mortgages through to completion and building up some uncommitted inventory. Admittedly such a market position introduces new risks to mortgage banking but risk-taking is a cornerstone of American entrepreneurship.

The advantages of having an inventory of mortgages ready for immediate delivery are obvious. Investors would look to you for their current purchases as well as future acquisitions based on current commitments. Their dependence on FNMA would be lessened as market shifts favored immediate mortgage investments. Broadening your services and facilities for investors would enhance your value and thwart outside competition. The fact is that if mortgage bankers are unable to fill the need for ready supply of mortgages, other types of institutions will do so increasingly.

I am fully aware that many new techniques have been developed over the years to better coordinate the flow of investor funds with the availability of mortgages. The use of "standby commitments," and various forms of "warehousing," however, do not lessen the need, in the long run, for mortgage bankers to improve their capital position and assume more of the underwriting risk. If capital is, indeed, increased then the risk of uncommitted inventory will be lessened and interim financing will become more readily available without the further collateral of firm investor commitments.

Several of the larger mortgage companies have already been able to assume more of the underwriting risk and operate with inventory available for immediate delivery. There is some evidence that others are moving increasingly in this direction. The techniques of this kind of operation for institutions having little capital are admittedly not easy. They deserve the most thoughtful consideration, however, for the rewards can be great.

(4) *Broadening the horizons of mortgage banking.* There are many facets to the last general challenge I posed concerning a broadened area of market operations. Broadening may be achieved through extending your area of operations within the mortgage banking field—that is by developing new types of investors and mortgages—or by expanding into related real estate and construction activities. Many of you have already broadened in one direction, others in both. Still others have decided to continue a more specialized type of operation.

The decision of whether and how much to broaden is one faced by all types of business organizations. The business of mortgage banking, in my view, can and should be adapted to a broader type of operation. New types of investors need to be attracted to mortgages. Your efforts in expanding mortgage flows from pension funds are well known. Other potential types of investors need to be explored. Legal and other barriers have prevented many from investing more than a fraction of their assets in mortgages. But these barriers are hardly insuperable and the potential amount of mortgage funds is so great as to be worthy of your hardiest efforts. Personal trust funds, for example, have from $60-$75 billion in assets with only about 2% in mortgages; fire casualty and marine insurance companies have close to $25 billion in assets and less than 1% in mortgages; credit unions have over $4 billion in assets and only 8% in mortgages; fraternal orders have over $3 billion in assets and less than 20% in mortgages.

Perhaps the broadest and most challenging investor group that awaits your exploration are individuals including unincorporated businesses. In the early history of mortgage banking individuals provided your main source of investment funds. They gave up their pre-eminent position to institutional investors only after the introduction of federal mortgage insurance. Now once again, I believe, individuals may offer you a promising new market, as they become increasingly investment-minded. One incentive for mortgage investment is provided by new Federal regulations permitting individuals to participate in FHA-insured mortgage loans. A few mortgage bankers have already begun to open up this market and it shows promise of developing further.

If mortgage bankers do not develop the opportunities in this market, I believe other institutions will. I have been impressed recently by the rapid success of a friend in developing a real estate and mortgage business based principally on syndication of loans and equity investments among individuals. In less than three years he has built up an active file of nearly 1,000 individual investors, is originating an annual volume of business of several million dollars, and is climbing rapidly.

New investors will broaden opportunities to expand your type of operations as well. Markets for FHA and VA loans will be expanded. More importantly, perhaps, your ability to compete in conventional loan markets may be improved. It is difficult now, as you well know, to compete against savings and loan associations in originating conventional loans. These institutions can make 80 and 90% loans, while life insurance companies — your main purchasers—are limited generally to much lower loan-to-value ratios. Mutual savings banks, of course, are generally precluded from buying conventional loans in national markets. What about the possibility then of developing a conventional loan business among individuals and other types of investors not limited by law to such restrictive terms of lending?

Perhaps package deals can be arranged for participations in FHA and conventional loans. If Federal and State supervisory authorities are persuaded that 80 and 90% conventional loans are safe for savings and loan associations and, in New York, for mutual savings banks — under certain specified conditions, of course, — cannot you convince other investors of your ability to originate and service sound loans of equal liberality. Some of your convincing ought to be directed, also, to life insurance companies and state insurance commissioners to liberalize somewhat provisions of conventional mortgage lending under specified conditions.

Perhaps these ideas appear to be radical and impossible to achieve. Whether or not these specific suggestions can be translated into action, I am suggesting that similar bold planning and action are basic to your continued success in a changing market environment.

Expansion into other areas of activity, related to mortgage banking, is also suggested by the times. Here again a look backward can be instructive. Your predecessors were widely diversified, engaging in various types of real estate activities in addition to mortgage banking. Servicing was only a minor part of their income. Today, servicing income is the life blood of your business and other types of activity are tangential. I am not suggesting that you reverse the pattern again but I am suggesting that there is nothing so holy about servicing that it should always be your dominant source of income. Greater penetration than you have already made into related activities—real estate investment and sales, land development, general insurance, consumer financing — will permit you to roll better with the punches dealt by changing economic and financial times.

In concluding, I would like to quote for you part of a paragraph from the preface of my monograph on "The Postwar Rise of Mortgage Companies." This preface, written by Raymond W. Goldsmith, one of the nation's leading authorities on savings and financial intermediaries, is as follows:

"Will mortgage companies remain essentially an ancillary institution and originating and service organization for institutional investors in government-insured and guaranteed home mortgages, using short-term bank credit to carry a temporary inventory of mortgages already spoken for by institutional clients? Or will they, by adding operations characteristic of some companies prior to the days of mortgage insurance broaden into a more diversified and independent type of institution—a sort of general mortgage dealer and underwriter—handling mortgages of all types, placing them with individual as well as institutional investors, and carrying a general inventory of uncommitted mortgages for sale? Are they likely, as well, by expansion or amalgamation, to increase their general real estate operations blurring further the distinction between mortgage companies and real estate investment, brokerage, and development companies? Finally, will they remain within their generally local spheres of operation, or will many of them develop, as a few have, into organizations working to a considerable extent through branch offices on a regional or even a nationwide scale?"

Goldsmith concluded this paragraph by writing that: "Klaman is too careful a student to propose answers to such speculative questions . . ." Of course, this was just a polite way of saying that Klaman doesn't know the answers and is too timid to attempt to deal with the questions raised. Well, Klaman still doesn't know the answers but he has at least attempted to deal with some of the challenges. In the final analysis of course, the answers can be provided only by you, the young men of mortgage banking.

*An address by Mr. Klaman before the 46th Annual Convention of the Mortgage Bankers Association of America, New York City, Sept. 22, 1959.

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## Aurora Plastics Corp. Offer Oversubscribed

An underwriting group headed by Burnham and Co., on Oct. 6 offered to quick oversubscription 225,000 shares of Aurora Plastics Corp. common stock (par $1) at $7.25 per share. Of the 225,000 shares, 150,000 are being offered for the account of the company, and 75,000 shares are being offered for the account of certain selling stockholders.

Net proceeds from the sale of the 150,000 shares being offered by the company will be approximately $936,000 of which approximately $150,000 will be used for the purchase of additional equipment, and approximately $225,000 for the purchase of additional inventories of raw material, and $300,000 for the repayment of short-term bank loans due Dec. 17, 1959. The balance of approximately $261,000 will be utilized for general corporate purposes. The company will receive no part of the proceeds from the sale of the 75,000 shares of common stock offered for the account of selling stockholders.

Organized in 1950, Aurora Plastics manufactures and sells an extensive line of plastic hobby kits, coppercraft tooling sets, electronic model kits, plastic toys and related items, in the United States, Canada, England, South America and Europe. Its plant and executive offices are located in West Hempstead, Long Island, N. Y.

Net sales for the six months ending June 30, 1959, totaled $2,296,640 as compared to $2,326,288 for the like period in 1958. Net earnings for the six month period to June 30, 1959 amounted to $182,330 as compared to $161,902 for the comparable period in 1958. For the calendar year ending Dec. 31, 1958, net sales totaled $4,681,857 and net earnings for the same period totaled $305,104.

All outstanding stock of the company has been closely held. On Sept. 29, 1959 the Board of Directors declared an initial dividend of 5 cents per share payable Dec. 15, 1959 to stockholders of record on Nov. 11, 1959.

## Federal Land Banks Bonds Being Offered

The Federal Land Banks are offering today, Oct. 8, a new issue of approximately $164 million of 5% bonds dated Oct. 20, 1959 and maturing Jan. 5, 1960. Priced at par, the new issue is being offered through John T. Knox, Fiscal Agent and a nationwide selling group of securities dealers.

Proceeds from the financing will be used to refund $164 million of 1¾% bonds maturing Oct. 20, 1959.

### With E. I. Hagen

(Special to The Financial Chronicle)

PORTLAND, Oreg. — Richard I. Howe has become affiliated with E. I. Hagen & Co., American Bank Building.

### Now Asst. Treasurer

Phineas Brotman has been appointed Assistant Treasurer of Alkow & Co., Inc., 50 Broadway, members of the New York Stock Exchange.

### Two With Goodbody

(Special to The Financial Chronicle)

CHARLOTTE, N. C. — Burton S. Davis III and Allen D. Moore, Jr. are now connected with Goodbody & Co., 217 South Church Street.

### Joins Taylor Staff

(Special to The Financial Chronicle)

KINSTON, N. C. — Charles L. McCullers is now connected with Taylor Investment Company, 1105 Oriental Avenue.

# The State of Trade and Industry

*Continued from page 5*

Steel mills will need, on the average, six weeks from the time of settlement to hit 90% or better of their shipping capacity.

During this period, there will be one of the greatest scrambles by steel consumers for mill products that this country has ever seen. Inventories have fallen from a record high of 26 million tons to a working minimum of 12 million to 14 million tons. Many stocks are out of balance.

Starting up the mills takes time. Steelmen have to repair facilities which deteriorated during the long walkout and gradually bring ovens and furnaces back to producing temperatures.

Production men will be on the spot in allocating semifinished materials.

Getting in an adequate supply of iron ore for the winter will require all the ingenuity that shippers can exercise. They have lost three months' shipments out of the heart of the iron ore season.

With iron ore supplies limited, steelmakers may increase the percentage of scrap in their melts. Last week, "Steel's composite on No. 1 heavy melting grade jumped $2 a gross ton to $43. The composite has risen $4.50 in the last 30 days over August's average because of anticipated heavy poststrike demand and active exports.

The steel stoppage—the strike that nobody wanted—is the most expensive in the industry's history, the metalworking weekly declared.

Besides the 500,000 steelworkers who struck, another estimated 175,000 have been laid off as a direct result of the strike—mostly in coal mining and railroad industries. But the number laid off among steel users is growing.

Direct losses through Oct. 5 will amount to $4,343,200,000 through lost steelworkers wages ($853,200,000, lost sales ($2,478,000,000), other losses ($472,000,000), and tax losses to U. S. ($540,000,000).

Add the indirect losses, and the total could easily reach $6.5 billion.

Lost steel production amounts to 23,497,300 ingot tons through today. If the mills reopen by Oct. 15, look for steel ingot production to hit 95 million tons this year. Before the strike, it was generally believed that 1959 production would equal or exceed the record 117 million tons poured in 1955.

The strike means that the half trillion dollar economy is out as far as 1959 is concerned, but the fourth quarter still shapes up as the best quarter in history. Steel users, once assured of new supplies in the reasonably near future, will go ahead full steam with what they have.

Last week, steelmaking operations climbed to 13% of capacity, two-tenths of a point above the previous week's revised rate. Output was about 368,000 ingot tons.

### Steel Output Based on 12.9% of Capacity

The American Iron and Steel Institute announced that the operating rate of the steel companies will average *22.7% of steel capacity for the week beginning Oct. 5, equivalent to 365,000 tons of ingot and steel castings (based on average weekly production of 1947-49) as compared with an actual rate of 22.5% of capacity and 362,000 tons a week ago. [ED. NOTE: A strike in the steel industry began Wednesday, July 15.]

Actual output for the week beginning Sept. 28 was equal to 12.8% of the utilization of the Jan. 1, 1959 annual capacity of 147,633,670 net tons. Estimated percentage for this week's forecast is 12.9%.

A month ago the operating rate (based on 1947-49 weekly production) was *20.4% and production 327,000 tons. A year ago the actual weekly production was placed at 1,933,000 tons, or *120.3%.

*Index of production is based on average weekly production for 1947-49.

### Labor Strife to Halve Scheduled October Auto Output

The steel walkout and other labor troubles threaten to cut October car output to 50% of the scheduled record level and seriously impair 1960 model dealer sampling, "Ward's Automotive reports" said on Oct. 2.

"Ward's" said the auto plants operated at 95% of planned output in September by building 258,157 cars, but may attain only 50% of the 640,000 completions scheduled for October because of the steel walkout and other labor trouble.

The statistical service said cumulative '60 model production —July 6 to Oct. 1—totaled 276,675 cars, or fewer than eight per dealer, with GM Corp. taking 55.1%, Ford Motor 18.8%, Chrysler Corp. 12.9%, American Motors 7.3% and Studebaker-Packard Corp. 5.9%.

"Ward's" said the September count included 56,449 economy cars, almost evenly divided between the Big Three plus American Motors and Studebaker-Packard, and that plans had been to double the volume to 105,000 in October. Corvair and Falcon small car building continues on schedule.

Production in U. S. plants, with most Chevrolet factories working four days because of the steel strike and Chrysler Corp. 3½ days due to labor trouble at its Twinsburg, Ohio, stamping plant, was held to 104,309 cars and 91,341 trucks—up from last week but below planned levels.

Production for last week totaled 91,341 cars and 22,781 trucks.

### Electric Output 9.3% Above 1958 Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Oct. 3, was estimated at 13,234,000,000 kwh., according to the Edison Electric Institute. Output increased by 356,000,000 kwh. above that of the previous week's total of 12,878,000,000 kwh. and showed a gain of 1,123,000,000 kwh., or 9.3% above that of the comparable 1958 week.

### Car Loadings Down 12.8% From 1958 Week

Loading of revenue freight for the week ended Sept. 26, 1959, totaled 587,079 cars, the Association of American Railroads announced. This was a decrease of 86,301 cars or 12.8% below the corresponding week in 1958, and a decrease of 152,187 cars or 20.6% below the corresponding week in 1957.

Loadings in the week of Sept. 26, were 8,839 cars or 1.5% above the preceding week. It is estimated that about 165,000 additional cars would have been loaded in the current week if there had been no steel strike. Based on these week-to-week estimates the cumulative loss is now approximately 1,665,000 cars.

### Intercity Truck Tonnage 7.5% Above 1958 Week

Intercity truck tonnage in the week ended Sept. 26, was 7.5% ahead of the corresponding week of 1958, the American Trucking Associations, Inc., announced. Truck tonnage was 1% ahead of that of the previous week of this year.

These findings are based on the weekly survey of 34 metropolitan areas conducted by the ATA Research Department. The report reflects tonnage handled at over 400 truck terminals of common carriers of general freight throughout the country.

### Lumber Shipments Down 16.1% From 1958 Week

Lumber shipments of 466 mills reporting to the National Lumber Trade Barometer were 7.6% below production for the week ended Sept. 26, 1959. In the same week new orders of these mills were 6.3% below production. Unfilled orders of reporting mills amounted to 38% of gross stocks. For reporting softwood mills, unfilled orders were equivalent to 18 days' production at the current rate, and gross stocks were equivalent to 42 days' production.

For the year-to-date, shipments of reporting identical mills were 1.2% above production; new orders were 0.5% above production.

Compared with the previous week ended Sept. 19, 1959, production of reporting mills was 2.4% above; shipments were 1.2% above; new orders were 8.9% above. Compared with the corresponding week in 1958 production of reporting mills was 2.3% below; shipments were 16.1% below; and new orders were 10.0% below.

### Business Failures Dip in Latest Week

Commercial and industrial failures fell to 224 in the week ended Oct. 1 from 282 a week earlier, reported Dun & Bradstreet, Inc. Casualties were noticeably below a year ago when 301 occurred, and were down moderately from the 261 of the similar 1957 week. There was a decline of 20% from the 279 of the similar period of prewar 1939.

Liabilities of $5,000 or more were incurred by 182 of the week's failures, compared with 247 in the prior week and 245 a year ago. Smaller failures, those involving liabilities under $5,000 rose to 42 from 35 in the previous week, but were moderately below the 56 of the similar 1958 week. Eighteen of the failing concerns had liabilities in excess of $100,000, as compared with 33 a week earlier.

Tolls were lower in three of the industry and trade groups. There was a decline to 18 from 30 in wholesaling, to 100 from 136 in retailing, and to 38 from 60 in construction, while increases occurred in manufacturing, up to 46 from 39, and in commercial service, up to 22 from 17. Year-to-year declines occurred in all of the industry and trade groups, most noticeably in retailing, manufacturing and wholesaling.

In seven of the nine major geographic regions, declines occurred from the prior week. The most significant decreases were in the South Atlantic, Pacific, and West South Central Regions. In contrast, casualties edged up in the West North Central and East South Central States. Failures were below a year ago in all regions except for the East North Central and West North Central States. The most considerable year-to-year declines prevailed in the South Atlantic Region, down to 12 from 32, in the Pacific Region, down to 51 from 76 and in the West South Central Region, down to 12 from 25. Failures were above a year ago in the East North Central States, up to 44 from 42, and were unchanged at 8 in the West North Central States.

### Wholesale Food Price Index Hits New 1959 Low

The Wholesale Food Price Index, compiled by Dun & Bradstreet, Inc., fell fractionally this week to hit a new low for 1959. At $5.91 on Sept. 29, it was at the lowest level since the $5.89 of March 27, 1956. The current level was down 0.3% from the prior week's $5.93 and 6.2% below the year ago $6.30.

Higher in wholesale cost this week were flour, corn, rye, oats, barley, bellies, cheese, and milk. Lower in price were wheat, butter, cottonseed oil, eggs, potatoes, steers and hogs.

The Index represents the sum total of the price per pound of 31 raw food stuffs and meats in general use. It is not a cost-of-living index. Its chief function is to show the general trend of food prices at the wholesale level.

### Wholesale Commodity Price Index Declines from Week Earlier

Lower prices on lard, sugar, butter, hogs, cotton, and steel scrap held the general commodity price slightly below that of a week earlier. The Daily Wholesale Commodity Price Index compiled by Dun & Bradstreet, Inc., stood at 277.01 (1930-32=100) on October 5, compared with 277.23 in the prior week and 278.64 on the corresponding date a year ago.

Despite fears that the strike of dock workers on the Atlantic and Gulf coasts would hurt export trade, most grain prices edged up in the latest week. Wheat prices moved up moderately as supplies were light and domestic buying expanded. There was a slight gain in rye prices as stocks in some markets were limited and purchases were sustained at high levels.

Delayed harvesting, limited supplies, and increased buying boosted corn prices noticeably during the week. A moderate rise in oats prices occurred, reflecting a rise in activity. There was a marked rise in soybeans prices as harvesting was slowed up by unfavorable weather conditions. Trading in soybeans was appreciably higher than a week earlier.

The pier tie-up encouraged trading in sugar somewhat, but prices slipped below the prior week. Flour prices were unchanged, but transactions moved up moderately; sizable exports of flour to Indonesia are expected shortly.

Rice wholesalers reported a marked rise in both domestic buying and buying for export this week, and prices remained at prior week levels. Negotiations were pending for sales of sizable quantities of rice to Indonesia, India, and Japan. The buying of coffee remained close to a week earlier and prices were steady. Following gains made at the beginning of the week, cocoa prices

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fell at the end of the period. Cocoa trading was sustained at the level of the preceding week.

Although hog receipts in Chicago moved up during the week, trading was sluggish and prices were down somewhat. Transactions in steers dipped somewhat on lower saleable supplies; prices remained at prior week levels. There was a moderate dip in lamb prices as volume slipped somewhat.

Prices on the New York Cotton Exchange dipped at the end of the week and finished fractionally lower than a week earlier. For the current season through September 25 the Commodity Credit Corporation reported that it purchased about 798,000 bales of the 1959 crop.

### Retail Trade Up Over Year Ago

Although hot humid weather in many areas discouraged consumer buying in the week ended Sept. 30, over-all retail trade was up moderately over a year ago. The effects of the steel strike were blamed by some retailers for declines from last year in sales of big-ticket appliances, but purchases of apparel, furniture, and floor coverings showed moderate increases. Scattered reports indicate that sales of new passenger cars dipped from a week earlier, but marked gains over last year were sustained.

The total dollar volume of retail trade in the week ended this Wednesday was 2% to 6% 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: Mountain and Pacific Coast +6 to +10; East North Central +3 to +7; South Atlantic +2 to +6; Middle Atlantic and West North Central +1 to +5; New England and West South Central 0 to +4; East South Central —2 to +2.

While the hot weather curtailed volume from the prior week in women's Fall and Winter coats and suits, purchases of sportswear and dresses were sustained at high levels holding over-all sales of women's apparel moderately over last year. The buying of men's topcoats and suits remained close to a year ago, but the call for furnishings and sportswear was up appreciably. There were substantial year-to-year gains in children's clothing, especially girls' sweaters and skirts and boys' jackets and sports shirts.

Except for a slight year-to-year increase in purchases of television sets, appliance sales were down moderately. Furniture sales slipped from the prior week, but appreciable gains over last year occurred, especially in living room chairs and bedroom sets. There was a substantial gain from the similar 1958 week in volume in floor coverings. While interest in linens and draperies was down somewhat.

Consumer buying of food products remained close to the preceding week. Gains in fresh produce, fresh meat, and some dairy products offset declines in canned goods, frozen foods, and baked goods.

Food wholesalers reported a slight rise in trading in canned goods this week, after several weeks of sluggish activity. Although the call for flour, eggs, sugar, and poultry was down somewhat, volume in fresh meat, butter, and cheese expanded somewhat.

With buyers becoming concerned over the effect of steel shortages on appliance production, wholesale volume in laundry equipment, refrigerators, lamps, and television sets moved up noticeably during the week. Furniture sales remained close to the prior week; best-sellers were case goods, bedroom sets, and upholstered chairs. Despite higher prices on some items, wholesalers were pleased with volume at the National Hardware Show in New York City; substantial gains over a year ago occurred in sales of barbecue goods, power mowers, and aluminum furniture. While a marked rise in the call for linens occurred purchases of floor coverings and draperies were unchanged.

There was an appreciable dip in re-orders for women's Fall coats and suits this week in most wholesale markets, with many wholesalers blaming warmer weather for much of the lag. Interest in Fall dresses and sportswear matched that of a week earlier. Volume in men's topcoats and suits was sluggish, while the call for furnishings and sportswear was steady. Overall trading in men's apparel was close to a year ago. The buying of children's clothing suitable for Christmas selling moved up moderately from the prior week and slight year-to-year gains occurred.

Most textile mills reported a decline in trading this week. Transactions in woolens and worsteds slipped and bookings in carpet wool were sluggish. Except for some scattered orders for lawns and broadcloths, volume in cotton gray goods fell appreciably from the preceding week. There was a slight decline in purchases of industrial fabrics and man-made fibers during the week. Incoming orders at mid-Atlantic dyeing and finishing plants picked up slightly.

### Nationwide Department Store Sales Up 7% for September 26 Week

Department store sales on a country-wide basis as taken from the Federal Reserve Board's Index for the week ended Sept. 26, increased 7% above the like period last year. In the preceding week, for Sept. 19, an increase of 16% was reported. For the four weeks ended Sept. 26 an 8% increase was registered and for Jan. 1 to Sept. 26 a 7% increase was noted.

According to the Federal Reserve System department store sales in New York City for the week ended Sept. 26 increased 8% over the like period last year. In the preceding week Sept. 19 a 20% increase was shown. For the four weeks ended Sept. 26 a 5% gain over the same period in 1958 was recorded and Jan. 1 to Sept. 26 showed a 3% increase.

## Bache Sales Meeting

Managers of the Florida branch offices of the world-wide investment firm of Bache & Co. will gather in the Americana Hotel, Miami Beach, for a three-day session devoted to discussions on improving service to clients, it has been announced yesterday. The meetings will open on Thursday, Oct. 8 and will be terminated the evening of Saturday, Oct. 10.

## Babson, Kaye in NYC

Babson & Kaye Co. has opened an office at 32 Broadway, New York City. This will be the firm's main office, the office at 222 North Broadway, Yonkers, N. Y., being continued as a branch.

## Arthur Marx

Arthur Marx, limited partner in Asiel & Co., New York City, passed away Sept. 29.

# Congress' Failure to Act on The Most Important Issue

*Continued from page 5*

Except for areas affected by the steel strike, output is expanding in nearly every sector of our economy. We now have a heavy demand for credit. Interest rates have moved up in response to this demand. When there are more buyers than sellers and the product is one of universal appeal, prices will inevitably increase. Now, there are more borrowers than lenders and the price of money has inevitably increased.

It has been said, "Well, let's go back to 1957 conditions." No one, I believe, wishes to secure lower interest rates through bringing on another recession. As Secretary of the Treasury Anderson testified in June:

"For a responsible government, the choice between high levels of business activity and employment as opposed to low interest rates is actually no choice at all. Stated differently, high interest rates are not an end in themselves; rather they are the usual accompaniment of the active credit demands that characterize expansion in production employment and income."

### Finds the Choice Obvious

Thus the choice is between the abnormally low interest rates spawned by recession and unemployment and the somewhat higher levels of rates that characterize a vigorous, growing economy. The choice, it seems to me, is obvious.

The Treasury, unable to spread its borrowing at competitive rates of interest among short, intermediate and long-term obligations, is now forced to crowd all of its borrowing into the short-term market. This adds to inflationary pressures for two reasons. In the first place, a long-term bond is a true investment instrument, but a short-term Treasury security is only a few steps away from being money. It can be sold easily in the market, at or about its redemption price, to obtain funds to spend for goods and services, or the holder can simply wait a few days or weeks until it matures, demand cash from the Treasury, and spend the proceeds.

Secondly, commercial banks make up a much larger part of the market for short-term Treasury securities than they do for long-term issues. When banks buy securities they create in the process new deposits, and this adds to the money supply. An expanding money supply, during a period when pressures on economic resources are intensifying, adds momentum to inflationary forces.

The handling of our $290 billion debt in a manner which is clearly and decisively inflationary is bad enough, but that's not all. Sole reliance on short-term borrowing is costly today, because interest rates on most securities of less than 5 years' maturity are higher than those on longer-term issues. It is only common sense that the confinement of all borrowing to one segment of the market tends to drive up interest rates in that part of the market. The fact is that the short-term market is already overcrowded, reflecting the impact of record credit demands on the part of consumers, small businesses, and other short-term borrowers. This overcrowding means that somebody is going to get pinched, so long as the Treasury has to borrow exclusively on short-term issues.

### Refinancing Headache

In addition to being inflationary, costly, and unfair to private short-term borrowers such as consumers and small businesses, Treasury financing wholly in the short-term range can only add to future problems of debt management. Currently almost three-fourths of the marketable public debt matures within five years. As more debt is piled into this area, the short-term debt will grow, and future refundings of maturing issues will have to be undertaken more frequently and in greater amounts. The situation is comparable to one that might be faced by an individual with a mortgage on his home that matured every two or three years—he would be forced to refinance that mortgage, if he could, each time it came due, and under whatever conditions might be prevailing at that time. This, to say the least, would not be a desirable arrangement. The Congress has in effect put the Treasury in this same sort of position.

It has been alleged that the removal of the 4¼% ceiling would raise interest rates. This is simply not the case. The inflationary aspects of debt management policy under the present ceiling could raise increasing apprehension both here and abroad as to the future value of the dollar. Nothing contributes so strongly to forcing interest rates upward as fear of inflation. Those investors who want to invest in fixed-dollar obligations—rather than in stocks—will demand higher interest rates to compensate for their expectation of a shrinking purchasing power of the future repayments of principal and interest.

Interest rates are determined by the effect of changing market forces. Those who feel that removing the 4¼% ceiling would raise rates need only look to the market for shorter-term issues, where no ceiling applies. For example, Treasury 91-day bill rates in a competitive market have moved up and down with the business cycle—up to almost 2½% in 1953, down to five-eighths of 1% a year later; up to 3⅝% in 1957, down to five-eighths of 1% in mid-1958, and up again to over 4% now. Even the 5-year rate has fluctuated from around 2% to more than 4% within the last 5 years.

The refusal of Congress to act in this area—despite the clear-cut and pressing need for action—is in effect a renewal of the old conflict between the advocates of soft money and pegged interest rates versus those who stand solidly for sound money and flexible interest rates. This Administration is dedicated to the proposition that sound money is the firm foundation on which an effective anti-inflationary program must be based. We believe that there is a fundamental and inescapable duty on the part of the Federal Government to use its financial powers to protect the purchasing power of the billions of dollars of savings of the American people.

### Identifies the American Saver

The American saver is not a member of a special interest group; he is the man who owns one of the 22,000,000 accounts in mutual savings banks, one of the 25,000,000 accounts in savings and loan associations, or one of the 37,000,000 savings accounts in commercial banks. He is one of the 40,000,000 Americans who own Savings Bonds. He is one of the 112,000,000 with savings in the form of life insurance or one of the 14,000,000 who are beneficiaries of non-insured pension plans. He may also be a man who, when his employment contract is settled, is entitled to assurance that the purchasing power of the dollars in which his wages are fixed will not be whittled away by inflation.

The softest kind of money is, of course, printing press money—such as the Continental currency of the Revolutionary War days and the "greenbacks" of the Civil War. No one today is an outright advocate of printing press money. But there are many who advocate what is in essence the same thing. These people believe that the Federal Reserve System should return to the discredited and highly inflationary practice of supporting the prices of Government bonds—to keep interest rates down—in the same way that was done during and after World War II. Every dollar that the Federal Reserve puts out in this way is a high-powered dollar, providing the basis for a $6 growth in the money supply. Such action would spawn the very inflation that ultimately shoots interest rates through the ceiling. Fear of inflation discourages investors from buying bonds; it encourages borrowers to seek credit. Thus, the demand for money rises and the supply subsides. Interest rates go up.

Consequently, removal of the 4¼% ceiling on new issues of long-term Treasury bonds, by permitting the Treasury to manage the debt in the least inflationary way, would actually work for lower—not higher—interest rates.

We are convinced that if the whole borrowing area was open to us—short-term, intermediate, and long-term—we could be borrowing some in each of these areas, spreading our indebtedness, taking advantage of the funds available in these areas and doing a better job and, it may well be, at less cost than we will be required to pay because of the ceiling which the Congress has kept in effect.

These are technical matters; but they are matters of the greatest importance to the American people. In a special message to Congress on August 25, the President pointed to the debt management proposals as the most important issue to come before the Congress during the session just ended.

We are now in the midst of one of the greatest monetary debates since the campaign days of Williams Jennings Bryan. In 1896 the people of this country voted for sound money and a stable currency. Once again, apparently, the people must be acquainted with the facts about money. They must choose between artificially low interest rates created by soft money, and the inflation that results, or the flexible interest rates that are essential if inflation is to be avoided and growth is to be healthy, long-lasting, and rewarding.

*An address by Mr. Scribner before the 136th Quarterly Meeting of the New England Council, Pike, N. H., Sept. 18, 1959.

## Chapman Valve Mfg. Co. Sells Assets To Crane Co.

It was announced on Oct. 5, that F. Eberstadt & Co. acted as financial advisor to The Chapman Valve Manufacturing Co. in connection with the sale of the latter's assets and business to the Crane Co.

## Richard H. Sprayregen

Richard H. Sprayregen, partner in Sprayregen & Co., New York City, passed away Sept. 24 at the age of 38 following a long illness.

## Joins Campbell, Robbins

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg. — Donald L. White has been added to the staff of Campbell & Robbins, Inc., U. S. National Bank Building.

## Foster & Marshall Adds

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg. — William E. Markham has joined the staff of Foster & Marshall, Southwest Sixth Avenue at Oak Street.

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# Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

**● Abbott-Warner Co., Inc.**
Aug. 12 (letter of notification) 62,500 shares of common stock (no par). **Price**—$2.70 per share. **Proceeds**—To prepare estimates and to submit bids, as a prime contractor on specialized construction projects. **Office**—123 Denick Ave., Youngstown, Ohio. **Underwriter**—Strathmore Securities, Inc., 605 Park Bldg., Pittsburgh 22, Pa.

**Acme Missiles & Construction Corp. (10/12)**
July 24 filed 200,000 shares of common stock (par 25c), of which 150,000 shares will be offered for public sale for the account of the company, and 50,000 shares will be offered for the accounts of the present holders thereof. **Price**—$6 per share. **Proceeds**—For general corporate purposes, including additional personnel, office space, equipment, and the provision of funds necessary to compete for certain contracts. **Office**—2949 Long Beach Road, Oceanside, L. I., N. Y. **Underwriter** — Myron A. Lomasney & Co., New York.

**★ Aeronautical Electronics, Inc.**
Sept. 21 (letter of notification) 78,350 shares of common stock (par $1) to be offered for subscription by stockholders of record Oct. 1, 1959 for one full share but not in excess of five shares. Rights expire 30 days after offering. **Price**—To be supplied by amendment. **Proceeds**—For construction, purchase of inventory and additional working capital. **Office**—Raleigh-Durham Airport, P. O. Box 6527, Raleigh, N. C. **Underwriter**—None.

**★ Aircraft Dynamics International Corp.**
Sept. 25 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—For general corporate purposes. **Office**—229 S. State Street, Dover, Del. **Underwriter**—Aviation Investors of America, Inc., 666 Fifth Avenue, New York 19, N. Y.

**Airtronics International Corp. of Florida**
Aug. 31 (letter of notification) 109,090 shares of common stock (par 10 cents). **Price**—$2.75 per share. **Proceeds**—To be used to pay off loan and increase working capital. **Office**—Fort Lauderdale, Fla. **Underwriter**—Frank B. Bateman, Ltd., Palm Beach, Fla.

**Alaska Consolidated Oil Co., Inc.**
Sept. 17 filed 3,000,000 shares of common stock (par five cents). **Price**—$2.50 per share. **Proceeds**—For further development and exploration of the oil and gas potential of the company's Alaska properties. **Office**—80 Wall St., New York. **Underwriter**—To be supplied by amendment. **Offering**—Expected in about six to eight weeks.

**● 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. Statement was withdrawn on Sept. 30.

**Alliance Tire & Rubber Co. Ltd.**
Sept. 9 filed 100,000 shares of class A stock. **Price**—$12.60 per share, payable either in cash or in bonds issued by the State of Israel. **Proceeds**—For expansion. **Office**—Hadera, Israel. **Agent** — Harry E. Brager Associates, Washington, D. C.

**● Allied Small Business Investment Corp.**
Sept. 29 filed 100,000 shares of common stock (par $8). **Price**—$11 per share. **Proceeds**—To be used to provide equity capital and long-term loans to small business concerns. **Office**—Washington, D. C. **Underwriter**—To be supplied by amendment.

**★ American Boatbuilding Corp.**
Sept. 29 (letter of notification) 100,000 shares of common stock (par 15 cents). **Price**—$3 per share. **Proceeds**—For additional working capital, to pay off a note and for expanding and improving the boat building business. **Office**—Division Street, Warwick, R. I. **Underwriter**—Frank P. Hunt & Co., Inc., Rochester, N. Y.

**American Educational Life Insurance Co. (10/19-23)**
Sept. 15 filed 3,800,000 shares of class A common stock (par $1), (voting), and 950,000 shares of class B common stock (par $1), (non-voting), to be offered in units of four shares of class A stock and one share of class B stock. **Price**—$25 per unit. **Proceeds**—For general corporate purposes. **Office**—Nashville, Tenn. **Underwriter**—Standard Securities Corp., Third National Bank Bldg., Nashville, Tenn.

**● American Electric Power Co., Inc. (10/14)**
Sept. 9 filed 1,200,000 shares of common stock (par $10). **Proceeds**—To be applied to the retirement of $52,000,000 of outstanding bank notes, due Nov. 25, 1959, with any remaining balance to be used for general corporate purposes. **Office**—30 Church Street, New York City. **Underwriter**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc. and Goldman, Sachs & Co. (jointly); Eastman Dillon, Union Securities & Co. and The First Boston Corp. (jointly). **Bids**—Expected to be received up to 3:45 p.m. (EDT) on Oct. 14.

**★ American & Foreign Power Co., Inc.**
Oct. 7 filed 225,000 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—Will go to selling stockholder, Electric Bond & Share Co. which upon completion of the offering will hold 52.3% of the total outstanding stock of American & Foreign Power Co. **Underwriters** — Lazard Freres & Co. and The First Boston Corp., both of New York.

**★ American Heritage Life Insurance Co. (10/28)**
Oct 5 filed 360,000 shares of common stock (par $1). These shares will be exchanged for 57,492 of the 57,500 shares of the outstanding stock of Reliable Insurance Co. The new shares will be subsequently offered to the public. **Office**—218 West Adams Street, Jacksonville, Fla. **Underwriters**—Merrill Lynch, Pierce, Fenner & Smith Inc., New York, and Pierce, Carrison, Wulbern, Inc., Jacksonville, Fla.

**American Investors Syndicate, Inc.**
June 25 filed 600,000 shares of common stock (par 10 cents), and 200,000 shares of 6% preferred stock (no par value, $9 stated value), to be offered in units consisting of 3 shares of common ($1 each) and 1 share of preferred ($9). **Price**—$12 per unit. **Proceeds**—For construction and related expenditures. **Office**—513 International Trade Mart, New Orleans, La. **Underwriter**—Lindsay Securities Corp., New Orleans, La. The SEC had scheduled a hearing, to begin on Sept. 2, which will determine whether a stop order will be issued suspending the offering.

**● American Motorists Insurance Co.**
Sept. 22 filed 166,666⅔ shares of capital stock (par $3), to be offered to holders of outstanding shares of such stock of record Oct. 26, 1959, in the ratio of one new share for each eight shares then held; rights to expire on or about Nov. 27. **Price**—$12 per share. **Proceeds**—To raise the ratio of its capital stock, surplus, and surplus reserve to premium writings, to increase underwriting capacity, and for general corporate purposes. **Office**—4750 Sheridan Road, Chicago, Ill. **Underwriter**—None.

**American Service Life Insurance Co.**
Sept. 14 filed 375,000 shares of common stock, of which 300,000 shares are to be publicly offered. **Price**—$3.50 per share. **Proceeds**—For general corporate purposes, including, possibly, the acquisition of similarly engaged companies. **Office**—113 Northeast 23rd Street, Oklahoma City, Okla. **Underwriter** — First Investment Planning Co., Washington, D. C.

**● American States Insurance Co.**
Aug. 3 filed 108,144 shares of class A stock (par $1) limited voting, being offered for subscription by holders of outstanding class A and class B stock (par $1), at the rate of one additional share for each four shares of class A and class B stock held as of Sept. 18, 1959; rights to expire on Oct. 12. **Price**—$30 per share **Proceeds**—To be added to the general funds of the company. **Office**—542 North Meridan St., Indianapolis, Inc. **Underwriter**—City Securities Corp., Indianapolis, Ind.

**Ampal-American Israel Corp.**
July 30 filed $3,000,000 of five-year 5% sinking fund debentures, series G, due 1964, and $3,000,000 of 10-year 6% sinking fund debentures, series H, due 1969. **Price**—At 100% of principal amount. **Proceeds**—To develop and expand various enterprises in Israel. **Office**—17 E. 71st Street, New York. **Underwriter**—None. **Offering**—Expected sometime during September.

**Anglo Murmont Mining Corp., Ltd.**
Sept. 1 filed 250,000 shares of common stock. **Price**—Initial price of 40 cents per share. **Proceeds**—To be used to pay for exploration and development of mines and rest of the funds will be added to general funds of the company and used for working capital. **Office**—Prince Albert, Saskatchewan, Canada. **Underwriter** — None.

**Anodyne, Inc., Bayside, L. I., N. Y. (10/15)**
Sept. 9 (letter of notification) 150,000 shares of common stock (par one cent). **Price**—$2 per share. **Proceeds**—For expansion and general corporate purposes. **Underwriter**—Ross, Lyon & Co., Inc., New York, N. Y.

**Anthony Pools, Inc.**
Sept. 28 filed 200,000 shares of outstanding common stock. **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Office**—5871 Firestone Boulevard, South Gate, Calif. **Underwriter** — Marron, Edens, Sloss & Co., Inc., New York.

**Anthony Powercraft**
Sept. 8 (letter of notification) 241,200 shares of 5% cumulative convertible preferred stock to be offered for subscription by common stockholders at the rate of two preferred shares for each three shares of common stock held. **Price**—At par ($1 per share). **Proceeds**—To purchase inventory, new tools, construction and for working capital. **Office**—5871 E. Firestone Boulevard, South Gate, Calif. **Underwriter**—None.

**★ Architectural Plastics Corp.**
Sept. 30 (letter of notification) 260,686 shares of common stock (par $1) to be offered for subscription by stockholders and then to the public. Of the total shares to be offered, 103,430 shares are under options and subscriptions. **Price**—$1.25 per share. **Proceeds**—For relocating and improving manufacturing plant; advertising, additional inventories and working capital. **Office**—1355 River Rd., Eugene, Ore. **Underwriter**—Zilka, Smither & Co., Inc., Portland, Ore.

**● Arizona Fertilizer & Chemical Co. (10/21)**
Sept. 24 filed 100,000 shares of common stock (par $2.50) of which 75,000 shares are to be offered for the account of the issuing company, and 25,000 shares for the accounts of the present holders thereof. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes, including the provision of funds for the expansion of Cortez Chemicals Co., a subsidiary, the addition to working capital of the issuing company, and the partial liquidation of its unfunded indebtedness. **Office**—734 East Southern Pacific Drive, Phoenix, Ariz. **Underwriters** — Mitchum, Jones & Templeton, Los Angeles, Calif., and Walston & Co., Inc., New York. **Offering**—Expected in about 30 days.

**Associations Investment Fund**
Aug. 28 filed 400,000 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—For investment in common stocks. **Office**—301 W. 11th Street, Kansas City, Mo. **Underwriter**—Jones Plans, Inc., a subsidiary of R. B. Jones & Sons, Inc.

**★ Audio-Dynamics Corp.**
Sept. 23 (letter of notification) 200,000 shares of common stock (par $1). **Price**—$1.50 per share. **Proceeds**—To purchase stores and equipment and for working capital. **Office**—Cafritz Building, Suite 915-16, 1625 Eye Street, N. W., Washington, D. C. **Underwriter**—Balough & Co., Inc., 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, Texas. **Underwriter** — None. Robert Kamon is President.

**★ Baker Oil Tools, Inc.**
Oct. 7 filed 550,000 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Business** — Company designs, manufactures, and distributes a broad line of specialized tools and equipment used throughout the world in drilling. **Underwriters**—Lehman Brothers, New York, and Lester Ryons & Co., Los Angeles Calif.

**B. M. Harrison Electrosonics, Inc.**
Sept. 25 filed 133,000 shares of common stock (no par). **Price**—$3 per share. **Proceeds**—For general corporate purposes, including the reduction of indebtedness and the provision of funds to assist the company's expansion into the civilian market. **Office** — Newton Highlands, Mass. **Underwriter**—G. Everett Parks & Co., Inc., 52 Broadway, New York City. **Offering**—Expected prior to Nov. 13.

**Bank Stock Corp. of Milwaukee**
Sept. 11 filed 605,000 shares of common stock, to be offered in exchange for common stock of Marshall & Ilsley Bank and the capital shares of the Northern Bank, on the basis of two of the issuing company's shares for each such Marshall & Ilsley share, and 10½ of the issuing company's shares for each such Northern Bank share. The exchange offer is conditioned upon the issuing company acquiring by exchange not less than 80% of the outstanding shares of the other banks, which are also located in Milwaukee, and has been approved by the Federal Reserve Board on the condition that the exchange take place by Dec. 3, 1959. The exchange offer will expire on Nov. 13, unless extended. **Office**—721 North Water St., Milwaukee, Wis.

**Bankers Management Corp.**
Sept. 10 (letter of notification) 300,000 shares of common stock (par 25 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Office**—1404 Main Street, Houston 2, Texas. **Underwriter**—Daggett Securities, Inc., Newark, N. J. **Offering**—Expected in about 60 days.

**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.

**Bartell Broadcasting Corp.**
Sept. 17 (letter of notification) 54,545 shares of capital stock (par $1). **Price**—$5.50 per share. **Proceeds**—For working capital and to finance expanded operations of the company. **Office**—730 Fifth Ave., New York, N. Y. **Underwriter**—W. W. Schroeder & Co., Inc., New York, N. Y. **Offering**—Expected during the middle part of Oct.

**● Barton's Candy Corp.**
Sept. 28 filed 175,000 shares of common stock (par $1), of which 150,000 shares are to be publicly offered. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes, including the financing of accounts receivable, the provision of funds for new machinery and equipment, for construction of new stores and improvements of present outlets, and for working capital. **Office**—80 DeKalb Avenue, Brooklyn, N. Y. **Underwriter**—D. H. Blair & Co. **Offering**—Expected in three to six weeks.

**● 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. Letter became effective on Sept. 21.

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**● BBM Photocopy Manufacturing Corp. (10/12-16)**
Aug. 27 (letter of notification) 100,000 shares of capital stock (par five cents). **Price**—$3 per share. **Proceeds**—For general corporate purposes. **Office**—42 W. 15th St., New York, N. Y. **Underwriter**—Myron A. Lomasney & Co., New York, N. Y.

**Beckman Instruments, Inc.**
Sept. 25 filed 117,559 shares of common stock, issuable upon exercise of options granted and to be granted under the company's Restricted Stock Option Plan. **Office**—2500 Fullerton Road, Fullerton, Calif.

**Berens Real Estate Investment Corp.**
July 31 filed $1,200,000 of 6½% debentures, due 1969, and 80,000 shares of common stock (par $5). **Price**—$500 per unit, each unit to consist of $300 of debentures and 20 shares of common stock. **Proceeds**—For working capital. **Office**—1722 L Street N. W., Washington, D. C. **Underwriter**—Berens Securities Corp., same address.

**● Beverages Bottling Corp.**
July 6 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For construction or purchase of additional facilities for the manufacture, warehousing and distribution of beverages. **Office**—800 St. Anns Avenue, Bronx, N. Y. **Underwriter**—Financial Management, Inc., 11 Broadway, New York, N. Y. Offering—Expected any day.

**● Biochemical Procedures, Inc. (10/13-16)**
Sept. 9 filed 100,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For expansion and additional working capital. **Office**—Los Angeles, Calif. **Underwriter**—Shields & Co., New York.

**Border Steel Rolling Mills, Inc.**
Sept. 14 filed $2,100,000 of 15-year 6% subordinated sinking fund debentures, due Oct. 1, 1974, and 210,000 shares of common stock ($2.50 par), to be offered in units of $50 principal amount of debentures and five shares of common stock. **Price** — To be supplied by amendment. **Proceeds**—For the purchase of land and construction thereon, and for the manufacture and installation of necessary equipment. **Office**—1609 Texas Street, El Paso, Texas. **Underwriters**—First Southwest Co., Dallas, Texas, and Harold S. Stewart & Co., El Paso, Texas.

**Border Steel Rolling Mills, Inc.**
Sept. 14 filed 226,380 shares of common stock, to be offered for subscription to stockholders of record Aug. 31, 1959, on the basis of 49 new shares for each share then held. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Office** — 1609 Texas Street, El Paso, Texas. **Underwriter**—None.

**● Boston Edison Co.**
Sept. 4 filed 271,553 shares of common stock (par $25) being offered for subscription by holders of outstanding common stock of record Sept. 25, 1959, at the rate of one new share for each ten shares held; rights to expire on Oct. 13, 1959 (with an oversubscription privilege). **Price**—$56.75 per share. **Proceeds**—To reduce short-term bank debt. **Office**—182 Tremont St., Boston, Mass. **Underwriter**—The First Boston Corp., New York.

**Breuer & Curran Oil Co.**
Sept. 24 filed $1,500,000 of co-ownership participations in an oil and gas exploration fund. **Price**—The minimum participations will be $10,000. **Proceeds**—To conduct oil and gas exploration activities. **Office**—3510 Prudential Plaza, Chicago, Ill.

**★ Burch Oil Co.**
Sept. 25 (letter of ontification) 120,000 shares of class A common stock (par five cents). **Price**—$2.50 per share. **Proceeds**—For building and equipping stations and truck stop and additional working capital. **Office**—C/o Garland D. Burch, at 707 Grattan Road, Martinsville, Va. **Underwriter**—Maryland Securities Co., Inc., Old Town Bank Building, Baltimore 2, Md.

**Butler's Shoe Corp., Atlanta, Ga. (10/14)**
Sept. 16 filed 100,000 shares of common stock (par $1), of which, 40,000 shares will be sold for the company's account and 60,000 shares for the account of certain selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—For additional working capital. **Underwriters**—Goldman, Sachs & Co., New York; and R. S. Dickson & Co., Inc., Charlotte, N. Car.

**● Bzura Chemical Co., Inc. (10/9)**
Aug. 12 filed $2,400,000 of 6½% first mortgage bonds, due 1979 and 240,000 shares of common stock (par 25 cents), to be offered in units consisting of $500 principal amount of bonds and 50 shares of common stock. **Price**—$500 per unit. **Proceeds**—To be used for placing a new plant in operation in Fieldsboro, N. J. **Office**—Broadway and Clark Streets, Keyport, N. J. **Underwriter**—P. W. Brooks & Co., Inc., New York.

**● Cador Production Corp., Far Hills, N. J.**
Aug. 18 filed 1,500,000 shares of class A stock (par $1) and 225,000 shares of class B stock (60c par). The 225,000 shares of class B stock are not being offered for sale, but may be issued as commission in connection with the distribution of the class A stock. **Price**—At par in exchange for "property interests." **Agent**—Dewey & Grady Inc., Far Hills, N. J. on a "best efforts" basis for the class A stock only. Statement became effective on Sept. 23.

**● Cadre Industries Corp.**
Sept. 25 filed 17,532 shares of common stock (par $5), to be offered to holders of such stock of record Oct. 23, on the basis of one new share for each 8 shares then held; rights to expire on or about Nov. 16 (subject to SEC approval). **Price**—$64 per share. **Proceeds**—For general corporate purposes, including working capital. **Office**—20 Valley St., Endwell, N. Y. **Underwriter**—None.

**California Liquid Gas Corp. (10/26-30)**
Sept. 16 filed 100,000 shares of common stock (par $1), of which 55,000 shares are to be offered for the account of the issuing company, and 45,000 shares, representing outstanding stock, are to be offered for the account of the present holder thereof (of which latter amount 2,000 shares will be sold to certain employees). **Price**—To be supplied by amendment. **Proceeds**—To repay indebtedness, purchase new transport equipment, and for working capital. **Address**—P. O. Box 5073, Sacramento, Calif. **Underwriter**—Kidder, Peabody & Co., New York.

**California Metals Corp.**
July 27 filed 2,500,000 shares of common stock. **Price**—At par (20 cents per share). **Proceeds**—For construction of a pilot plant; for measuring ore; for assaying; and for general corporate purposes. **Office**—3955 South State St., Salt Lake City, Utah. **Underwriter**—Cromer Brokerage Co., Inc., Salt Lake City.

**California Mutual Co-Ply, Inc.**
Sept. 14 filed 140 shares of voting common stock. **Price**—At par ($5,000 per share). **Proceeds**—To purchase the mill and related facilities of Durable Plywood Co. for $690,000, with the balance to be used for working capital. **Office**—Calpella, Calif. **Underwriter**—The offering is to be made by Ramond Benjamin Robbins, one of the nine promoters, the list of which also includes Harry Ernest Holt, of Eureka, Calif., President of the company.

**● Camloc Fastener Corp. (10/12-16)**
Sept. 11 filed 150,500 shares of common stock (par $2). **Price** — $9 per share. **Proceeds** — To selling stockholder. **Office**—22 Spring Valley Road, Paramus, N. J. **Underwriter**—Van Alstyne, Noel & Co., New York.

**★ Campbell Chibougamau Mines Ltd.**
Sept. 30 filed 350,000 shares of common stock, to be reserved for issuance upon the exercise of warrants issued by the company in 1953. These warrants entitle the holders thereof to purchashe, on or before Dec. 1, 1960,

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# NEW ISSUE CALENDAR

**October 8 (Thursday)**

Columbia Gas System Inc. — Debentures
(Bids 11 a.m. EDT) $25,000,000

Crowley's Milk Co., Inc. — Common
(Auchincloss, Parker & Redpath) $1,200,000

Manchester Bank of St. Louis (Mo.) — Common
(Offering to stockholders—underwritten by G. H. Walker & Co.) 45,000 shares

**October 9 (Friday)**

Bzura Chemical Co., Inc. — Common
(P. W. Brooks & Co., Inc.) 240,000 shares

Bzura Chemical Co., Inc. — Bonds
(P. W. Brooks & Co., Inc.) $2,400,000

Central Corp. — Common
(Arnold Malkan & Co.) $450,000

MCA, Inc. — Common
(Lehman Brothers) 400,000 shares

**October 12 (Monday)**

Acme Missiles & Construction Corp. — Common
(Myron A. Lomasney & Co.) $1,200,000

BBM Photocopy Manufacturing Corp. — Common
(Myron A. Lomasney & Co.) $300,000

Biochemical Procedures, Inc. — Common
(Shields & Co.) 100,000 shares

Camloc Fastener Corp. — Common
(Van Alstyne, Noel & Co.) $1,354,500

Dow Chemical Co. — Common
(Offering to employees) 120,000 shares

First Philadelphia Corp. — Common
(First Philadelphia Corp.) $300,000

Gateway Airlines, Inc. — Common
(Dunne & Co.) $600,000

Hickok Electrical Instrument Co. — Debentures
(Hayden, Miller & Co.) $500,000

Hickok Electrical Instrument Co. — Common
(Hayden, Miller & Co.) 90,000 shares

Narda Microwave Corp. — Common
(Milton D. Blauner & Co., Inc.) 50,000 shares

Porce-Alume, Inc. — Common
(Pearson, Murphy & Co., Inc.) $300,000

Radio Frequency Co., Inc. — Common
(Myron A. Lomasney & Co.) $300,000

Southwest Airmotive Co. — Common
(Rauscher, Pierce & Co., Inc. and Dallas Rupe & Sons, Inc.) 200,000 shares

Tassette, Inc. — Common
(Amos Treat & Co., Inc. and Truman, Wasserman & Co.) $300,000

**October 13 (Tuesday)**

Colonial Corp. of America — Common
(Bear, Stearns & Co.) 120,000 shares

First Virginia Corp. — Common
(Johnston, Lemon & Co.) 600,000 shares

Oil Recovery Corp. — Debentures
(Lehman Brothers) $550,000

Oil Recovery Corp. — Common
(Lehman Brothers) 5,500 shares

**October 14 (Wednesday)**

American Electric Power Co. — Common
(Bids 3.45 p.m. EDT) 1,200,000 shares

Butler's Shoe Corp. — Common
(Goldman, Sachs & Co. and R. S. Dickson & Co., Inc.) 100,000 shares

Philadelphia Electric Co. — Bonds
(Bids to be invited) $50,000,000

Thrift Drug Co. of Pennsylvania — Common
(Singer, Deane & Scribner) 75,000 shares

**October 15 (Thursday)**

Anodyne, Inc. — Common
(Ross, Lyon & Co., Inc.) $300,000

Chadbourn Gotham, Inc. — Debentures
(R. S. Dickson & Co.) $2,500,000

Daitch Crystal Dairies, Inc. — Debentures
(Hirsch & Co.) $3,500,000

Electro-Sonic Laboratories, Inc. — Common
(L. D. Sherman & Co.) $300,000

Guerdon Industries, Inc. — Common
(Blair & Co., Inc.) 400,000 shares

Insul-Cup Corp. of America — Common
(The James Co.) 300,000 shares

Northern Natural Gas Co. — Preferred
(Blyth & Co., Inc.) $20,000,000

**October 16 (Friday)**

National Union Fire Insurance Co. — Common
(Offering to stockholders—Underwritten by The First Boston Corp.) 200,000 shares

**October 19 (Monday)**

American Educational Life Insurance Co. — Common
(Standard Securities Corp.) 4,750,000 shares

Montreal (City of) Canada — Debentures
(No underwriting) $20,000,000

National Key Co. — Common
(C. E. Unterberg, Towbin Co.) 200,000 shares

Pantasote Co. — Debentures
(Blair & Co., Inc.) $2,700,000

Shell Electronics Manufacturing Corp. — Common
(Schweickart & Co.) $340,000

Simon Hardware Co. — Debentures
(J. S. Strauss & Co.; York & Co. and Mason Brothers) $800,000

Simon Hardware Co. — Common
(J. S. Strauss & Co.; York & Co. and Mason Brothers) 80,000 shares

**October 20 (Tuesday)**

Electronic Communications, Inc. — Debentures
(Laird & Co.) $5,000,000

Servo Corp. of America — Debentures
(Ira Haupt & Co.) $1,000,000

Southern Bell Telephone & Telegraph Co. — Debs.
(Bids to be invited) $70,000,000

Southern Gulf Utilities, Inc. — Common
(Jaffee, Leverton, Reiner Co.) 135,000 shares

Vernors Ginger Ale, Inc. — Common
(Baker, Simonds & Co., Inc. and William J. Mericka & Co., Inc.) 282,760 shares

Vernors Ginger Ale, Inc. — Debentures
(Baker, Simonds & Co., Inc. and William J. Mericka & Co., Inc.) $750,000

York Research Corp. — Class A
(Myron A. Lomasney & Co.) $450,000

**October 21 (Wednesday)**

Arizona Fertilizer & Chemical Co. — Common
(Mitchum, Jones & Templeton and Walston & Co., Inc.) 100,000 shares

Texas Gas Transmission Corp. — Preferred
(Dillon, Read & Co.) $15,000,000

Western Massachusetts Electric Co. — Bonds
(Bids 11 a.m. EDT) $8,000,000

**October 22 (Thursday)**

Electronics Funding Corp. — Common
(Darius Inc.) $150,000

Rochester Gas & Electric Corp. — Bonds
(Bids to be invited) $12,000,000

**October 26 (Monday)**

California Liquid Gas Corp. — Common
(Kidder, Peabody & Co.) 100,000 shares

DIT-MCO, Inc. — Common
(Midland Securities Co., Inc. and Barret, Fitch, North & Co., Inc.) 33,333 shares

Enflo Corp. — Common
(D. Gleich Co. and Aetna Securities Corp.) $375,000

Frantz Manufacturing Co. — Common
(Blair & Co., Inc.) 190,953 shares

Gold Medal Studios, Inc. — Common
(Arnold Malkan & Co.) $500,000

**October 27 (Tuesday)**

Florida Power & Light Co. — Bonds
(Bids to be invited) $20,000,000

Interstate Fire & Casualty Co. — Common
(White, Weld & Co., Inc.) 85,000 shares

**October 28 (Wednesday)**

American Heritage Life Insurance Co. — Common
(Merrill Lynch, Pierce, Fenner & Smith, Inc. and Pierce, Carrison, Wulbern, Inc.) 360,000 shares

Puget Sound Power & Light Co. — Bonds
(Bids to be invited) $20,000,000

Therm-O-Disc, Inc. — Common
(Goldman, Sachs & Co. and McDonald & Co.) 121,057 shares

**October 29 (Thursday)**

Foster Grant Co., Inc. — Common
(Goldman, Sachs & Co.) 190,000 shares

Wisconsin Public Service Co. — Bonds
(Bids 11 a.m. EST) $8,000,000

**November 2 (Monday)**

Dynex, Inc. — Common
(Myron A. Lomasney & Co.) $600,000

**November 4 (Wednesday)**

General Acceptance Corp. — Debentures
(Paine, Webber, Jackson & Curtis and Eastman Dillon, Union Securities & Co.) $10,000,000

**November 17 (Tuesday)**

American Telephone & Telegraph Co. — Debens.
(Bids to be received) $250,000,000

**November 24 (Tuesday)**

Gulf States Utilities Co. — Bonds
(Bids 11 a.m. EST) $16,000,000

**December 1 (Tuesday)**

Consolidated Edison Co. of New York, Inc. — Bonds
(Bids to be invited) $50,000,000

**December 8 (Tuesday)**

Louisiana Gas Service Co. — Bonds
(Bids to be invited) $6,000,000

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upon payment of $4 per share, one share of stock for each warrant held. **Office**—55 Yonge Street, Toronto, Canada.

**★ Canadian International Growth Fund Ltd.**
Oct. 1 filed (by amendment) 500,000 additional shares of common stock. **Price**—At market. **Proceeds**—For investment. **Office**—Montreal, Canada.

**★ Capital Growth Securities, Inc.**
Oct. 6 filed 1,000,000 shares of capital stock. **Proceeds**—For investment. **Office**—Harbourton, N. J. **Underwriter**—Capital Growth Distributors.

**Capital Shares, Inc.**
Aug. 3 filed 500,000 "Life Insurance Fund" shares. **Price**—To be supplied by amendment. **Proceeds**—For investment in the securities of companies engaged directly or indirectly in the life insurance business. **Office**—15 William Street, New York. **Underwriter**—Capital Sponsors, Inc., New York. **Offering**—Expected in late October.

**★ Carwin Co.**
Oct. 2 filed 48,080 shares of common stock, of which 46,080 shares are to be offered for subscription by common stockholders at the rate of one new share for each four shares held. The remaining 2,000 shares are being sold for the account of a selling stockholder. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes including the repayment of outstanding bank loans in the amount of $425,000, the provision of funds for the 1959-60 construction program, and for working capital. **Office**—Stiles Lane, New Haven, Conn. **Underwriter**—Putnam & Co., New Haven, Conn. **Offering**—Expected sometime in November.

**• Central Corp. (10/9)**
Aug. 3 filed 150,000 shares of common stock (par 10c) **Price**—$3 per share. **Proceeds**—For manufacturing and sales facilities and working capital, of subsidiaries; to repay loans. **Office**—1315 Dixwell Ave., Hamden, Conn. **Underwriter** — Arnold Malkan & Co., Inc., New York.

**Central and South West Corp. (10/29)**
Sept. 21 filed 350,000 shares of common stock (par $5). **Proceeds**—To prepay and discharge bank borrowings in the amount of $3,200,000, and to purchase during 1959-60 additional shares of common stock of Public Service Co. of Oklahoma, Southwestern Electric Power Co., and West Texas Utilities Co. **Office**—902 Market St., Wilmington, Del. **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc., and Harriman Ripley &Co., Inc. (jointly); Lehman Brothers and Lazard Freres & Co. (jointly); The First Boston Corp. and Merrill Lynch, Pierce, Fenner & Smith Inc. (jointly). **Bids**—Tentatively expected to be received up to 10:30 a.m. (Chicago time) on Oct. 29.

**Century Properties, Los Angeles, Calif.**
Aug. 5 (letter of notification) 33,880 shares of common stock (par $1), being offered for subscription by stockholders of record Sept. 1, 1959 on the basis of one new share for each 10 shares held; rights to expire on Oct. 1, 1959. **Price**—$4 per share. **Proceeds**—To reduce bank loans. **Office**—1758 South La Cienega Boulevard, Los Angeles, Calif. **Underwriter**—None. Bley Stein, President, will be offered any unsubscribed shares until Oct. 3, 1959.

**• Chadbourn Gotham, Inc. (10/15)**
Sept. 28 filed $2,500,000 of 6% convertible subordinated debentures, due 1974, with warrants to purchase 200,000 shares of common stock, to be offered for subscription by holders of its common stock at the rate of $100 of debentures, with an attached warrant to purchase 10 common shares for cash for each 100 common shares held on or about Oct. 15, 1959; rights to expire on or about Oct. 30. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes, including working capital and the acquisition of shares of the outstanding common stock of Davenport Hosiery Mills, Inc., of Chattanooga, Tenn. **Office** — 2417 North Davidson St., Charlotte, N. C. **Underwriter**—R. S. Dickson & Co. Charlotte.

**• Channing Service Corp.**
Sept. 9 filed (by amendment) an additional $40,000,000 of "Variable Investment Plan" Programs for the accumulation of shares of Institutional Growth Fund. **Office** — 85 Broad St., New York City. Statement effective Sept. 11.

**★ Charter Oak Life Insurance Co.**
Sept. 28 (letter of notification) 116,064 shares of common stock (par $1) to be offered to present and future foundation policyholders of the company. **Price**—$2 per share. **Proceeds**—For surplus and working capital. **Office**—411 N. Central Avenue, Phoenix, Ariz. **Underwriter**—None.

**China Telephone Co., South China, Maine**
Aug. 7 (letter of notification) 2,000 shares of preferred stock to be offered for subscription by stockholders and the company's subscribers; unsubscribed shares to the public. **Price**—At par ($25 per share). **Proceeds**—To install a dial exchange at East Vassalboro, Maine; to construct a cable; to repay notes, etc. **Underwriter**—None.

**Citizens' Acceptance Corp.**
**June 29 filed $600,000 of series F 6% five-year subordinated debentures, to be offered to the present holders of the company's subordinated debentures in exchange, at face value, on the maturity dates of those securities so long as there are bonds remaining unsold in this offering. No bonds will be reserved for this exchange offering. Price—100% of principal amount. Proceeds—To increase or maintain the working capital of the company but will be initially applied to the reduction of short-term notes due within one year. Part of the proceeds may also be used to retire outstanding subordinated debentures not exchanged. Office—Georgetown, Del. Underwriter—None.**

**City Discount & Loan Co.**
July 30 (letter of notification) 120,000 shares of common stock (no par). **Price** — $2.50 per share. **Proceeds** — For working capital. **Office**—1005 Northeast Broadway, Portland, Ore. **Underwriter**—R. G. Williams & Co., Inc., New York, N. Y. has withdrawn as underwriter.

**• Colonial Corp. of America (10/13-16)**
Sept. 3 filed 120,000 shares of common stock (par $1), of which 60,000 shares are to be offered for account of the company, and 60,000 shares for account of a selling stockholder. **Price** — To be supplied by amendment. **Proceeds**—For working capital to finance current and future expansion. **Office**—Woodbury, Tenn. **Underwriter**—Bear, Stearns & Co., New York.

**Columbia Gas System, Inc. (10/8)**
Sept. 11 filed $25,000,000 of series N debentures due Oct. 1, 1984. **Proceeds**—For 1959 construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Smith Inc. and White, Weld & Co. (jointly); Morgan Stanley & Co. **Bids**—Expected to be received up to 11 a.m. (New York Time) on Oct. 8 at the office of the company, 120 East 41st Street, New York.

**• Columbian Financial Development Co.**
Aug. 14 filed $1,000,000 of Plans for Investment in Shares in American Industry, of which $500,000 was for Single Payment Investment Plans and $500,000 for Systematic Investment Plans and Systematic Investment Plans With Insurance. **Office**—15 East 40th Street, New York. **Underwriter** — None. **Offering** — Expected some time before Jan. 1, 1960.

**★ Columbian Financial Development Co., Inc.**
Oct. 6 filed (by amendment) an additional $10,000,000 of Systematic Investment Plans. **Proceeds**—For investment.

**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.**

**Conetta Manufacturing Co.**
Sept. 28 filed 100,000 shares of class A common stock. **Price**—$4 per share. **Proceeds**—For working capital; to prepay a bank note; and for machinery and equipment. **Office**—73 Sunnyside Avenue, Stamford, Conn. **Underwriter**—Vermilye Bros., New York.

**Consolidated Development Corp.**
Aug. 28 filed 448,000 shares of common stock, of which 198,000 shares are to be offered to holders of the issuing company's 6% convertible debentures, and 100,000 shares are to be offered to the underwriter, with the remaining 150,000 shares, in addition to those shares described above not subscribed for by the debenture holders and the underwriter, respectively, to be publicly offered. **Price** — For the shares to be offered to the debenture holders, 75 cents per share, which is equal to the price at which the debentures are convertible into common stock; for the shares to be offered to the underwriter, $1 per share; for the shares to be offered to the public, the price will be related to the current price of the outstanding shares on the American Stock Exchange at the time of the offering. **Proceeds** — For general corporate purposes. **Office**—Calle 23, No. 956, Vedado, Havana, Cuba. **Underwriter**—H. Kook & Co., Inc., New York.

**Copymation, Inc. (formerly Peck & Harvey Mfg. Co.)**
Sept. 23 (letter of notification) 100,000 shares of common stock (par 50 cents). **Price**—$3 per share. **Proceeds**—To pay bank loans and loans to stockholders and others and for working capital. **Office**—5642-50 North Western Avenue, Chicago 45, Ill. **Underwriter**—Simmons & Co., New York, N. Y. **Offering**—Expected in late October.

**Cordillera Mining Co., Grand Junction, Colo.**
Aug. 31 filed 4,234,800 shares of capital stock, of which 2,179,800 shares are to be offered solely to the holders of previously-issued options. These shares, together with the remaining 2,055,000 shares, may be offered for public sale by the holders thereof in the over-the-counter market from time to time. **Price**—To be related to the market price at the time of sale. **Proceeds**—For general corporate purposes, including working capital. **Underwriter**—None.

**Cornbelt Insurance Co., Freeport, Ill.**
Sept. 29 filed 200,000 shares of common stock to be offered for subscription by common stockholders of record Sept. 15, 1959, at the rate of four new shares for each 10 shares then held. Unsubscribed shares may be offered publicly. **Price**—$4 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—None, but brokers and dealers who join in the distribution will receive commission of 40 cents per share.

**★ Cornbelt Life Co.**
Sept. 29 filed 100,000 shares of common stock, to be offered to stockholders of record Sept. 15 on the basis of one share for each share then held. **Price**—$4.50 per share. **Proceeds**—To be credited to stated capital and paid-in surplus. **Office**—12 North Galena Avenue, Freeport, Ill. **Underwriter**—None.

**• Cracker Barrel Supermarkets, Inc.**
Sept. 25 (letter of notification) 120,000 shares of common stock (par 10 cents). **Price**—$2.50 per share. **Proceeds**—For general corporate purposes. **Office**—84-16 Astoria Blvd., Queens, L. I., N. Y. **Underwriter**—Diran, Norman & Co., New York. **Offering**—Expected in early November.

**★ Credit House, Inc.**
Oct. 1 (letter of notification) $200,000 of debenture notes of which $100,000 will be 5-year 7%, and $100,000 will be 10-year 8%, to be offered in multiples of $500 each. **Price**—At face amount. **Proceeds**—For working capital. **Office**—3208 Grand Ave., Cocoanut Grove, Miami, Fla. **Underwriter**—None.

**Cree Mining Corp. Ltd.**
April 17 filed 260,000 shares of common stock. **Price**—80 cents per share. **Proceeds**—For exploation progam. **Office**—2100 Scarth St., Regina, Saskatchewan, Canada. **Underwriter** — Cumberland Securities Ltd., also of Regina.

**Crescent Petroleum Corp., Tulsa, Okla.**
May 26 filed 48,460 shares of 5% convertible pfd. stock ($25 par) and 12,559 shares of common ($1 par), 34,460 shares of the preferred and 9,059 shares of common are issuable upon the exercise of stock options granted when the assets of Norbute Corp. were acquired on Aug. 6, 1958. **Underwriter**—None.

**Crusader Oil & Gas Corp., Pass Christian, Miss.**
May 26 filed 1,500,000 shares of common stock, of which 641,613 shares will be offered on a one-for-one basis to stockholders of record May 15, 1959. The remaining 858,387 shares will be offered publicly by the underwriter on a "best efforts" basis. **Price**—To be supplied by amendment. **Proceeds**—For repayment of notes and for working capital. **Underwriter** — To be supplied by amendment.

**• Daitch Crystal Dairies, Inc. (10/15)**
Sept. 15 filed $3,500,000 of 5½% convertible subordinated debentures, due Oct. 1, 1979. **Price** — At 100% of principal amount. **Proceeds**—For working capital. **Office**—Bronx, New York. **Underwriter**—Hirsch & Co., New York.

**• Dayton Aviation Radio & Equipment Corp.**
Sept. 28 filed 201,050 shares of common stock, of which 190,871 shares are to be offered to holders of outstanding stock as of the record date on the basis of one new share for each four shares then held. **Price**—$1.50 per share. **Proceeds**—To finance government contracts, reduce accounts payable, and increase working capital. **Office**—South Dixie Highway, Troy, Ohio.

**Denab Laboratories, Inc.**
July 31 filed 50,000 shares of common stock (par $2.50). **Price**—$10 per share. **Proceeds**—For general corporate purposes, including salaries, cars, promotion, inventory, the establishment of branch offices, expenses incidental to obtaining permission to do business in other states, and the establishment of a contingency reserve. **Office**—1420 East 18th Avenue, Denver, Colo. **Underwriter**—None.

**• Digitronics Corp.**
Sept. 25 filed 65,877 shares of capital stock (par 10 cents) to be offered to the holders of outstanding shares of such stock on the basis of one new share for each five shares held. **Price** — To be supplied by amendment. **Proceeds** — For general corporate purposes. **Office** — Albertson, L. I., N. Y. **Underwriter**—Granbery, Marache & Co., New York City. **Offering**—Expected in October.

**• Dilbert's Leasing & Development Corp.**
June 11 filed $4,400,000 of 20-year 5½% convertible debentures, due July 15, 1979 and 1,056,000 shares of common stock (par one cent) to be offered in units consisting of $50 principal amount of debentures and 12 shares of common stock. **Price**—$51.20 per unit. **Proceeds**—For repayment of notes; to develop and construct shopping centers and a super-market under existing purchase contracts and for working capital. **Name Changed** — Company formerly known as Dilbert's Properties, Inc. **Office**—93-02 151st Street, Jamaica, N. Y. **Underwriter**—Ira Haupt & Co., New York.

**• DIT-MCO, Inc. (10/26-30)**
Sept. 8 filed 33,333 shares of common stock (no par value, $1 stated value). **Price** — To be supplied by amendment. **Proceeds**—For general corporate purposes, including working capital and the reduction of short-term bank borrowings. **Office**—911 Broadway, Kansas City, Mo. **Underwriters**—Midland Securities Co., Inc., and Barret, Fitch, North & Co., Inc., both of Kansas City, Mo. The number of shares actually offered will depend on the price per share. The offering is expected to total $500,000.

**• Diversified Communities, Inc.**
Sept. 25 filed 467,200 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For acquisition of Hope Homes, Inc., Browntown Water Co. and Cantor & Goldman Builders, Inc., with the balance to be used as working capital. **Office**—29A Sayre Woods Shopping Center, Madison Township, P. O. Parlin, N. J. **Underwriter**—Lee Higginson Corp., New York.

**• Dooley Aircraft Corp.**
Aug. 14 filed 506,250 shares of common stock (par one cent), of which 375,000 shares are to be publicly offered. **Price**—$2 per share. **Proceeds**—To repay loans; to pay the $80,000 balance due on the company's purchase of the complete rights to the MAC-145 aircraft; and for working capital, including expenses for advertising. **Office**—105 West Adams St., Chicago, Ill. **Underwriter**—Mallory Securities, Inc., New York, has withdrawn as underwriter. Statement was withdrawn on Sept. 25.

**• Dow Chemical Co. (10/12)**
Sept. 3 filed 120,000 shares of common stock to be offered for sale to employees of company and certain of its subsidiary and associated companies. Subscriptions will be accepted from Oct. 12 through Oct. 30. **Price**—$68 per share.

**Drake Associates**
Aug. 20 filed $5,905,000 of limited partnership interests. **Price**—$10,000 for each of 590½ units. **Proceeds**—To buy the Hotel Drake, located at 56th St. and Park Ave., New

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York, from Webb & Knapp, Inc. **Office**—60 East 42nd St., New York. **Agents**—Domax Securities Corp., and Peter I. Feinberg Securities Corp., both of New York.

**Drexelbrook Associates**
May 22 filed $2,000,000 of partnership interests, to be offered in units. **Price**—$10,000 per unit. **Proceeds**—To be used for various acquisitions. **Office**—Broad & Chestnut Streets, Philadelphia, Pa. **Underwriter**—None.

**Durrazzo Products, Inc.**
Aug. 26 (letter of notification) 2,500 shares of common stock to be offered for subscription by stockholders. **Price**—At par ($10 per share). **Proceeds**—For additional improvement and for the purchase of machinery and equipment. **Office**—2593 Highway 55, St. Paul 18, Minn. **Underwriter**—None.

**● Dynex, Inc. (11/2)**
Aug. 6 filed 120,000 shares of common stock (par 25 cents). **Price**—$5 per share. **Proceeds**—For general corporate purposes, including product research, the purchase of new equipment, and expansion. **Office** — 123 Eileen Way, Syosset, L. I., N. Y. **Underwriter**—Myron A. Lomasney & Co., New York.

**ESA Mutual Fund, Inc.**
June 29 filed 2,000,000 shares of capital stock. **Price**—To be supplied by amendment. **Proceeds**—For investment. **Investment Adviser**—Yates, Heitner & Woods, St. Louis, Mo. **Underwriter**—ESA Distributors, Inc., Washington, D. C. **Office**—1028 Connecticut Avenue, N. W., Washington, D. C.

**★ Eaton Manufacturing Co.**
Oct. 2 filed 276,434 shares of common stock, issuable upon the exercise of stock options under the company's Restricted Stock Option Plan. **Office**—739 East 140th St., Cleveland, Ohio.

**● E. H. P. Corp.**
Aug. 31 filed 160,000 shares of capital stock (par 10c), of which 100,000 shares are to be publicly offered. **Price**—$2.50 per share. **Proceeds** — To provide funds for the purchase of vending machines which will be used to distribute automobile breakdown insurance policies on thruways, parkways and highways in the amount of $25 of such breakdown insurance for the purchase price of 25 cents, and for a public relations and publicity program. **Office**—Hotel Troy Building, Troy, New York. **Underwriter**—John R. Boland & Co., Inc., New York. **Offering**—Expected during the next two months.

**ECon-O-Veyor Corp. (10/12-16)**
Sept. 18 (letter of notification) 150,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For advertising and promotion; new equipment, and general corporate purposes. **Office**—224 Glen Cove Avenue, Glen Cove, N. Y. **Underwriter**—Plymouth Securities Corp., New York, N. Y.

**★ Electronics Development, Inc.**
Sept. 25 filed 115,459 shares of common stock (par 10c). **Price**—$3.50 per share. **Proceeds**—For general corporate purposes. **Office**—Gill and West College Streets, State College, Pa. **Underwriter**—First Broad Street Corp., 50 Broad St., New York.

**● Electro-Sonic Laboratories, Inc. (10/15)**
Aug. 14 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—To retire outstanding bank loan: to increase inventories: for sales and promotional activities; to improve production facilities and to acquire new and improved tools and machinery; for development and research and for working capital. **Office** — 35—54 Thirty-sixth St., Long Island City, N. Y. **Underwriter**—L. D. Sherman & Co., New York, N. Y.

**● Electronic Communications, Inc. (10/20)**
Aug. 28 filed $5,000,000 of subordinated debentures, due Sept. 15, 1974 (with warrants for purchase of 20 shares of common stock for each $1,000 of debentures). **Price**—To be supplied by amendment. **Proceeds** — For general corporate purposes, including the repayment of outstanding indebtedness, the completion of construction, and the purchase of additional equipment. **Office**—1501 72nd St., North, St. Petersburg, Fla. **Underwriter**—Laird & Co., Corp., Wilmington, Del.

**Electronics Funding Corp. (10/22)**
Sept. 15 (letter of notification) 75,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—To go to the company. **Office**—c/o Darius Inc., 90 Broad Street, New York, 4, N. Y. **Underwriter**—Darius Inc., New York, N. Y.

**★ Enflo Corp. (10/26-30)**
Sept. 30 filed 125,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—For general corporate purposes. **Office**—Maple Shade, N. J. **Underwriters**—D. Gleich Co. & Aetna Securities Corp., both of New York.

**● Ennis Business Forms, Inc. (10/19-23)**
Sept. 25 filed 217,490 shares of common stock (par $2.50) of which 45,000 shares are to be publicly offered for the account of the issuing company, 5,000 shares are to be offered by the company to its employees, and 167,490 shares, representing outstanding stock, are to be offered for the accounts of the present holders thereof. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes, including expansion and the purchase of equipment. **Office**—214 West Knox St., Ennis, Texas. **Underwriter**—Kidder, Peabody & Co. **Offering**—Expected in October.

**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.

**● Faradyne Electronics Corp.**
Sept. 1 filed 230,000 shares of common stock (par five cents) of which 200,000 shares are to be publicly offered. **Price**—$5 per share. **Proceeds**—For general corporate purposes, including plant expansion, improvement and equipment. **Office** — 744 Broad St., Newark, N. J. **Underwriters** — Netherlands Securities Co., Inc. (handling the books) and Herbert Young & Co., Inc. (jointly); Morris Cohon & Co.; Schrijver & Co.; Richard Bruce & Co., Inc., all of New York. **Offering**—Expected in a couple of weeks.

**Fidelity Investment Corp., Phoenix, Ariz.**
June 29 filed 1,799,186 shares of class A common stock, of which 1,700,000 shares are to be offered publicly, and the remaining 99,186 shares have been subscribed for in consideration for services rendered in organizing the company as an incentive to management. The company has agreed to issue to the organizers 200,000 shares of class B common stock; and 100,000 class B shares have been set aside for issuance to keep personnel other than the organizers. **Price**—To public, $3 per share. **Proceeds**—To be applied to pay interest due on properties and to purchase new properties and for working capital. **Underwriter**—None.

**Financial Industrial Income Fund, Inc.**
July 22 filed 1,000,000 shares of common capital stock **Price**—At market. **Proceeds**—For investment. **Office**—950 Broadway, Denver, Colo. **General Distributor**—FIF Management Corp., Denver, Colo.

**★ First Financial Corp. of the West**
Sept. 28 filed 120,000 shares of capital stock (without par value), of which 100,000 shares are to be offered for the account of the selling stockholders, and 20,000 shares will be sold for the company's account. **Price** — To be supplied by amendment. **Proceeds**—To prepay the remaining balance of and accrued interest on an outstanding term loan. **Underwriter**—William R. Staats & Co., Los Angeles and San Francisco, Calif.

**First Northern-Olive Investment Co.**
Aug 17 filed 20 partnership interests in the partnership. Similar filings were made on behalf of other Northern-Olive companies, numbered "second" through "eighth." **Price**—$10,084 to $10,698 per unit. **Proceeds**—To purchase land in Arizona. **Office**—1802 North Central Ave., Phoenix, Ariz. **Underwriter**—O'Malley Securities Co., Phoenix.

**● First Philadelphia Corp. (10/12-16)**
Aug. 21 (letter of notification) 100,000 shares of class A common stock (par 10 cents). **Price**—$3 per share (gross 30 cents per share to brokers selling 2,500 shares or less, and 45 cents per share to those brokers selling more than 2,500 shares). **Proceeds**—For working capital; general corporate purposes and to develop dealer relations. **Business** — A broker-dealer firm formed to underwrite and distribute new security issues. **Office**—40 Exchange Place, New York 5, N. Y. **Underwriter**—First Philadelphia Corp., New York, N. Y. Statement effective Oct. 6.

**● First United Life Insurance Co.**
Sept. 28 filed 158,236 shares of common stock, to be offered to common shareholders of record Oct. 15 at the rate of one new share for each four shares then held; rights to expire on or about Dec. 2. **Price**—$5 per share. For company reserves and expansion. **Office** — 475-79 Broadway, Gary, Ind. **Underwriter**—None.

**● First Virginia Corp. (10/13)**
Sept. 16 filed 600,000 shares of class A common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To repay indebtedness, make additional investments in the common capital stock of subsidiary banks and, subject to the approval of the Federal Reserve System, purchase up to 3,600 shares of the common capital stock of The Purcellville National Bank, Purcellville, Loudon County, Va., for the approximate sum of $772,000 from J. R. Trammell & Co. **Office**—2924 Columbia Pike, Arlington, Va. **Underwriter**—Johnston, Lemon & Co., Washington, D. C.

**★ Florida Power & Light Co. (10/27)**
Oct. 1 filed $20,000,000 of first mortgage bonds, series due Nov. 1, 1989. **Proceeds**—To help finance the company's construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Smith Inc. and Kidder, Peabody & Co. (jointly); Blyth & Co., Inc., and Lehman Brothers (jointly); White, Weld & Co., and The First Boston Corp. **Bids**—Expected to be received up to 11:30 a.m. (EST), Oct. 27.

**Foster Grant Co., Inc. (10/29)**
Sept. 25 filed 190,000 shares of common stock (par $1) of which 100,000 shares are to be sold for the account of the issuing company, and 90,000 shares are to be sold for the accounts of the present holders thereof. **Price**—To be supplied by amendment. **Proceeds** — To provide funds for construction. **Office**—Leominster, Mass. **Underwriter**—Goldman, Sachs & Co., New York.

**Foundation Balanced Fund, Inc.**
June 18 filed 100,000 shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment. **Office**—418 Union St., Nashville, Tenn. **Investment Adviser**—J. C. Bradford & Co., Nashville, Tenn. **Distributor**—Capital Planning Services, Inc.

**Foundation Stock Fund, Inc.**
June 18 filed 100,000 shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment. **Office**—418 Union St., Nashville, Tenn. **Investment Adviser**— J. C. Bradford & Co., Nashville, Tenn. **Distributor**—Capital Planning Services, Inc.

**● Frantz Manufacturing Co. (10/26-30)**
Sept. 11 filed 190,953 outstanding shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Business**—Company is engaged in the design, development, production and distribution of builders' hardware, primarily overhead type garage door hardware. **Office**—301 West 3rd St., Sterling, Ill. **Underwriter**—Blair & Co., Inc., New York.

**★ Fundamental Investors, Inc.**
Oct. 1 filed (by amendment) an additional 5,000,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment. **Office**—Elizabeth, N. J.

**Fyr-Fyter Co.**
Aug. 12 (letter of notification) 3,300 shares of 6% cumulative preferred stock. **Price**—At par ($30 per share). **Proceeds**—To go to selling stockholders. **Office**—2 West 46th St., New York 36, N. Y. **Underwriter**—None. **Offering**—Expected any day.

**● Gateway Airlines, Inc., (10/12-16)**
Aug. 31 filed 400,000 shares of common stock (par 10 cents). **Price**—$1.50 per share. **Proceeds** — For general corporate purposes, including the purchase of airplanes, spare parts, and equipment, the retirement of debt, and the increase of working capital. **Office** — MacArthur Field, Islip, L. I., N. Y. **Underwriter**—Dunne & Co., New York.

**★ General Acceptance Corp. (11/4)**
Oct. 2 filed $10,000,000 of subordinated debentures, with warrants for the purchase of common stock, to be offered in units consisting of a $1,000 debenture and one common stock purchase warrant. **Price** — To be supplied by amendment. **Proceeds**—For general corporate purposes. **Office**—1105 Hamilton St., Allentown, Pa. **Underwriters**—Paine, Webber, Jackson & Curtis, and Eastman Dillon, Union Securities & Co., both of New York.

**● General Finance Corp.**
Sept. 11 filed 150,000 shares of common stock. **Price**—$3 per share. **Proceeds**—For working capital, with $15,000 being allocated for lease improvements and equipment and supplies. **Office** — Santurce, Puerto Rico. **Underwriter**—Caribbean Securities Co., Inc., Avenida Condado 609, Santurce, Puerto Rico.

**General Flooring Co., Inc. (10/12-16)**
Sept. 14 filed $1,500,000 of 6½% debentures, due Oct. 1, 1969, and 270,000 shares of common stock, to be offered in units of $100 principal amount of debentures and 18 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes, including the reduction of indebtedness and the purchase and installation of machinery and equipment. **Address** — P. O. Box 8169, New Orleans, La. **Underwriters**—H. M. Byllesby & Co., Inc., Chicago, Ill.; Howard, Weil, Labouisse, Friedrichs and Co., New Orleans, La., and Mason-Hagan, Inc., Richmond, Va.

**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. **Offering**—Expected any day.

**● Gennaro Industries, Inc.**
Aug. 28 (letter of notification) 200,000 shares of common stock (par 10 cents). **Price**—$1.50 per share. **Proceeds**—For additional plant, equipment, retirement of outstanding notes and payables and working capital. **Office**—337 E. Diamond Avenue, 17th & Hayes Street, Hazelton, Pa. **Underwriter**—Reilly, Hoffman & Co., Inc., New York, N. Y. **Offering**—Expected today (Oct. 8).

**★ Gertsch Products, Inc.**
Sept. 24 filed 107,143 shares of capital stock (without par value), of which 28,571 shares are being offered for the account of the company and 78,572 shares are to be offered for the accounts of certain selling stockholders. **Price**—To be supplied by amendment. **Proceeds** — For working capital. **Underwriter**—Schwabacher & Co., San Francisco and Los Angeles, Calif.

**● Gold Medal Packing Corp.**
June 18 filed 572,500 shares of common stock (par one cent), and 50,000 common stock purchase warrants. Of the shares 400,000 will be sold for the account of the company; 110,000 by certain stockholders; 12,500 for the underwriter; and the remaining 50,000 shares are purchasable upon exercise of the warrants. **Price**—$1.25 per share. **Proceeds**—For repayment of debt; purchase of equipment and facilities and other general corporate purposes. **Office**—614 Broad St., Utica, N. Y. **Underwriter**—Mortimer B. Burnside & Co., New York. **Name Change** — Formerly Eastern Packing Corp. **Offering** — Expected in late November.

**Gold Medal Studios, Inc. (10/26-30)**
Sept. 18 filed 500,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For general corporate purposes, including the purchase of additional studio equipment, investing in properties in the entertainment field, and the provision of funds for a down payment on another building or buildings. **Office**—807 E. 175th Street, New York, N. Y. **Underwriter**—Arnold Malkan & Co., Inc., New York.

**● Great American Publications, Inc.**
Aug. 11 filed 260,000 shares of common stock (par 10 cents) of which 195,000 shares are to be publicly offered on a best effects basis. **Price**—At market. **Proceeds** — For working capital. **Office** — New York. **Underwriter**—Mortimer B. Burnside & Co., Inc., New York. **Offering**—Expected in the latter part of November.

**● Great Lakes Bowling Corp.**
Aug. 31 filed 120,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes, including the development of bowling lanes, bars, and restaurants on various

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Michigan properties. **Office**—6336 Woodward Ave., Detroit, Mich. **Underwriter**—Straus, Blosser & McDowell, Chicago, Ill.

**★ Griffin Steel & Supply Co.**
Sept. 22 (letter of notification) 50,000 shares of capital stock (no par). **Price**—50 cents per share. **Proceeds**—For working capital. **Office**—625 Williams Street, Bakersfield, Calif. **Underwriter**—Bailey & Co., Fresno, Calif.

**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.

**Guarantee Mortgage, Inc.**
Aug. 14 (letter of notification) $100,000 of 10-year 6% sinking fund debentures (in denominations of $1,000). Each debenture may be purchased with 100 warrants to buy one share of class A common stock (par $10). The right to purchase class A common stock by way of warrants will terminate Dec. 31, 1969. **Price**—90% without warrants. **Proceeds**—For investment purposes. **Office**—725 Failing Bldg., Portland 4, Ore. **Underwriter**—None.

**Guaranty Insurance Agency, Inc.**
See, Mortgage Guaranty Insurance Corp., below.

**● Guerdon Industries, Inc. (10/15)**
Aug. 21 filed 400,000 shares of class A common stock (no par). **Price**—To be supplied by amendment. **Proceeds**—To reduce bank indebtedness by $3,500,000, and to pay off $2,500,000 notes. **Office**—3762 South Van Dyke Road, Marlett, Mich. **Underwriter**—Blair & Co., Inc., New York.

**● Harnischfeger Corp.**
Aug. 28 filed 200,000 shares of common stock (par $10). **Price**—To be related to the market price of outstanding shares on the American Stock Exchange at the time of the offering. **Proceeds** — In part to repay outstanding unsecured short-term bank loans, expected to approximate $4,000,000, with the balance to be used for general corporate purposes. **Office** — 4400 W. National Ave., Milwaukee, Wis. **Underwriter**—The First Boston Corp., New York. **Offering**—Indefinitely postponed due to market conditions.

**● Hawaiian Telephone Co.**
Sept. 11 filed 287,321 shares of common stock (par $10), of which 261,201 shares were offered to holders of outstanding stock of record Sept. 18, 1959, on the basis of one new share for each seven shares then held, and 26,120 shares are being offered for subscription by employees. Any shares not subscribed for by employees will be offered to stockholders under an oversubscription privilege; rights will expire on Oct. 23. **Price** — $17.75 per share. **Proceeds**—To be applied toward the cost of the company's construction program, the payment of $5,300,000 of bank loans obtained for such program, and the refunding of debentures and preferred shares. **Office**—1130 Alakea Street. **Underwriter**—None.

**Heliogen Products, Inc.**
Oct. 22, 1958 (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., 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.

**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.

**Hickok Electrical Instrument Co. (10/12-16)**
Sept. 9 filed $500,000 of convertible subordinated debentures, due 1974, together with 100,000 shares of class A common capital stock, of which 90,000 shares are to be publicly offered, and 10,000 shares offered to employees. (Any unsubscribed shares will be offered to public.) **Price**—For the debentures; at 100% of principal amount. For the stock; to be supplied by amendment. **Proceeds**—For retirement of bank loans, for the construction of laboratories, and for working capital. **Office**—Cleveland, Ohio. **Underwriter**—Hayden, Miller & Co., Cleveland, Ohio.

**● Hilton Hotels Corp.**
Sept. 29 filed $30,000,000 of subordinated sinking fund debentures due 1984, with warrants for purchase of 360,000 common shares. **Price**—To be supplied by amendment. **Proceeds** — For capital expenditures. **Office** — Chicago, Ill. **Underwriters**—Carl M. Loeb, Rhoades & Co., and Merrill Lynch, Pierce, Fenner & Smith Inc. **Offering**—Expected during latter part of October.

**Hycon Manufacturing Co.**
Aug. 28 filed 126,316 shares of common stock, which were issued to Avco Corp. on Dec. 8, 1958, at $2.375 per shares, and which will now be publicly offered by Avco. **Price**—To be related to the prices prevailing in the over-the-counter market at the time, or times, the stock is sold. **Office**—1030 South Arroyo Parkway, Pasadena, Calif. **Underwriters**—The offering will be made through registered brokers and dealers who are NASD members.

**I C Inc.**
June 29 filed 600,000 shares of common stock (par $1). **Price**—$2.50 per share. **Proceeds**—To further the corporate purposes and in the preparation of the concentrate and enfranchising of bottlers, the local and national promotion and advertising of its beverages, and where necessary to make loans to such bottlers, etc. **Office**—704 Equitable Bldg., Denver, Colo. **Underwriters**— Purvis & Co. and Amos C. Sudler & Co., both of Denver Colo.

**● Ideal Cement Co.**
July 31 filed 675,000 shares of capital stock. These shares are being exchanged for all (but not less than 80%) of the common stock (par $1) of the Volunteer Portland Cement Co., in the ratio of 3⅜ shares of Ideal stock for each share of Volunteer stock. The exchange period was to have expired Oct. 2, 1959. No extension, however, will be made beyond Dec. 1, 1959, unless 80% or more of the outstanding shares of the common stock of Volunteer are tendered on or before said date. If 80% or more of such common stock has been so tendered Ideal, at its discretion, may continue its exchange. **Office**—500 Denver National Bank Building, 821 17th Street, Denver, Colo. Statement effective Sept. 1.

**★ Income Fund of Boston, Inc.**
Oct. 1 filed (by amendment) 1,310,248 additional shares of common stock. **Price**—At market. **Proceeds**—For investment.

**Industrial Leasing Corp.**
June 1 (letter of notification) $200,000 subordinated convertible 6% debentures ($1,000 denomination) and $50,000 subordinated convertible 6% debentures ($500 denomination). **Price**—100% of principal amount. **Proceeds**—For working capital. **Office**—522 S. W. 5th Avenue, Portland 4, Ore. **Underwriter**—May & Co., Portland, Ore.

**Industrial Vinyls, Inc.**
Aug. 20 filed 200,000 shares of common stock (par 10 cents). **Price**—$2.50 per share. **Proceeds**—For the purchase of machinery and equipment to expand the company's facilities for handling thermoplastics, to reduce current bank borrowings, and for general corporate purposes including the addition of working capital. **Office**—5511 N. W. 37th Ave., Miami, Fla. **Underwriters** — The Robinson-Humphrey Co., Inc., Atlanta, Ga., and Clisby & Co., Macon, Ga.

**Inland Western Loan & Finance Corp.**
Sept. 24 filed $1,000,000 of 6% capital debentures. **Price**—To be supplied by amendment. **Proceeds**—To discharge loans from banks and from the Commercial Life Insurance Co.; to furnish operating capital for subsidiaries; and to establish new subsidiaries or branches of already existing ones. **Office**—10202 North 19th Ave., Phoenix, Ariz. **Underwriter**—The underwriters, if any, will be named by amendment.

**● Insul-Cup Corp. of America (10/15)**
Sept. 18 (letter of notification) 300,000 shares of common stock (par one cent). **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Office**—1938 Park Avenue, New York City, N. Y. **Underwriter**—The James Co., 12 E. 41st Street, New York.

**★ Intercontinental Motels, Ltd.**
Oct. 7 filed 133,000 shares of common stock (par 10c). **Price**—$3 per share. **Proceeds**—To be added to working capital in order to enable company to exercise options on motels and/or parcels of land. **Office**—Martinsville, Va. **Underwriter** — G. Everett Parks & Co., Inc., 52 Broadway, New York City. **Offering**—Expected before the end of November.

**Inter-Island Resorts, Ltd.**
Sept. 10 filed 99,000 shares of common stock (par $3) to be offered first to stockholders on the basis of one new share for each four shares held of record Oct. 10, 1959; rights to expire on Nov. 30. **Price**—To be supplied by amendment. **Proceeds**—For construction of a new hotel at Kalapaki Bay, on the Island of Kauai. **Office**—305 Royal Hawaiian Avenue, Honolulu, Hawaii. **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 Tuna Corp.**
Aug. 11 (letter of notification) 175,000 shares of class A common stock (par 50 cents). **Price** — $1 per share. **Proceeds**—For equipment and working capital. **Office**—Pascagoula, Miss. **Underwriter**—Gates, Carter & Co., Gulfport, Miss.

**Interstate Fire & Casualty Co. (10/27)**
Sept. 17 filed 85,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—For expansion. **Office** — 501 Livingston Bldg., Bloomington, Ill. **Underwriter**—White, Weld & Co., Inc., New York.

**Investment Trust for the Federal Bar Bldg.**
Aug. 14 filed 500 Beneficial Trust Certificates in the Trust. **Price**—$2,600 per certificate. **Proceeds**—To supply the cash necessary to purchase the land at 1809-15 H St., N. W., Washington, D. C., and construct an office building thereon. **Office**—Washington, D. C. **Underwriters**—Hodgdon & Co. and Investors Service, Inc., both of Washington, D. C., and Swesnick & Blum Securities Corp.

**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.

**★ Israel American Oil Co.**
Oct. 6 filed 13,500,000 shares of common stock, to be offered to holders of the Israeli Joint Venture in exchange for up to a 25% interest in such venture. **Office**—Cody, Wyoming. **Underwriter**—Bear, Stearns & Co., New York.

**Israel Development Corp.**
Sept. 22 filed 200,000 shares of common stock (par $25). **Price**—$27.50 per share, payable in cash or State of Israel Independence Issue or Development Issue bonds. **Proceeds**—For general corporate purposes. **Office**—New York City. **Underwriter**—None.

**★ Jetronic Industries, Inc.**
Sept. 23 (letter of notification) 5,460 shares of common stock (par 10 cents). **Price**—At the market on the American Stock Exchange. **Proceeds**—To go to selling stockholders. **Office**—Main & Cotton Streets, Philadelphia, Pa. **Underwriter**—None.

**Jocelyn-Varn 1960 Oil Associates**
Sept. 28 filed 100 units of oil and gas exploration agreements. **Price**—$20,000 per unit. **Proceeds**—For locating, developing, and administering oil and gas producing properties. **Office**—310 KFH Building, Wichita, Kan. **Underwriter**—None.

**★ Kayser-Roth Corp. (11/10)**
Oct. 5 filed 375,000 shares of outstanding common stock (par $1). **Price**—To be related to the market price at the time the offering begins. **Proceeds**—To Harrison Factors Corp., the selling stockholder. **Office**—425 Fifth Ave., New York. **Underwriter**—Hemphill, Noyes & Co., New York.

**Kentucky Central Life & Accident Insurance Co.**
Aug. 28 filed 81,717 shares of common stock, of which Kentucky Finance Co., Inc. will offer its stockholders 51,000 shares. **Price**—Of 30,717 shares, $115 each; and of 51,000 shares, $116 each. **Proceeds**—To selling stockholders. **Office**—Anchorage, Ky. **Underwriter**—None.

**Kilroy (W. S.) 1960 Co.**
June 8 filed $3,500,000 of Participating Interests under Participant Agreements in the company's 1960 Oil and Gas Exploration Program, to be offered in amounts of $25,000 or more. **Proceeds**—Acquisition of undeveloped oil and gas properties. **Office**—2306 Bank of the Southwest Bldg., Houston Texas. **Underwriter**—None.

**Kittanning Telephone Co., Kittanning, Pa.**
Aug. 24 filed 14,000 shares of common stock, to be offered by subscription to holders of outstanding common stock on the basis of approximately 0.212 new shares for each share held. **Price**—$25 per share. **Proceeds**—In part to repay a bank loan in the amount of $450,000 representing funds acquired for general modernization, improvement, and expansion. **Underwriter**—None.

**Knox Glass, Inc. (10/26-30)**
Sept. 23 filed 200,000 shares of capital stock (par $6.25). **Price** — To be supplied by amendment. **Proceeds** — Together with funds to be received froma $2,000,000 bank loan and a $6,000,000 long-term loan from an institutional investor, will be applied in part to repayment of all of the company's outstanding indebtedness, and the balance of the proceeds will be used to provide machinery, equipment and working capital for a proposed new plant in the southeastern part of the United States, and for general corporate purposes. **Underwriter**—Smith, Barney & Co., New York.

**Lee Telephone Co.**
Sept. 8 (letter of notification) 20,888 shares of common stock (par $10) being offered to stockholders of record Sept. 19, 1959 on the basis of one new share for each 9¼ shares then held; rights to expire Oct. 15. **Price** — $14 per share. **Proceeds**—To be used to curtail short-term bank loans. **Office**—127 E. Church St., Martinsville, Va. **Underwriter**—None.

**Lenahan Aluminum Window Corp.**
July 28 filed 157,494 shares of common stock, to be offered initially to stockholders on the basis of one new share for each two shares owned (with a 15-day standby). **Price** — $4 per share to stockholders; $5 to public. **Proceeds**—For inventory and for working capital. **Office**—Jacksonville, Fla. **Underwriter**—Plymouth Bond & Share Corp., Miami, Fla.

**Lenkurt Electric Co.**
Aug. 31 filed 10,000 outstanding shares of class B common stock. **Price**—$83.31 per share. **Proceeds**—To selling stockholder. **Office** — 1105 County Road, San Carlos, Calif. **Underwriter**—None.

**Life Insurance Co. of Florida**
Sept. 28 filed 203,476 shares of common stock. **Price**—$4.50 per share. **Proceeds**—For expansion. **Office**—2546 S. W. 8th Street, Miami, Fla. **Underwriter**—Plymouth Bond & Share Corp., Miami.

**● MCA, Inc. (10/9)**
Sept. 8 filed 400,000 shares of common stock (no par). **Price**—To be supplied by amendment. **Proceeds**—To reduce short-term bank indebtedness and for working capital. **Business**—Engaged in the production and distribution of filmed series for television, etc. **Underwriter**—Lehman Brothers, New York.

**M. & S. Oils Ltd.**
May 11 filed 390,000 shares of common 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.

**Madison Gas & Electric Co.**
Sept. 15 filed 82,000 shares of common stock (par $16), to be offered for subscription by the holders of outstanding common stock on the basis of one new share for each five shares held on or about Oct. 5. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Office**—Madison, Wis. **Underwriter**—None.

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**Magnuson Properties, Inc.**
June 29 filed 500,000 shares of class A common stock (amended on Aug. 24 to 150,000 shares of 6½% cumulative convertible preferred stock, par $10), and 150,000 shares of class A common stock, par $1, with common stock purchase warrants. Each share of class A common stock carries one warrant entitling the registered holder to purchase one share of such common stock at an initial price of $11 per share. **Price**—For preferred, at par; and for class A, $10.10 per share. **Proceeds**—$291,099 is to be expended during the period ending Aug. 31, 1960 for mortgage payments and releases; $465,000 will be paid on notes acquired by members of the Magnuson family in the transfers of subsidiaries and properties to the company; $106,000 will be used to close certain options and purchase contracts covering lands in the Melbourne-Cape Canaveral area; the balance will be added to the general funds of the company and used for general corporate purposes. **Office**—20 S. E. 3rd Ave., Miami, Fla. **Underwriter**—Blair & Co. Inc., New York. **Offering**—Expected this Fall.

★ **Mayfair Markets**
Oct. 1 filed 301,177 shares of common stock (par $1), to be offered to holders of such stock on the basis of one new share for each five shares then held. **Price** — $10 per share. **Proceeds**—For general corporate purposes, including expansion and working capital. **Office**—4383 Bandini Boulevard. **Underwriter**—None.

**Mercantile Credit Corp.**
Sept. 1 (letter of notification) 75,000 shares of common stock (par value 10 cents) and $100,000 of 6% five-year convertible debentures in denominations of $100, $500 and $1,000 each. **Price**—For the common stock, $2 per share. **Proceeds** — For working capital. **Office** — 940 Riato Bldg., Kansas City, Mo. **Underwriter**—McDonald Evans & Co., Kansas City, Mo.

● **Metallurgical Processing Corp., Westbury, N. Y.**
Aug. 6 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—To retire debts; to acquire new equipment for processing metals and to expand its overall capacity; to move its facilities and new equipment into a new building and for further development and expansion. **Underwriter**—Netherlands Securities Co., Inc., New York, N. Y. **Offering**—Expected in a couple of weeks.

★ **Metropolitan Telecommunications Corp.**
Sept. 28 (letter of notification) 99,933 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—For working capital. **Office**—964 Dean St., Brooklyn, N. Y. **Underwriter**—Lee Co., New York, N. Y. **Offering**—Expected in late October.

**Microwave Electronics Corp.**
July 2 filed $500,000 of 10-year 5% subordinated debentures due July 1, 1969 together with 250,000 shares of common stock (par 10 cents) to be offered in units of $10,000 principal amount of debentures and 5,000 common shares. An additional 138,000 shares may be issued in connection with the company's restricted stock option plan. **Price**—$10,500 per unit. **Proceeds**—To purchase machinery, equipment and other fixed assets, for operating expenses, and the remainder for working capital. **Office**—4061 Transport St., Palo Alto, Calif. **Underwriter**—None. **Financial Adviser**—Hill, Richards & Co., Inc., Los Angeles, Calif.

**Mid-America Minerals, Inc.**
June 22 filed $921,852 of Working Interests and Overriding Royalty Interests in 26 oil and gas leases covering lands in Green and Taylor Counties, Kentucky, some of the interest being producing interests and some non-producing. The offering is to be made initially to participants in the Mid-America Minerals, Inc., 1959 Fund. **Price**—$2,221.33 per smallest unit. **Proceeds**—For investment in oil and gas lands. **Office**—Mid-America Bank Bldg., Oklahoma City, Okla. **Underwriter**—None.

**Mid-America Minerals, Inc.**
Sept. 11 filed $1,875,000 of Participations in Oil and Gas Fund. **Price**—150 units will be offered at $10,000 each, and 150 units will be offered at $2,500 each. **Proceeds**—To facilitate the completion of oil and gas wells. **Office** — 500 Mid-America Bank Building, Oklahoma City, Okla. **Underwriters**—The offering will be made on a "best efforts" basis by the issuing company and Midamco, Inc., its subsidiary.

**Mobile Credit Corp.**
June 8 filed 15,000 shares of common stock to be offered for sale in Michigan and Pennsylvania. **Price**—$10 per share. **Proceeds**—To provide additional working capital for the purchase of vendors' interests in conditional sales contracts and other like evidences of indebtedness. **Office**—11746 Appleton Avenue, Detroit, Mich. **Underwriter**—None. Statement effective Aug. 3.

**Montreal (City of) Canada (10/19)**
Sept. 25 filed $20,000,000 of sinking fund debentures for public works, due 1979. **Price** — To be supplied by amendment. **Proceeds** — To repay interim borrowings incurred by the City for various public works projects. **Underwriter**—To be determined by competitive bidding. Probable bidders: Smith, Barney & Co. and Dominion Securities Corp. (jointly); Shields & Co., Halsey, Stuart & Co. Inc. and Salomon Brothers & Hutzler (jointly); Lehman Brothers, White, Weld & Co., Eastman Dillon, Union Securities & Co. and Blyth & Co., Inc. (jointly). **Bids**—Expected to be received up to 12:30 p.m. (EDT) in Montreal.

**Mortgage Guaranty Insurance Corp.**
Sept. 23 filed 40,000 shares of common stock (par $10) in a joint registration with Guaranty Insurance Agency, Inc., which filed 10,000 shares of its own common stock (par $5). **Price**—$115 per unit of four shares of Mortgage common and one share of Guaranty common. **Proceeds**—Mortgage will use its proceeds fo rexpansion; Guaranty will use its proceeds for additional working capital. **Office**—(of both firms) 606 West Wisconsin Ave., Milwaukee, Wis.

★ **Murry's Steaks, Inc.**
Sept. 17 (letter of notification) $250,000 of debenture bonds maturing in five years to be offered in units as follows: $100 units to bear 6% interest; $500 and $1,000 units to bear 8% interest. **Price**—At par. **Proceeds**—To retire short-term loans and for working capital. **Office**—403 Swann Avenue, Alexandria, Va. **Underwriter**—None.

**N. A. Building Associates**
Sept. 4 filed $2,120,000 of Participations in Partnership Interests in Associates. **Price**—$10,000 per unit. **Proceeds**—To supply the cash and incidental expenses necessary to the purchase of the National Association Building, 25 West 43rd St., New York. **Office**—60 East 42nd St., New York. **Underwriter**—None.

**Narda Microwave Corp. (10/12-16)**
June 16 filed 50,000 shares of common stock (par 10 cents) and 50,000 warrants to be offered in units, consisting of one share of common stock with attached warrant entitling the holder to purchase one additional share. The statement also includes an additional 10,000 shares of common stock reserved for issuance to key employees pursuant to options. **Price**—To be supplied by amendment. **Proceeds** — To be used to retire bank loans. **Underwriter**—Milton D. Blauner & Co., Inc., New York.

★ **National Beverages, Inc.**
Sept. 25 (letter of notification) 80,000 shares of common stock (par $1). **Price**—$2.50 per share. **Proceeds**—For building on company property, purchase of new vending machines and additional working capital. **Office**—1030 South Sixth West Street, Salt Lake City, Utah. **Underwriter**—Peters, Writer & Christensen, Denver, Colo.

**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. Statement to be amended.

**National Co., Inc.**
Aug. 28 filed 200,000 shares of common stock (par $1) of which 150,000 shares are to be offered for the account of the company and 50,000 shares for the account of the present holder thereof. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes, including the retirement of a bank loan in the amount of $675,000, which was incurred to retire certain 5% convertible debentures. **Office** — 61 Sherman St., Malden, Mass. **Underwriter** — White, Weld & Co., New York. This offering has been postponed due to market conditions.

★ **National Dairy Products Corp.**
Oct. 2 filed 300,000 shares of common stock, to be offered for sale pursuant to the company's Employee Stock Option Plan. **Office**—260 Madison Ave., New York.

**National Industrial Minerals Ltd.**
Aug. 4 filed 150,000 shares of common stock (no par). **Price** — $1 per share. **Proceeds** — To retire indebtedness for construction of plant and for other liabilities, and the remainder will be used for operating capital. **Office** — Regina, Saskatchewan, Canada. **Underwriter**—Laird & Rumball Ltd., Regina, Saskatchewan, Canada.

● **National Key Co., Cleveland, Ohio (10/19-23)**
Sept. 17 filed 200,000 shares of class A common stock (par 50 cents) of which 75,000 shares are to be sold for the account of the issuing company and 125,000 shares for the account of selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes, including the purchase from Grant Ave. Realty Corp., at seller's cost, about 6.25 acres of Cleveland land, on which a building is being constructed which will house the issuing company's executive offices and Cleveland operations. **Underwriter**—C. E. Unterberg, Towbin Co., New York.

**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 Avenue, Phoenix, Ariz. **Underwriter**—None.

**National Munsey Co.**
Sept. 28 filed 293 limited partnership interests. **Price**—$5,000 per unit. **Proceeds**—To purchase land and erect buildings thereon. **Office**—535 Fifth Avenue, New York City. **Underwriter**—Tenney Securities Corp.

● **National Union Fire Insurance Co. (Pittsburgh, Pa.) (10/16)**
Sept. 24 filed 200,000 shares of capital stock (par $5) to be offered for subscription by stockholders of record Oct. 16, 1959, on the basis of one additional share of capital stock for each three shares then held; rights to expire on Nov. 16. **Price**—To be supplied by amendment. **Proceeds**—To increase capital and surplus. **Underwriter**—The First Boston Corp., New York.

**Nationwide Auto Leasing System, Inc.**
July 16 (letter of notification) 142,500 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For financing of leased cars and for general corporate purposes. **Underwriter**—Investment Bankers of America, Inc., Washington, D. C.

★ **New England Fund**
Sept. 30 filed (by amendment) an additional 200,000 shares of beneficial interest in the Fund. **Price**—At market. **Proceeds**—For investment. **Office**—Boston, Mass.

★ **Northeastern Gas, Inc.**
Sept. 28 (letter of notification) 7,863 shares of common stock. **Price**—At par ($25 per share). **Proceeds**—For working capital. **Office**—2018 S. Oliver Street, Wichita, Kan. **Underwriter**—None.

**North Carolina Telephone Co.**
Sept. 4 filed 576,405 shares of common capital stock, to be offered for subscription by holders of outstanding stock in the ratio of two new shares for each five shares held. **Price**—$2 per share. **Proceeds**—To reduce indebtedness with the balance, if any, to be used as working capital. **Office**—Matthews, N. C. **Underwriter**—One or more security dealers will be offered any shares not subscribed for at $2 per share.

**Northern Properties, Inc.**
Sept. 8 filed 150,000 shares of common stock (par $2.50). **Price**—$5 per share. **Proceeds**—To acquire and develop various properties in New York State. **Office**—Hartsdale, N. Y. **Underwriter**—Alkow & Co., Inc., New York. **Offering**—Expected in late October or early November.

★ **Nu-Line Industries, Inc.**
Sept. 28 (letter of notification) $250,000 of 7% subordinated debentures due Oct. 1, 1969 with common stock purchase warrants entitling the holders of the warrants to purchase 25,000 shares of common stock (par 10 cents). **Price**—$1,020 per $1,000 debenture with warrant for purchase of 100 shares of common stock attached. **Proceeds**—For working capital. **Office**—Minneapolis, Minn. **Underwriter**—Woodard-Elwood & Co., Minneapolis, Minn.

**Oak Valley Sewerage Co.**
June 30 (letter of notification) $145,000 of 5½% first mortgage bonds series of 1958. **Price**—At par. **Proceeds**—To repay to Oak Valley, Inc. a portion of the cost of construction of sewerage collection and disposal system and to pay the costs and expenses of financing. **Office**—330 Main St., Mantua, N. J. **Underwriter**—Bache & Co., Philadelphia, Pa. **Offering**—Expected in mid-Oct.

**Oak Valley Water Co.**
June 30 (letter of notification) $125,000 of 5½% first mortgage bonds series of 1958. **Price**—At par. **Proceeds**—To repay Oak Valley, Inc. a portion of the cost of construction of the water supply and distribution system; to pay the cost of a new 12 inch well to increase the company's supply of water; and to pay the costs and expenses of financing. **Office**—330 Main St., Mantua, N. J. **Underwriter** — Bache & Co., Philadelphia, Pa. **Offering**—Expected in mid-October.

● **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. The SEC had scheduled a hearing, to begin on Sept. 2, to determine whether a stop order should be issued suspending the offering.

**Oil Recovery Corp. (10/13)**
Sept. 15 filed $550,000 of 6% convertible subordinated debentures, due 1974, and 5,500 shares of common stock, to be offered in units of $500 of debentures and 5 shares of stock. **Price**—To be supplied by amendment. **Proceeds** — For general corporate purposes, including the acquisition and development of properties for secondary oil recovery purposes. **Office**—405 Lexington Ave., New York City. **Underwriter**—Lehman Brothers, New York.

★ **Oliver Corp.**
Sept. 23 (letter of notification) 10,000 shares of common stock (par $1) to be offered to key employees and those of its subsidiaries. Rights expire on Oct. 26, 1959. **Price**—$10 per share. **Proceeds**—For working capital. **Office**—400 W. Madison Street, Chicago, Ill. **Underwriter**—None.

**Palestine Economic Corp.**
Sept. 28 filed 124,000 shares of common stock. **Price**—$25 per share, payable in cash, State of Israel bonds at par, or both. **Proceeds**—For general corporate purposes bearing on the further development of industry and agriculture in Israel. **Office**—18 East 41st Street, New York. **Underwriter**—None.

**Pan-Alaska Corp.**
Aug. 7 filed 2,612,480 shares of common capital stock to be issued pursuant to options held by Marine Drilling, Inc. Latter company will, in turn, offer its stockholders rights to purchase two shares of Pan-Alaska common, at 20 cents a share, for each share of Marine Drilling stock. Marine Drilling also plans to sell 250,000 shares of the 680,000 shares of Pan-Alaska it now owns. **Underwriter**—Any stock not subscribed for by holders of Marine Drilling will be publicly offered by Crerie Co., Houston, Texas and Clark, Landstreet & Kirkpatrick, Inc., Nashville, Tenn., at a price of 20 cents a share.

**Pantasote Co. (10/19-23)**
Aug. 28 filed $2,700,000 of 6% subordinated sinking fund debentures, due Oct. 1, 1974 (with warrants attached entitling the holder to purchase 50 shares of common stock of the issuing company for each $500 of debentures). **Price** — 100% and accrued interest. **Proceeds** — For construction, equipping, and placing in operation of a new plant, with the balance to be used for general corporate purposes. **Office**—26 Jefferson St., Passaic, N. J. **Underwriter**—Blair & Co. Inc., New York.

**Participating Annuity Life Insurance Co.**
June 4 filed $2,000,000 of variable annuity policies. **Proceeds** — For investment. **Office** — Hathcock Building, Fayetteville, Ark. **Underwriter**—None.

**Pathe News, Inc.**
Sept. 17 filed 400,000 shares of common stock (par 10 cents) with warrants to purchase an additional 100,000

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common shares at $3.25 per share. **Price** — $3.75 per share, with warrants. **Proceeds**—For general corporate purposes, including the addition of working capital, the reduction of indebtedness, and the provision of the $173,000 cash required upon the exercise of an option to purchase the building at 245-249 W. 55th St., New York. **Office**—245 W. 55th St., New York. **Underwriter**—Chauncey, Walden, Harris & Freed, Inc., New York. **Offering**—Expected in about 30 days.

**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.

**● Philadelphia Electric Co. (10/14)**
Sept. 17 filed $50,000,000 of first and refunding mortgage bonds, series due Oct. 1, 1989. **Proceeds**—For expansion program. **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 Lynch, Pierce, Fenner & Smith Inc., and White, Weld & Co. (jointly); The First Boston Corp. **Bids**—Expected to be received up to noon (EDT) on Oct. 14.

**● Photo-Marker Corp.**
Sept. 14 (letter of notification) 50,000 shares of common stock (par 50 cents). **Price**—$5 per share. **Proceeds**—For acquisition of a coating plant; establishment of eight new branch offices; moving to larger quarters and further research. **Office**—153 W. 36th St., New York 18, N. Y. **Underwriters**—Marron, Edens, Sloss & Co., Inc., New York, N. Y., and First Albany Corp., Albany, N. Y. **Offering**—Expected shortly.

**● Pik-Quik, Inc.**
Sept. 17 filed 500,000 shares of common stock (par $1). **Price**—$3.50 per share. **Proceeds**—To place in operation 80 food markets in Florida, three of which will be located near West Palm Beach. These three have been leased from International Properties, Inc., a newly-formed Minneapolis real estate firm, for 15 years, with options to renew. **Office** — Baker Bldg., Minneapolis, Minn. **Underwriter** — Craig-Hallum, Inc., Minneapolis, Minn.

**Pilgrim National Life Insurance Co. of America**
Sept. 17 filed 100,000 shares of common stock (par $1), of which 55,000 shares are to be offered first to stockholders of record Aug. 31, 1959, and 45,000 shares (minimum) are to be offered to the public, which will also be offered any shares unsubscribed for by said stockholders. **Price**—$5 per share. **Proceeds** — For general corporate purposes, possibly including the enabling of the issuing company to make application for licenses to conduct its insurance business in States other than Illinois, the sole State in which it is presently licensed. **Office**—222 W. Adams St., Chicago, Ill. **Underwriter**—None.

**★ Pine Street Fund, Inc.**
Oct. 2 filed 300,000 additional common shares. **Price**—At market. **Proceeds** — For investment. **Office** — New York City. **Underwriter**—None.

**Planholders Institute, Inc.**
Sept. 11 filed $2,000,000 of Selected Plans. **Proceeds**—For investment. **Office**—26 Broadway, N. Y. C. **Underwriter**—The issuing company will serve as underwriter.

**★ Plastic Applicators, Inc.**
Oct. 1 filed $1,000,000 of convertible subordinated sinking fund debentures, due 1969. **Price**—At 100% of principal amount. **Proceeds**—For general corporate purposes. **Office**—7020 Katy Road, Houston, Texas. **Underwriter**—A. G. Edwards & Sons, St. Louis, Mo.

**● Porce-Alume, Inc. (10/12-16)**
Aug. 3 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For expansion. **Office**—Alliance, Ohio. **Underwriter**—Pearson, Murphy & Co., Inc., New York. **Offering** — Expected in early October.

**● Powell River Co., Ltd.**
Aug. 20 filed 4,500,000 ordinary shares (no par) to be offered, following a two-for-one stock split in September to holders of record of, and in exchange for outstanding class A and class B shares of MacMillan & Bloedel, Ltd., on the basis of seven shares of Powell River stock for three shares of MacMillan & Bloedel stock, whether class A or class B. Thereafter, the name of the issuing company would be changed to MacMillan, Bloedel & Powell River, Ltd. **Office** — 1204 Standard Bldg., Vancouver, B. C., Canada. **Dealer-Managers**—White, Weld & Co., Wood, Gundy & Co., Inc., and Greenshields & Co., all of New York; and Wood, Gundy & Co., Ltd., and Greenshields & Co., Inc., of Canada. Statement is expected to become effective today (Oct. 8).

**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.

**★ Professional Acceptance Corp.**
Sept. 21 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For working capital. **Office** — 1489 S. Broadway, Denver, Colo. **Underwriter**—None.

**Professional Finance Co.**
Sept. 22 (letter of notification) 125,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Office**—c/o Charles E. Coleman, Pres., 3300 West Grand Ave., Littleton, Colo. **Underwriter**—The issue will be underwritten by R. W. Newton, Secretary-Treasurer.

**● Puget Sound Power & Light Co. (10/28)**
Sept. 21 filed $20,000,000 of first mortgage bonds, series due Nov. 1, 1989. **Proceeds**—To repay outstanding bank loans, due Jan. 1, 1960, incurred to finance construction, which bank loans are expected to aggregate about $23,000,000 at the time of such sale. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc., and Lehman Bros. (jointly); Merrill Lynch, Pierce, Fenner & Smith Inc.; Stone & Webster Securities Corp.; The First Boston Corp. and Smith, Barney & Co. (jointly). **Bids**—Expected to be received up to noon (EST) on Oct. 28, at 90 Broad St., 19th Floor, New York, N. Y.

**Rad-O-Lite, Inc.**
July 8 filed 300,000 shares of common stock (par 25¢). **Price** — $1.50 per share. **Proceeds** — For general corporate purposes. **Office**—1202 Myrtle St., Erie, Pa. **Underwriter**—John G. Cravin & Co., New York. **Offering**—Expected in October.

**★ Radar Design Corp.**
Sept. 29 (letter of notification) 60,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—To go to the company. **Office**—104 Pickard Dr., Syracuse 11, N. Y. **Underwriter**—None.

**● Radiant Lamp & Electronics Corp.**
Sept. 4 filed $250,000 of 6% ten-year subordinated convertible sinking fund debentures, series II, due Oct. 15, 1969, and 120,000 shares of class A stock (par 10 cents). **Price** — For debentures, 100% of principal amount; for stock, $5 per share. **Proceeds**—To acquire Radiant Lamp Corp., of Newark, N. J., with the balance to be used as working capital. **Office**—40 Washington Place, Kearney, N. J. **Underwriter**—Amos Treat & Co., Inc., New York. **Offering**—Expected sometime in November.

**Radiation Dynamics, Inc., Westbury, N. Y.**
Sept. 8 filed 25,000 shares of common stock. The company proposes to offer to its stockholders the right to subscribe to 11,325 shares at $10 per share, with warrants to purchase an equal number of common shares at $12.50 per share, on the basis of one new share for each four shares held. Hayden Stone & Co. has agreed to purchase 2,500 shares for its own account and to use its best efforts to place 11,175 shares with certain selected investors at $10 per share, with warrants to purchase an equal number of shares at $12.50 per share. **Proceeds**—For working capital. **Office**—1800 Shames Drive, Westbury, L. I., N. Y. **Underwriter**—Hayden, Stone & Co., New York.

**Radio City Products Co., Inc.**
Aug. 17 (letter of notification) 100,000 shares of common stock (par 25 cents). **Price**—$3 per share. **Proceeds**—For machinery and electronic test equipment, environmental testing equipment, placing accounts payable on discount basis, retiring trade notes, retiring loans outstanding, research and development and for working capital. **Office** — Centre & Glendale Sts., Easton, Pa. **Underwriter**—None.

**● Radio Frequency Company, Inc. (10/12-16)**
Aug. 12 (letter of notification) 100,000 shares of common stock (par $1). **Price**—$3 per share. **Proceeds**—For general corporate purposes. **Office** — Medfield, Mass. **Underwriter**—Myron A. Lomasney & Co., New York.

**Raub Electronics Research Corp.**
July 15 filed 165,000 shares of common stock (par $1), subsequently reduced by amendment to 115,500 shares, of which 100,000 shares will be offered to the public. **Price**—$8.50 per share. **Proceeds**—For general corporate purposes. **Office**—1029 Vermont Avenue, N. W., Washington, D. C. **Underwriter**—Weil & Co., Washington, D. C.

**Raymond Service, Inc.**
Sept. 3 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For machinery and equipment; retiring current indebtedness; a sales development program and working capital. **Office**—36-40 37th Street, Long Island City, L. I., N. Y. **Underwriter**—The James Co., New York, N. Y. **Offering**—Expected any day.

**Realsite, Inc.**
July 28 filed 200,000 shares of class A stock. **Priced**— $3 per share. **Proceeds**—To pay off mortgages and for working capital. **Office**—Jamaica, L. I., N. Y. **Underwriter**—Robert L. Ferman & Co., Miami, Fla. **Offering**—Expected in about three weeks.

**● Rek-O-Kut Co., Inc.**
Sept. 25 filed 214,000 shares of common stock, of which 142,666 shares are to be offered for the account of the issuing company and 71,334 shares are to be offered for the accounts of the present holders thereof. **Price** — $3.50 per share. **Proceeds** — For general corporate purposes, including the repayment of indebtedness and for tooling and production. **Office**—38-19 108th St., Corona, L. I., N. Y. **Underwriter**—D. A. Lomasney & Co., New York. **Offering**—Expected in three to four weeks.

**Republic Resources & Development Corp.**
June 29 filed 1,250,000 unit shares of capital stock (par one Philippine centavo). **Price**—$2 per unit of 200 shares. **Proceeds**—To be used in the company's oil exploration program for the purchase of oil exploration and drilling equipment, supplies and materials; to contract with U. S. geophysical contractors for technical services; and to pay its pro rata shares of the dollar exploration expenses under its agreement with three other companies for joint exploration of concessions held in the philippines. **Office**—410 Rosario St., Binondo, Manila, Philippines. **Underwriter**—John G. Cravin & Co., Inc., New York.

**Ritter (P. J.) Co., Bridgeton, N. J.**
June 18 filed 4,827 shares of preferred stock, non-cumulative, voting, (par $100) and 60,018 shares of common stock (no par) to be offered to the holders of preferred and common stock of Brooks Foods, Inc., at the rate of one share of Ritter preferred stock for each share of preferred stock of Brooks and two shares of common stock of Ritter for each share of common stock of Brooks. The exchange offer is being made by Ritter in accordance with its agreement with Brooks and certain of its stockholders who own an aggregate of 18,805 shares of its outstanding common stock, or approximately 62.5% of such stock, and who have agreed to accept the exchange offer upon effectiveness of the registration statement.

**Rochester Gas & Electric Corp. (10/22)**
Sept. 25 filed $12,000,000 of first mortgage bonds, series E, due 1989. **Proceeds**—For general corporate purposes, including the repayment of loans incurred to finance construction, which amounted to $10,950,000 at Sept. 21. **Underwriter**—To be determined by competitive bidding. Probable bidders: Kidder, Peabody & Co.; White, Weld & Co.; Shields & Co. **Bids**—Expected to be received on Oct. 22.

**Rondout Corp.**
Sept. 4 filed 155,000 shares of common stock, of which 140,000 shares are to be publicly offered. **Price**—$3.50 per share. **Proceeds**—To buy the capital stock of Rondout Paper Mills, Inc., and to purchase notes of said company, currently held by Arrowsmith Paper Corp., with the balance to be used for general corporate purposes, including working capital. **Office**—785 Park Ave., New York, the address of the corporation as given in the registration statement, is the home address of Leif B. Norstrand, President of the issuing company. Pursuant to the contemplated merger of Rondout Paper Mills, Inc. into Rondout Corp., it is anticipated that Rondout Corp., as the surviving company, will conduct its business from 41 E. 42nd St., New York, the present office of Rondout Paper Mills, Inc. **Underwriters** — Sandkuhl & Co., Inc., Newark, N. J.; and S. B. Cantor Co., New York. **Offering**—Expected sometime in October.

**Roto-American Corp.**
Aug. 28 (letter of notification) 80,000 shares of common stock. **Price**—$3.75 per share. **Proceeds**—To redeem preferred and common stock outstanding held by Roto Bag, a wholly-owned subsidiary; for the purchase of new tooling to expand production; for working capital and general corporate purposes. **Office**—93 Worth St., New York, N. Y. **Underwriter**—Morris Cohon & Co., New York, N. Y. **Offering**—Expected any day.

**Roulette Records, Inc.**
Aug. 27 filed 330,000 shares of common stock (one cent), of which 300,000 shares are to be publicly offered. **Price**—$3.50 per share. **Proceeds**—For general corporate purposes, including moving to new quarters and installing executive offices and sound studio facilities therein, acquiring technical equipment and machinery, and adding to working capital. **Office** — 659 10th Avenue, New York. **Underwriter**—Chauncey, Walden, Harris & Freed, Inc., 580 Fifth Avenue, New York. **Offering**—Expected in three or four weeks.

**Ruberoid Co.**
Sept. 28 filed 290,000 shares of capital stock, which were given in exchange for all the assets of Mastic Tile Corp. of America on Sept. 30. **Office**—South Bound Brook, Somerset County, N. J.

**★ St. Paul Ammonia Products, Inc.**
Oct. 2 filed $1,249,849 of 10-year 6% convertible subordinated debentures, due Dec. 1, 1969, to be offered for subscription by common stockholders on the basis of $10 principal amount of debentures for each 10 shares held. **Price**—At 100% of principal amount. **Proceeds**—For inventory accumulation with the balance, estimated at $125,000, to be added to working capital. **Office**—South St. Paul, Minn. **Underwriter**—White, Weld & Co., New York. **Offering**—Expected late in October.

**Samson Convertible Securities Fund, Inc.**
July 15 filed 200,000 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—For investment. **Office**—23 Hazelton Circle, Briarcliff Manor, N. Y. **General Distributor**—Samson Associates, Inc. **Offering**—Expected in late October.

**★ San Diego Gas & Electric Co.**
Oct. 6, 1959 filed 500,000 shares of common stock, to be offered for subscription by common stockholders on the basis of one new share for each eight shares held of record Nov. 4. **Price**—To be supplied by amendment. **Proceeds**—To reimburse treasury funds of the company. **Office** — San Diego, Calif. **Underwriter** — Blyth & Co., Inc., New York and San Francisco.

**Scaico Controls, Inc.**
Sept. 23 (letter of notification) 240,000 shares of common stock (par 10 cents). **Price**—$1.25 per share. **Proceeds**—For research and development; increaese of plant facilities; sales and training program; sales promotion and for general corporate purposes. **Office**—P. O. Box 41, 450 Cooper St., Delanco, N. J. **Underwriter**—Albion Securities Co., Inc., 11 Broadway, New York 4, N. Y.

**Service Life Insurance Co.**
Aug. 25 filed 25,000 outstanding shares of common stock (par $1). **Price** — $20 per share. **Proceeds** — To selling stockholder. **Office**—400 West Vickery Blvd., Fort Worth, Texas. **Underwriter**—Kay and Company, Inc., Houston, Texas.

**Servo Corp. of America (10/20-23)**
Sept. 11 filed $1,000,000 of conv. subord. debens. due Oct. 1, 1974. **Price**—100% of principal amount. **Proceeds**—$300,000 for working capital; $300,000 for increased development and research, with particular attention to civilian products; $200,000 for plant relocation and consolidation at the Hicksville, N. Y., site and for expansion of equipment; $100,000 for sales promotion and related activities; and $100,000 for general corporate purposes. **Office**—20-20 Jericho Turnpike, New Hyde Park, L. I., N. Y. **Underwriter**—Ira Haupt & Co., New York.

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**Shelbourne Realty & Construction Corp.**
Sept. 17 (letter of notification) 148,500 shares of class A common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For working capital. **Office**—15 William St., New York 5, N. Y. **Underwriters**—C. H. Abraham & Co., Inc., B. Fennekohl & Co., and Louis L. Rogers Co., all of New York, N. Y. and Maryland Securities Co., Inc., Baltimore, Md. **Offering**—Expected in October.

**Shell Electronics Manufacturing Corp. (10/19-23)**
Aug. 28 filed 170,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For general corporate purposes, including the repayment of indebtedness, the purchase of equipment, and for working capital. **Office** — 112 State St., Westbury, L. I., N. Y. **Underwriter**—Schweickart & Co., New York.

**Shield Chemical Ltd.**
Sept. 8 (letter of notification) 95,000 shares of capital stock (par 10 cents). **Price**—$1.50 per share. **Proceeds**—To purchase and install manufacturing equipment; control and test equipment; advertising and for working capital. **Office**—17 Jutland Road, Toronto, Canada. **Underwriter**—Peters, Writer & Christensen, Inc., Denver, Colorado.

★ **Shopping Centers Corp.**
Oct. 1 filed 269,230 shares of common stock, 87,322 of which are to be offered to stockholders of record Oct. 15 on the basis of one new share for each five shares then held, and 112,678 of which are to be publicly offered. **Price**—To stockholders, $10 per share; to the public, $15 per share. (The remaining 69,230 shares are to provide for conversion of $692,300 of outstanding 6% debentures.) **Proceeds**—For general funds. **Office**—201 Bessemer Building, Pittsburgh, Pa. **Underwriter**—The company President, Akiba Zilberberg, is underwriting the issue on a best efforts basis, for which he is to receive a 10% commission. Mr. Zilberberg is also a principal officer of Tower Development and Investment Corp., owner of the aforementioned debentures.

**Simon Hardware Co. (10/19-23)**
Sept. 14 filed $800,000 of 7% sinking fund subordinated debentures, due Sept. 30, 1971, and 80,000 shares of common stock (no par), to be offered in units of $1,000 principal amount of debentures and 100 shares of common stock, transferable only as units until March 31, 1960. The securities will also be offered in half-units of one $500 debenture and 50 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—To open one or more additional retail stores in Northern California, with the balance to be used for general corporate purposes. **Office** — 800 Broadway, Oakland, Calif. **Underwriters**—J. S. Strauss & Co., and York & Co., both of San Francisco, Calif., and Mason Brothers, Oakland, Calif.

**Sire Plan of Tarrytown, Inc.**
July 13 filed $900,000 10-year 6% debentures and 18,000 shares of $3 cumulative, non-callable, participating preferred stock (par $10). **Price**—$100 per unit consisting of one $50 debenture and one share of preferred stock. The minimum sale is expected to be five units. **Proceeds**—For general corporate purposes incidental to the acquisition of land and buildings in Tarrytown, N. Y., and alterations and construction thereon. **Office**—115 Chambers Street, New York City. **Underwriter**—Sire Plan Portfolios, Inc., 115 Chambers Street, New York City. **Offering**—Expected in October.

**Skaggs Leasing Corp.**
June 4 (letter of notification) 240,000 shares of common stock (par $1). **Price**—$1.25 per share. **Proceeds**—For general corporate purposes. **Underwriter**—Harrison S. Brothers & Co., Salt Lake City, Utah.

**Skiatron Electronics & Television Corp.**
Aug. 18 filed 172,242 shares of common stock (par 10 cents), of this stock, 128,500 shares were issued or are to be issued pursuant to warrants issued in 1956; 13,742 shares are to be issued to various persons in lieu of cash for services rendered, pursuant to authorization of the directors in January 1958; 30,000 common shares are/to be offered by owner Arthur Levey for sale by brokers. **Proceeds**—For working capital. **Office**—New York City. **Underwriter**—None. No public offering is planned.

● **Sottile, Inc. (Formerly South Dade Farms, Inc.)**
July 29 filed 2,000,000 shares of common stock (par $1), of which 1,543,000 shares are to be issued and sold for the account of the company, and 457,000 shares, representing outstanding stock, to be sold for the accounts of certain selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—To retire 70% of the common stock outstanding at the date of the stock offering; to invest in the capital stocks of six of the company's seven bank subsidiaries; to repay a bank loan of $6,400,000; to add to working capital; to retire certain long-term indebtedness; and to develop citrus groves. **Office**—250 South East First Street, Miami, Fla. **Underwriter**—Bear, Stearns & Co., New York. **Offering**—Indefinite.

● **Southern Bell Telephone & Telegraph Co. (10/20)**
Sept. 25 filed $70,000,000 of 35-year debens., due Oct. 1, 1994. **Proceeds**—To repay loans from American Telephone & Telegraph Co., the issuer's parent company, which are expected to approximate $64,000,000 at the time the proceeds are received, and which were incurred mainly for property additions and improvements. **Office**—67 Edgewood Ave., S. E., Atlanta, Ga. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co., Inc.; Morgan Stanley & Co. **Bids**—Expected to be received up to 11 a.m. (EDT) on Oct. 20 at room 2315, 195 Broadway, New York N. Y.

● **Southern Frontier Finance Co.**
Aug. 11 filed 1,300,000 shares of common stock (par 50 cents). **Price**—$1 per share. **Proceeds**—For working capital and to be used for the purchase of receivables covering the installment financing of consumer products or other types of financing in which the company may engage. **Office** — 615 Hillsboro St., Raleigh, N. C. **Underwriter**—None, but the company officials, who are making the offering, may pay a 10% commission to dealers in connection with the sale of their shares.

**Southern Gulf Utilities, Inc. (10/20-23)**
Aug. 24 filed 135,000 shares of common stock (par 5c). **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes, including expansion. **Office**—7630 Biscayne Blvd., Miami, Fla. **Underwriter**—Jaffee, Leverton, Reiner Co., New York.

**Southern New England Telephone Co.**
Aug. 24 filed 688,885 shares of common stock (par $25), being offered for subscription to stockholders of record Sept. 8, 1959, in the ratio of one new share for each 10 shares then held; rights to expire on Oct. 9, 1959. **Price**—$35 per share. **Proceeds** — To repay advances from American Telephone & Telegraph Co. (owner of 21.3% of the outstanding stock) which are expected to approximate $20,000,000, and the balance, if any, to be used for general corporate purposes. **Office**—227 Church St., New Haven, Conn. **Underwriter**—None.

**Southwest Airmotive Co. (10/12-16)**
Sept. 18 filed 200,000 shares of common stock (par $1), of which 100,000 shares are to be offered for the account of the issuing company, and 100,000 shares are to be offered for the accounts of the present holders thereof. **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, will be used for general corporate purposes, including the addition of working capital, and the providing of funds for adding to jet-engine overhaul facilities, including the purchase of shop equipment and special tooling required for this purpose. **Office**—7515 Lemmon Ave., Dallas, Tex. **Underwriters** — Rauscher, Pierce & Co., Inc. and Dallas Rupe & Son, Inc., both of Dallas, Tex.

**Span America Boat Co., Inc.**
Sept. 9 (letter of notification) 175,000 shares of common stock (par 25 cents). **Price**—$1 per share. **Proceeds**—To purchase raw materials; for sales program and working capital. **Address**—Exposition Park, Fort Dodge, Iowa. **Underwriter** — R. A. Holman & Co., Inc., New York, New York. **Offering**—Expected in October.

**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. Stop-order proceedings instituted by SEC.

**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 Road, Great Neck, N. Y. **Underwriter**—None. Stop order proceedings instituted by SEC.

● **Standard Beryllium Corp.**
Sept. 3 (letter of notification) 150,000 shares of common stock (par one cent). **Price**—$1.50 per share. **Proceeds**—For working capital and general corporate purposes. **Office**—150 E. 43rd St., New York 17, N. Y. **Underwriter**—R. G. Williams & Co., Inc., New York, N. Y. **Offering**—Expected any day.

★ **State Industries**
Oct. 5 filed $500,000 of convertible subordinated debentures, due Oct. 1, 1974. **Price** — At 100% of principal amount. **Proceeds**—For general corporate purposes, including the purchase and installation of a modern paint plant, and the purchase and installation of new tube mill equipment. **Office**—4019 Medford St., Los Angeles, Calif. **Underwriter**—John Keenan & Co., Inc., Los Angeles.

**Steak'n Shake, Inc.**
Aug. 24 filed 65,505 shares of common stock, to be offered by subscription by common stockholders of record Sept. 15, 1959, on the basis of one new share for each 9 shares then held. **Price**—$4.62½ per share. **Proceeds**—For general corporate purposes, including the developing of three drive-in restaurants on company-owned building sites. **Office**—1700 West Washington St., Bloomington, Ill. **Underwriter**—White & Co., St. Louis, Mo. **Offering**—Expected in early October.

**Stelling Development Corp.**
June 8 (letter of notification) 300,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For mortgages, land, paving roads, loans payable, advertising, etc. **Office**—305 Morgan St., Tampa 2, Fla. **Underwriter**—Stanford Corp., Washington, D. C.

**Strategic Materials Corp.**
June 29 filed 368,571 shares of common stock (par $1), to be offered for subscription by common stockholders at the rate of one new share for each five shares held. **Price**—To be supplied by amendment. **Proceeds**—For payment of bank loans; for payment of a note; for working capital; for expenditures by Strategic-Udy Metallurgical & Chemical Processes Ltd., which owns and operates a pilot plant at Niagara Falls, Ontario, and is a subsidiary of Stratmat Ltd., Strategic's principal subsidiary, and by its other direct subsidiary, Strategic-Udy Processes, Inc., which owns and operates a laboratory at Niagara Falls, N. Y.; as working capital for a mining subsidiary; for payment of a mortagage; and as working capital for another subsidiary. **Underwriters** — S. D. Lunt & Co., Buffalo, N. Y.; and Allen & Co., New York.

**Sylvania Electric Products, Inc.**
Sept. 1 filed $25,000,000 of sinking fund debentures, due Sept. 1, 1984. **Price** — To be supplied by amendment. **Proceeds**—To be applied to indebtedness. **Office**—730 Third Avenue, New York. **Underwriters**—Paine, Webber, Jackson & Curtis, and Halsey, Stuart & Co. Inc., both of New York. This offering has been deferred due to market conditions.

● **Tang Industries, Inc.**
May 25 filed 110,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—To purchase machinery and equipment; for research and development; for certain expenses and for working capital. **Office**—49 Jones Road, Waltham, Mass. **Underwriter** — David Barnes & Co., Inc., New York. **Offering**—Expected any day.

**Tassette, Inc. (10/12-16)**
Aug. 26 (letter of notification) 100,000 shares of class A stock (par 10 cents). **Price**—$3 per share. **Proceeds**—For purchase of furniture and fixtures, selling, advertising and other working capital. **Office**—170 Atlantic St., Stamford, Conn. **Underwriters**—Amos Treat & Co., Inc. and Truman, Wasserman & Co., both of New York, N. Y.

● **Tennessee Gas Transmission Co.**
Aug. 21 filed 473,167 shares of common stock (par $5), being exchanged for common stock of East Tennessee Natural Gas Co. on the basis of one share of Tennessee Gas Common for 2.75 shares of East Tennessee common. This offer is subject to various conditions, one of which is that all of the 5.20% cumulative preferred stock ($25 par) of East Tennessee shall have been purchased or redeemed and cancelled. East Tennessee is presently negotiating for the sale of $5,800,000 of which 11-year 5¾% debentures, contingent upon the consummation of the exchange offer, $4,568,785 of the proceeds of which will be applied to the redemption of the 5.20% cumulative preferred stock. Exchange offer will expire on Nov. 16, 1959, unless otherwise extended. **Office**—Tennessee Bldg., Houston, Texas. **Dealer-Managers** — Stone & Webster Securities Corp., and White, Weld & Co., both of New York. Statement effective Oct. 1.

★ **Tex-Tube, Inc.**
Oct. 6 filed 150,000 shares of common stock, of which 100,000 shares are to be offered for the account of the issuing company and 50,000 shares, representing outstanding stock, are to be offered for the account of the present holders thereof. **Price** — To be supplied by amendment. **Proceeds** — To discharge bank loans, for capital improvements, and to increase working funds. **Office**—1503 North Post Road, Houston, Texas. **Underwriter**—Moroney, Beissner & Co., Houston.

**Texas Gas Transmission Corp. (10/21)**
Sept. 28 filed 150,000 shares of convertible second preferred stock (par $100). This issue will carry a dividend not to exceed 5½%. **Price**—To be supplied by amendment. **Proceeds** — For expansion and construction program. **Underwriter**—Dillon, Read & Co. Inc., New York.

★ **Texas General Corp.**
Sept. 30 filed 500 shares of class A stock. **Price**—At par ($500 per share). **Proceeds**—For general corporate purposes relating to exploring for oil and drilling on sites. **Office**—320 Broadway, New York, N. Y. **Underwriter**—None.

**Texmar Realty Co., New York**
Sept. 1 filed $1,819,000 of limited partnership interests in the company. **Price**—At par ($5,000 per unit). **Proceeds**—To be used to pay for properties. **Underwriters**—Lifton Securities, Inc. and Hechler-Weingrow Securities, Inc., both of 375 Park Avenue, New York, N. Y.

**Therm-O-Disc, Inc. (10/28)**
Sept. 25 filed 121,057 shares of outstanding common stock (par $1). **Price**—To be supplied by amendment. **Proceeds** — To selling stockholders. **Office** — Route 13, Mansfield, O. **Underwriters**—Goldman, Sachs & Co., of New York, and McDonald &Co. of Cleveland, O.

**Thrift Drug Co. of Pennsylvania (10/14)**
Sept. 14 filed 75,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To retire bank indebtedness and assist in the opening of 15 new drug stores in 1959-60. **Office**—16th and Mary Sts., Pittsburgh, Pa. **Underwriter**—Singer, Deane & Scribner, Pittsburgh, Pa.

**Tower's Marts, Inc.**
Aug. 28 filed 300,000 shares of class A common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—To reduce indebtedness by about $300,000, with the balance to be added to working capital of the company and its subsidiaries. **Office**—210 East Main Street, Rockville, Conn. **Underwriters**—To be supplied by amendment.

★ **Town Enterprises, Inc.**
Sept. 30 filed 200,000 shares of class A common stock. (par 50 cents). **Price**—To be supplied by amendment. **Proceeds**—For expansion, and for the reduction of indebtedness. **Office**—902 Orange Street, Wilmington, Del. **Underwriter** — Johnston, Lemon & Co., Washington, D. C. **Offering**—Expected sometime in October.

**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.

● **Treasure Hunters, Inc.**
June 4 filed 1,900,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For salvage operations. **Office**—1500 Massachusetts Avenue, N. W., Washington, D. C. **Underwriter**—None. Statement effective Sept. 28.

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**★ 1960 Trice Oil and Gas Co.**
Oct. 2 filed $5,500,000 of participations in Programs 6001-4. **Price**—$5,000 per unit. **Proceeds**—For acquisition and development of undeveloped oil and gas properties. **Office**—Longview, Texas. **Underwriter**—None.

**● 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. Statement effective Sept. 25.

**Tungsten Mountain Mining Co.**
May 21 (letter of notification) $100,000 principal amount of 7% first mortgage convertible bonds, to be offered in denominations of $500 and $1,000 each. **Price**—100% of principal amount. **Proceeds**—For construction, installation of machinery and equipment and working capital. **Office**—511 Securities Building, Seattle 1, Wash. **Underwriter**—H. P. Pratt & Co., Seattle 4, Wash.

**United Employees Insurance Co.**
April 16 filed 2,000,000 shares of common stock (par $5) **Price** — $10 per share. **Proceeds** — For acquisition of operating properties, real and/or personal, including office furniture, fixtures, equipment and office space, by lease or purchase. **Office** — Wilmington, Del. **Underwriter**—None. Myrl L. McKee of Portland, Ore., is President.

**U. S. Home & Development Corp.**
Sept. 3 (letter of notification) 99,933 shares of class A capital stock (par 10 cents). **Price**—$3 per share. **Proceeds** — For construction of real estate developments. **Office** — 52 Neil Ave., Lakewood, N. J. **Underwriter** — Sandkuhl & Co., Inc., 1180 Raymond Blvd., Raymond-Commerce Bldg., Newark 2, N. J. **Offering**—Expected in October.

**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.

**United Utilities, Inc.**
Sept. 2 filed 229,606 shares of common stock (par $10) being offered for subscription on or about Sept. 29, 1959 in the ratio of one new share for each 10 shares held; rights to expire on or about Oct. 13. **Price**—$29.50 per share. **Proceeds** — For construction program. **Underwriter**—Kidder, Peabody & Co., New York.

**Universal Container Corporation**
Sept. 25 filed 167,500 shares of common stock (par 10 cents), of which 150,000 shares are to be publicly offered. **Price**—$4 per share. **Proceeds** — For general corporate purposes, including provision of funds for the purchase of the assets of a similarly engaged enterprise, working capital, new equipment, and expansion. **Office**—Louisville, Ky. **Underwriter**—Michael G. Kletz & Co., New York. **Offering**—Expected in early November.

**Universal Finance Corp.**
July 13 (letter of notification) 10,000 shares of common stock (par 15 cents). **Price**—$5 per share. **Proceeds**—For general operating funds. **Office**—700 Gibraltar Life Bldg., Dallas, Tex. **Underwriter**—Texas National Corp., San Antonio, Tex.

**● Urethane Corp. (10/26-11/1)**
Sept. 25 filed 170,000 shares of class A capital stock and 170,000 shares of common stock, to be offered in units of one class A share and one common share. An additional 170,000 shares of common stock will be offered to the founders of the company and to the underwriters. **Price**—$5.05 per unit. **Proceeds**—For general corporate purposes, including the purchase of supplies, machinery, and equipment, and the leasing of a Los Angeles plant for manufacturing purposes. **Office**—235 Montgomery St., San Francisco, Calif. **Underwriters**—Wilson, Johnson & Higgins of San Francisco, and Evans, MacCormack & Co., of Los Angeles.

**Val Vista Investment Co., Phoenix, Ariz.**
June 29 filed 80 investment contracts (partnership interests) to be offered in units. **Price**—$5,378.39 per unit. **Proceeds**—For investment. **Underwriter**—O'Malley Securities Co. Statement effective Aug. 11.

**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.

**Vernors Ginger Ale, Inc. (10/20)**
Sept. 15 filed $750,000 of 6½% sinking fund debentures, due Oct. 1, 1974, with common stock purchase warrants attached, and 282,760 shares of common stock. **Price**—The debentures are to be offered at 100% of principal amount plus accrued interest. The price of the common shares will be $7 per share. **Proceeds**—From the sale of the debentures, to redeem preferred stock and for use as working capital; from the sale of the common stock, to the Estate of James Vernor, deceased, the selling stockholder. **Office**—4501 Woodward Avenue, Detroit, Mich. **Underwriters**—Baker, Simonds & Co., Inc., of Detroit, and Wm. J. Mericka & Co., Inc., of Cleveland, Ohio.

**Victoria Raceway**
May 25 filed 1,000,000 shares of common stock (par $2 in Canadian funds). **Price**—$4.50 per share. **Proceeds**—To construct and operate a racing plant; and for working capital and other corporate purposes. **Office**—Notre Dame Avenue at King Street, Winnipeg, Canada. **Underwriter**—Original underwriter has withdrawn.

**Vita-Plus Beverage Co., Inc.**
Aug. 11 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For publicity, advertising, business promotion and initiation of a program of national distribution and for working capital. **Office**—373 Herzl St., Brooklyn, N. Y. **Underwriter**—Caldwell Co., New York, N. Y.

**Volaircraft, Inc.**
Sept. 17 (letter of notification) 108,260 shares of common stock (no par). **Price**—$1 per share. **Proceeds**—For expenses in manufacturing a low cost airplane. **Office**—Aliquippa-Hopewell Airport, Aliquippa, Pa. **Underwriter**—None.

**Vulcan Materials Co., Inc.**
June 29 filed 10,000 shares of 6¼% cumulative preferred stock and 560,000 shares of common stock, to be offered to the stockholders of Ralph E. Mills Co., Talbott Construction Corp. and Talco Constructors, Inc., in exchange for all the outstanding capital stock of these three corporations, and to the owner of Sherman Concrete Pipe Co., Chattanooga, Tenn., for the business and assets of that company. **Office**—Mountain Brook, Ala. Statement became effective on July 20.

**Vulcan Materials Co.**
Sept. 15 filed 230,000 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—The stock will constitute part of the purchase price to be paid for W. E. Graham and Sons and for Wegco Equipment Rentals, Inc. **Office**—Mountain Brook, Ala. **Underwriter**—None.

**Waltham Engineering and Research Associates**
July 28 filed $1,065,000 of participations in partnership interests. **Proceeds**—To purchase land and buildings of Waltham Engineering and Research Center, Waltham, Mass., and for expenses connected to the purchase. **Office**—49 W. 32nd Street, New York 1, N. Y. **Underwriter**—The First Republic Underwriters Corp., same address. The offering is expected in September.

**Washington Mortgage and Development Co., Inc.**
Sept. 29 filed 100,000 shares of common stock (par 10c) **Price**—$5 per share. **Proceeds**—For investment in mortgage notes secured by real estate. **Office**—1028 Connecticut Ave., N. W. Washington, D. C. **Underwriters**—American Diversified Mutual Securities, Inc. and Gildar & Co., both of Washington, D. C.

**★ Washington Planning Corp.**
Oct. 1 (letter of notification) 24,286 shares of new class A stock (par 10 cents). **Price**—$3 per share. **Proceeds**—To go to the company. **Office**—52 Broadway, New York 4, N. Y. **Underwriter**—Heft, Kahn & Infante, Hempstead, N. Y. **Offering**—Expected in late October.

**Wellington Electronics, Inc.**
May 6 filed 240,000 shares of common stock (par 75 cents. **Price**—$6 per share. **Proceeds**—For repayment of a bank note; to complete the automation of the etched foil production plant at Englewood, N. J.; for manufacture of machines to be leased to capacitor manufacturers; and for working capital. **Office**—65 Honeck St., Englewood, N. J. **Underwriters**—Amos Treat & Co., Inc., and Truman, Wasserman & Co., both of New York. Statement effective July 8.

**Western Wood Fiber Co.**
March 5 filed 100,000 shares of common stock (par $10) and 40,000 shares of preferred stock (par $25). **Price** — At par. **Proceeds**—For construction and equipment of company's plant and for working capital. **Office**—300 Montgomery St., San Francisco, Calif. **Underwriter**—None.

**West Florida Natural Gas Co.**
Aug. 31 filed $837,200 of 7½% 30-year subordinated income debentures and warrants to purchase 25,116 shares of class A common stock ($1 par). **Price**—$100 per unit consisting of one $100 debenture and a warrant to purchase three shares of class A common stock. **Proceeds**—To be applied, together with moneys in the sinking fund of the issuing company, to the redemption of the outstanding 6% 20-year debenture bonds at their redemption price of 103% of their principal amount. **Office**—Maple and 3rd Streets, Panama City, Fla. **Underwriter**—Beil & Hough, Inc., St. Petersburg, Fla.

**Western Heritage Life Insurance Co.**
Aug. 26 filed 500,000 shares of common stock. **Price**—$2 per share. **Proceeds**—For general corporate purposes. **Office**—533 East McDowell Road, Phoenix, Ariz. **Underwriter**—None. Some of the shares may be sold by salesmen employed by the company, or by registered broker-dealers. A commission not to exceed 17%, or 34 cents per share, may be paid to sellers of such shares.

**Western Massachusetts Electric Co. (10/21)**
Sept. 23 filed $8,000,000 of first mortgage bonds, series D, due Oct. 1, 1989. **Proceeds**—To pay outstanding bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co., Inc.; Eastman Dillon, Union Securities & Co.; Equitable Securities Corp. and Lee Higginson Corp. (jointly); The First Boston Corp. and White, Weld & Co. (jointly); Blyth & Co., Inc. **Bids**—Expected to be received up to 11 a. m. (EDT) on Oct. 21 at the office of the company, 201 Devonshire St., Boston, Mass.

**★ Western Reserve Life Assurance Co.**
Oct. 6 filed 100,000 shares of common stock, to be offered for subscription by stockholders at the rate of one new share for each share held. **Price**—To be supplied by amendment. **Proceeds** — For working capital. **Office**—Cleveland, Ohio. **Underwriters**—McDonald & Co., and Ball, Burge & Kraus, both of Cleveland, Ohio.

**Wilson Brothers**
Aug. 31 filed 261,752 shares of common stock, to be exchanged for the common stock of Virginia Iron, Coal and Coke Co. on the basis of one share of Wilson common for five shares of Virginia common. **Office** — 180 Madison Ave., New York.

**Wisconsin Michigan Power Co., Milwaukee, Wis.**
Sept. 29 filed $3,000,000 of first mortgage bonds due 1989. **Proceeds**—To be used to retire short-term bank loans, to reimburse treasury, and for additions and improvements. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Smith Inc. and Salomon Bros. & Hutzler (jointly); Kidder, Peabody & Co. and White, Weld & Co. (jointly).

**★ Wisconsin Public Service Corp. (10/29)**
Oct. 1 filed $8,000,000 of first mortgage bonds, series due Nov. 1, 1989. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Kidder, Peabody & Co.; The First Boston Corp.; Kuhn, Loeb & Co. and American Securities Corp. **Bids**—Expected to be received up to 11 a.m. (EST) on Oct. 29.

**● Wyoming Corp.**
Nov. 17 1958, filed 1,449,307 shares of common stock. Of these shares 1,199,307 are subject to partially completed subscriptions at $2, $3.33 and $4 per share; and the additional 250,000 shares are to be offered initially to shareholders of record Nov. 1, 1958, in the ratio of one new share for each 2.33 shares held on that date. **Price**—$4 per share. **Proceeds**—$300,000 will be used for payments on contract to purchase shares of International Fidelity Insurance Co.; $325,000 for capitalization of a fire insurance company; $500,000 for capitalization of a title insurance company; $500,000 for additional capital contribution to Great Plains Development Co.; and $300,000 as an additional capital contribution to Great Plains Mortgage Co. **Office**—319 E. "A" St., Casper, Wyo. **Underwriter**—None. Statement effective April 14, 1959.

**Wyoming Nuclear Corp.**
Sept. 11 (letter of notification) 10,000,000 shares of common stock. **Price**—At par (three cents per share). **Proceeds**—For mining expenses. **Office**—Noble Hotel Bldg., Lander, Wyo. **Underwriter**—C. A. Benson & Co., Inc., Pittsburgh, Pa.

**● York Research Corp. (10/20)**
Aug. 10 filed 150,000 shares of class A stock (par $1). **Price**—$3 per share. **Proceeds** — For general corporate purposes, including the discharge of various indebtedness and the purchase and installation of new equipment; and for the establishment of a new testing laboratory. **Office**—Stamford, Conn. **Underwriter**—Myron A. Lomasney & Co., New York.

# Prospective Offerings

**American Gypsum Co.**
July 15 it was reported that the company will register debt and equity securities later this year. **Proceeds**—For construction of a gypsum products plant in Albuquerque, New Mexico, and for working capital. **Office**—Albuquerque, N. M. **Underwriters**—Jack M. Bass & Co., Nashville, Tenn., and Quinn & Co., Albuquerque, N. M.

**American Jet School, Inc., Lansing, Mich.**
Aug. 31 it was announced that the corporation plans to issue and sell 100,000 shares of common stock (par $1). **Price**—$3 per share. **Proceeds**—For expansion of present Michigan and Ohio sales force to a national one, and introduction of new courses and resident study schools. **Business** — In correspondence school business. **Office**—1609 Kalamazoo St., Lansing, Mich. **Underwriter** — In New York to be named in early October. **Offering**—Planned for mid-October.

**American Telephone & Telegraph Co. (11/17)**
Aug. 19 the directors authorized a new issue of $250,000,000 of debentures. **Proceeds**—To be used for the improvement and expansion of Bell Telephone services. **Underwriters**—To be determined by competitive bidding. Probable bidders: The First Boston Corp. and Halsey, Stuart & Co. Inc. (jointly); Morgan Stanley & Co. and Kidder, Peabody & Co. (jointly). **Bids**—Expected to be received on Nov. 17.

**Atlantic City Electric Co.**
Aug. 3 it was reported that the directors are contemplating the issuance and sale of a small amount of common stock, after a three-for-two stock split. Last equity offerings were underwritten by Eastman Dillon, Union Securities & Co.; and Smith, Barney & Co., both of New York. **Offering**—Expected during the latter part of this year.

**Bell Telephone Co. of Pennsylvania**
Sept. 25 it was announced that the company plans the sale of $30,000,000 of debentures dated Dec. 1, 1959. **Proceeds** — To replace short - term borrowings used to finance construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Morgan Stanley & Co.; White, Weld & Co. and Eastman Dillon, Union Securities & Co. (jointly).

**Benson Manufacturing Co., Kansas City, Mo.**
June 10 it was announced that the company contemplates an offering of $4,500,000 of common stock. **Proceeds** — For expansion program and additional working capital. **Business**—The company is engaged in the manufacture of aircraft and missile parts, aluminum containers and beer barrels, aluminum curtain wall sections for the building industry and other proprietary products. **Underwriter**—S. D. Fuller & Co., New York. **Registration**—Expected sometime in October.

**Bridgeport Gas Co.**
Sept. 9 it was announced that stockholders will be asked on Oct. 27 to approve the issuance of about $1,100,000 in new common stock to stockholders in the ratio of one new share for each seven shares held. **Proceeds** — To reimburse the company's treasury for expansion and expenditures. **Underwriter**—Previous financing was ar-

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ranged through Smith, Ramsey & Co., Inc., Bridgeport, Conn.

**Brooklyn Union Gas Co.**
Aug. 19 it was reported that the company is contemplating some additional equity financing, the form it will take will be decided on shortly. **Proceeds**—For construction program. **Offering**—Expected before the end of the year.

**Buckingham Transportation, Inc.**
July 17 the company sought ICC approval for the issuance of 250,000 shares of class A common stock (par $1). **Underwriter**—Cruttenden, Podesta & Co., Chicago, istered in the Fall. **Underwriter**—Merrill Lynch, Pierce. Ill. **Price**—$10 per share. **New Name**—The company's name will be changed to Buckingham Freight Lines.

**Coffee House, Inc., Lansing, Mich.**
Aug. 31 it was announced company plans to issue and sell 100,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds** — To build chain of coffee houses, establish commissaries and for general corporate purposes. **Office** — 1500 Clifton Ave., Lansing, Mich. **Underwriter**—In New York to be named in early October. **Offering**—Planned for mid-October.

**Consolidated Edison Co. of New York Inc. (12/1)**
July 30 it was reported that the company plans the issuance and sale of $50,000,000 first and refunding mortgage bonds. **Proceeds** — For construction expenditures. **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 on Dec. 1.

**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).

**Cyprus Mines Corp.**
July 15 it was reported that approximately 1,000,000 shares of a secondary issue common stock will be reg- Fenner & Smith Inc., New York.

**Dallas Power & Light Co.**
Aug. 3 it was reported that the company contemplates the issuance and sale of about $20,000,000 of senior securities, but type or types has not as yet been determined. **Underwriter**—To be determined by competitive bidding. Probable bidders: (1) For bonds: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Salomon Bros. & Hutzler; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Smith Inc. (jointly); Eastman Dillon, Union Securities & Co.; Blair & Co., Inc. and Baxter & Co. (jointly); Lehman Brothers. (2) For debentures: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Smith Inc. (jointly); Salomon Bros. & Hutzler; Equitable Securities Corp.; Eastman Dillon, Union Securities & Co.; Lehman Brothers; Blair & Co. Inc.; The First Boston Corp. **Offering**—Expected sometime this Fall.

**Duquesne Light Co.**
Aug. 3 it was reported that the company is contemplating the issuance of an undetermined amount of subordinated convertible debentures. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Eastman Dillon, Union Securities & Co.; A. C. Allyn & Co., Inc. and Ladenburg, Thalmann & Co. (jointly); White, Weld & Co.: The First Boston Corp. and Glore, Forgan & Co. (jointly); Blyth & Co., Inc.; Drexel & Co. and Equitable Securities Corp. (jointly). **Offering**—Expected later this year.

**First National Bank of Miami, Fla.**
Sept. 14 it was announced stockholders have approved a proposed offering to stockholders of 150,000 additional shares of capital stock (par $10) on the basis of one new share for each four shares held. **Price**—$40 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—None.

**Georgia-Pacific Corp.**
Aug. 19 it was reported that the company plans to register about $15,000,000 of convertible debentures or preferred stock, conversion of which would add about 600,000 shares to the number of common shares currently outstanding. **Proceeds**—To assist in the financing of the recently acquired Booth-Kelly Lumber Co. **Office**—Olympia, Wash. **Underwriter**—Financing in past has been handled by Blyth & Co., Inc.

**Gulf States Utilities Co. (11/24)**
Aug. 20 it was reported that the company plans the issuance and sale of $16,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Smith Inc. and White, Weld & Co. (jointly); Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co. (jointly); Lehman Brothers; Stone & Webster Securities Corp. **Bids**—Expected to be received up to 11 a.m. (EST) on Nov. 24.

**Hawaiian Telephone Co.**
Aug. 3 it was reported company received approval from the Territorial Public Utilities Commission to issue about $4,500,000 of new bonds. Last bond issues were placed privately.

**Independent Radio, Inc., Lansing, Mich.**
Aug. 31 it was announced company plans to issue and sell 100,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—For acquisition of radio stations. **Business**—Radio broadcasting. **Office**—130 Shepard St., Lansing, Mich. **Underwriter**—In New York to be named in early October. **Offering**—Planned for mid-October.

**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). **Bids**—Expected later in the year.

**Lindberg Steel Treating Co.**
Sept. 21 it was reported that the company plans a regulation "A" filing of about 80,000 shares of class A common stock. **Proceeds**—To selling stockholders. **Underwriter**—Cruttenden, Podesta & Co., Chicago, Ill. **Offering**—Expected in the early part of November.

**Louisiana Gas Service Co. (12/8)**
Sept. 14 it was reported that this wholly-owned subsidiary of Louisiana Power & Light Co. is contemplating the issuance and sale of $6,000,000 of first mortgage bonds having a maturity of no longer than 25 years and perhaps as short as 16 years. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co., Blyth & Co., Inc., and Shields & Co. (jointly); Merrill Lynch, Pierce, Fenner & Smith Inc., Kidder, Peabody & Co. and Harriman Ripley & Co. Inc. (jointly); Salomon Bros. & Hutzler, Eastman Dillon, Union Securities & Co. and Equitable Securities Corp. (jointly); The First Boston Corp. and Glore, Forgan & Co. (jointly). **Bids**—Expected to be received on or about Dec. 8.

● **Manchester Bank of St. Louis (Mo.)**
Aug. 19 it was reported that the bank's stockholders will vote on Oct. 6 to approve a 2-for-1 stock split of its 75,000 outstanding shares of common stock (par $20), a 3½% stick dividend on the 150,000 shares of new common stock (par $10) outstanding, if approved, would be payable on or about Nov. 2. An offering of 45,000 shares of additional common stock (par $10) would be issued to stockholders of record on or about Oct. 8, 1959; rights to expire on or about Oct. 22. **Proceeds**—To increase capital and surplus. **Underwriter**—G. H. Walker & Co., St. Louis, Mo. **Offering**—Expected today (Oct. 8).

**National Bellas Hess, Inc.**
Oct. 1 it was reported that the company is considering the issuance and sale of approximately $5,000,000 of convertible subordinated debentures to be offered for subscription by present stockholders on the basis of $100 principal amount of debentures for each 50 shares held. Stockholders on Sept. 29 approved a proposal to increase the present 3,000,000 shares of common stock now authorized to 4,000,000 shares. **Proceeds**—For general corporate purposes. **Underwriter** — Stern Brothers & Co., Kansas City, Mo.

**National Mail Order Co., Lansing, Mich.**
Oct. 5 it was announced company plans to register in a few days an issue of 100,000 shares of common stock (par 10c). **Price**—To Be supplied by amendment. **Proceeds**—For expansion and working capital. **Office**—130 Shepard St., Lansing, Mich. **Underwriter**—To be named later in New York State, within 30 days.

**New England Telephone & Telegraph Co.**
Aug. 19 it was reported that the company will issue and sell $10,000,000 of preferred stock. **Proceeds**—For capital expenditures. **Underwriter** — To be determined by competitive bidding. Probable bidders: Lehman Brothers; Merrill Lynch, Pierce, Fenner & Smith Inc. and Eastman, Dillon, Union Securities & Co. (jointly); Equitable Securities Corp., Kidder, Peabody & Co., Lee Higginson Corp. and White, Weld & Co. (jointly); Blyth & Co., Inc. **Bids**—Expected to be received sometime in December.

**New England Power Co. (12/9)**
Sept. 17 it was announced that this company plans to issue and sell 100,000 shares of cumulative preferred stock (par $100). **Underwriter**—To be determined by competitive bidding. Probable bidders: Lehman Brothers; Equitable Securities Corp.; Kidder, Peabody & Co.; Lee Higginson Corp., and White, Weld & Co. (jointly); Merrill Lynch, Pierce, Fenner & Smith Inc., and Eastman Dillon, Union Securities & Co. (jointly). **Bids**—Expected to be received on Dec. 9.

**New-Era Corporation, Rochester, Mich.**
Sept. 1 it was reported that this company contemplates the early registration of approximately 200,000 shares of common stock. **Business**—Manufacturer of mufflers and gears. Underwriter—Mortimer B. Burnside & Co., Inc., New York.

**Northern Illinois Gas Co.**
June 9 it was announced that the company before the end of the year, expects either to sell $10,000,000 to $15,000,000 of straight, non-convertible preferred stock similar to the 1958 offering, or to borrow from banks to tide the company over the year-end, as it has done in the last two years. **Proceeds**—For construction program. **Underwriters**—The First Boston Corp. and Glore, Forgan & Co., both of New York.

**Piedmont Natural Gas Co., Inc.**
Sept. 25 it was announced that this company contemplates the issuance of about $3,500,000 of convertible preferred stock later this Fall. The terms and exact timing of the offering have not as yet been set. **Proceeds**—To finance construction program. **Underwriter**—White, Weld & Co., New York.

**Reserve Insurance Co., Chicago, Ill.**
Sept. 14 it was reported that the company plans early registration of 110,837 shares of common stock, part of which will be sold for the account of the company and part for the account of certain selling stockholders. **Proceeds**—To increase capital and surplus. **Underwriter**—A. G. Becker & Co. Inc., Chicago, Ill.

**Ryder System Inc.**
Aug. 3 it was reported that the company plans issuance this Fall of an additional 75,000 shares of present common stock (par $5), or 150,000 shares of new common stock (par $2.50). The ICC has approved the proposed two-for-one stock split. **Underwriter**—Blyth & Co., Inc., New York.

**Sams (Howard W.) & Co.**
Sept. 21 it was reported that this company plans a common stock offering, part of which will be sold for the company's account and part of which will be sold for the account of certain selling stockholders. **Underwriter**—Indianapolis Bond & Share Corp., Indianapolis, Indiana.

**Scott & Fetzer Co.**
Sept. 14 it was reported that the company plans early registration of 100,000 shares of common stock. **Business** — Manufactures vacuum cleaners. **Underwriters**—Kidder, Peabody & Co., New York, and McDonald & Co., Cleveland, Ohio.

**South Carolina Electric & Gas Co.**
June 22, S. C. McMeekin, President, announced plans to sell approximately $8,000,000 of bonds in December, 1959. **Proceeds**—To repay bank loans incurred for current construction program. Previous issues have been placed privately.

**Tampa Electric Co.**
Sept. 14 it was reported that the company is planning the sale of about $7,000,000 of additional common stock, probably in the form of a rights offering and a negotiated underwriting. Last rights offering was underwritten by Stone & Webster Securities Corp., New York.

**Tex-Tube, Inc.**
Aug. 28 it was announced that the stockholders of this company have authorized an additional 150,000 shares of common stock. **Proceeds**—For working capital. **Underwriter**—Moroney, Beissner & Co., Houston, Tex. **Offering** — Expected in the near future of a block of common stock.

**Transcontinental Gas Pipe Line Corp.**
Sept. 29 it was announced that the company plans to come to market twice in 1960 with the sale of first mortgage bonds, and common and preferred stock. **Proceeds**—To raise permanent funds for the financing of its 1960 expansion program. **Office**—Houston, Texas.

**Transwestern Pipe Line Co.**
Aug. 25 it was reported that this company expects to issue and sell $40,000,000 to $50,000,000 of new securities, probably in units. **Proceeds**—To build a pipe line from West Texas to the Arizona-California border. **Underwriters**—Lehman Brothers and Merrill Lynch, Pierce, Fenner & Smith Inc., both of New York.

**Trav-ler Radio Corp.**
Sept. 10 it was reported that the company is contemplating the issuance and sale of some additional common stock. **Underwriters**—Lee Higginson Corp., New York; and Straus, Blosser & McDowell, Chicago, Ill.

★ **Universal Marion Corp.**
Sept. 30 shareholders approved the issuance of 150,000 shares of new convertible preferred stock, of which an initial series of 43,200 shares will be issued in exchange for all the outstanding stock of five corporations owning 12,000 acres of land in Hillsborough County, Fla. The initial series will have a par value of $100 per share and a dividend rate of 4½% annually. The shares will be convertible into common stock starting two years after their date of issuance at an initial conversion price of $22 per share, with the conversion price to increase $1 per share per year thereafter. **Office**—Jacksonville, Fla.

**Velvex Mid-City Parking Center**
Sept. 22 it was reported that $1,015,000 of partnership participations will be registered in the immediate future with the Attorney General of the State of New York, for offering to New York State residents only. **Price**—$2,500 per unit. **Proceeds**—To purchase the property at 8th Avenue and 44th St., New York City. **Underwriter**—First Republic Underwriters, 49 W. 32nd St., New York 1, N. Y. **Offering**—Expected any day.

**Worcester County Electric Co. (12/7)**
Sept. 17 it was announced that this company plans to issue and sell $7,500,000 of first mortgage bonds, series E, due 1989. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Blyth & Co., Inc., and White, Weld & Co. (jointly): Merrill Lynch, Pierce, Fenner & Smith Inc.; The First Boston Corp.; Coffin & Burr, Inc. **Bids**—Expected to be received on Dec. 7.

**World Fidelity Life Insurance Co.**
Aug. 17 it was reported that the company plans to use its best efforts to register 5,000,000 shares of common stock with the SEC. **Price**—$1 per share. **Office**—314 First National Bank Bldg., Colorado Springs, Colo.

**Yellow Transit Freight Lines, Inc.**
Sept. 1 it was announced that subject to ICC approval, it is planned to offer 206,000 shares of common stock, of which, 100,000 shares will be for the company's account and the remaining 106,000 shares for the account of certain selling stockholders. **Proceeds**—For working capital. **Underwriter**—Blyth & Co., Inc., New York. **Offering**—Expected sometime in October.

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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) | Oct. 10 | §12.9 | *12.8 | 11.5 | 71.6 |
| Equivalent to— | | | | | |
| Steel ingots and castings (net tons) | Oct. 10 | §365,000 | *362,000 | 327,000 | 1,933,000 |
| **AMERICAN PETROLEUM INSTITUTE:** | | | | | |
| Crude oil and condensate output—daily average (bbls. of 42 gallons each) | Sept. 25 | 6,858,325 | 6,822,675 | 6,765,275 | 7,093,785 |
| Crude runs to stills—daily average (bbls.) | Sept. 25 | ¶7,722,000 | 7,994,000 | 8,362,000 | 7,639,000 |
| Gasoline output (bbls.) | Sept. 25 | 28,076,000 | 29,192,000 | 30,162,000 | 27,758,000 |
| Kerosene output (bbls.) | Sept. 25 | 1,954,000 | 1,817,000 | 2,121,000 | 2,143,000 |
| Distillate fuel oil output (bbls.) | Sept. 25 | 12,155,000 | 12,326,000 | 12,854,000 | 12,475,000 |
| Residual fuel oil output (bbls.) | Sept. 25 | 6,333,000 | 6,082,000 | 6,338,000 | 7,034,000 |
| Stocks at refineries, bulk terminals, in transit, in pipe line | | | | | |
| Finished and unfinished gasoline (bbls.) at | Sept. 25 | 180,896,000 | 180,782,000 | 183,082,000 | 173,481,000 |
| Kerosene (bbls.) at | Sept. 25 | 32,217,000 | 32,486,000 | 31,044,000 | 30,942,000 |
| Distillate fuel oil (bbls.) at | Sept. 25 | 172,401,000 | 170,253,000 | 159,541,000 | 153,633,000 |
| Residual fuel oil (bbls.) at | Sept. 25 | 59,398,000 | 58,167,000 | 56,449,000 | 69,595,000 |
| **ASSOCIATION OF AMERICAN RAILROADS:** | | | | | |
| Revenue freight loaded (number of cars) | Sept. 26 | 587,079 | 578,240 | 548,820 | 673,380 |
| Revenue freight received from connections (no. of cars) | Sept. 26 | 521,662 | 496,059 | 491,278 | 568,913 |
| **CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:** | | | | | |
| Total U. S. construction | Oct. 1 | $408,400,000 | $410,700,000 | $490,100,000 | $495,709,000 |
| Private construction | Oct. 1 | 182,800,000 | 226,800,000 | 332,800,000 | 166,032,000 |
| Public construction | Oct. 1 | 225,600,000 | 183,900,000 | 157,300,000 | 329,677,000 |
| State and municipal | Oct. 1 | 120,000,000 | 121,700,000 | 139,800,000 | 252,040,000 |
| Federal | Oct. 1 | 105,600,000 | 62,200,000 | 17,500,000 | 77,637,000 |
| **COAL OUTPUT (U. S. BUREAU OF MINES):** | | | | | |
| Bituminous coal and lignite (tons) | Sept. 26 | 7,690,000 | 7,780,000 | 7,320,000 | 9,006,000 |
| Pennsylvania anthracite (tons) | Sept. 26 | 422,000 | 379,000 | 346,000 | 483,000 |
| **DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100** | Sept. 26 | 145 | 158 | 139 | 136 |
| **EDISON ELECTRIC INSTITUTE:** | | | | | |
| Electric output (in 000 kwh.) | Oct. 3 | 13,234,000 | 12,878,000 | 13,759,000 | 12,111,000 |
| **FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.** | Oct. 1 | 224 | 282 | 308 | 301 |
| **IRON AGE COMPOSITE PRICES:** | | | | | |
| Finished steel (per lb.) | Sept. 29 | 6.196c | 6.196c | 6.196c | 6.196c |
| Pig iron (per gross ton) | Sept. 29 | $66.41 | $66.41 | $66.41 | $66.49 |
| Scrap steel (per gross ton) | Sept. 29 | $43.17 | $42.50 | $41.17 | $43.50 |
| **METAL PRICES (E. & M. J. QUOTATIONS):** | | | | | |
| Electrolytic copper— | | | | | |
| Domestic refinery at | Sept. 30 | 31.150c | 30.975c | 31.300c | 26.100c |
| Export refinery at | Sept. 30 | 27.675c | 27.375c | 28.700c | 25.800c |
| Lead (New York) at | Sept. 30 | 13.000c | 13.000c | 13.000c | 11.312c |
| Lead (St. Louis) at | Sept. 30 | 12.800c | 12.800c | 12.800c | 11.112c |
| ‡Zinc (delivered) at | Sept. 30 | 12.500c | 12.000c | 11.500c | 10.500c |
| Zinc (East St. Louis) at | Sept. 30 | 12.000c | 11.500c | 11.000c | 10.000c |
| Aluminum (primary pig. 99.5%) at | Sept. 30 | 24.700c | 24.700c | 24.700c | 24.700c |
| Straits tin (New York) at | Sept. 30 | 102.750c | 102.375c | 103.000c | 94.625c |
| **MOODY'S BOND PRICES DAILY AVERAGES:** | | | | | |
| U. S. Government Bonds | Oct. 6 | 81.86 | 81.61 | 81.48 | 87.81 |
| Average corporate | Oct. 6 | 83.79 | 83.79 | 85.07 | 89.64 |
| Aaa | Oct. 6 | 87.72 | 87.86 | 89.09 | 93.97 |
| Aa | Oct. 6 | 85.33 | 85.33 | 86.78 | 92.50 |
| A | Oct. 6 | 83.66 | 83.40 | 84.30 | 89.51 |
| Baa | Oct. 6 | 78.78 | 79.13 | 80.57 | 83.15 |
| Railroad Group | Oct. 6 | 82.65 | 82.90 | 84.30 | 87.99 |
| Public Utilities Group | Oct. 6 | 82.77 | 82.65 | 84.30 | 88.81 |
| Industrials Group | Oct. 6 | 85.98 | 85.98 | 86.78 | 92.06 |
| **MOODY'S BOND YIELD DAILY AVERAGES:** | | | | | |
| U. S. Government Bonds | Oct. 6 | 4.34 | 4.37 | 4.36 | 3.63 |
| Average corporate | Oct. 6 | 4.88 | 4.88 | 4.78 | 4.44 |
| Aaa | Oct. 6 | 4.58 | 4.57 | 4.48 | 4.14 |
| Aa | Oct. 6 | 4.76 | 4.76 | 4.65 | 4.24 |
| A | Oct. 6 | 4.89 | 4.91 | 4.84 | 4.45 |
| Baa | Oct. 6 | 5.29 | 5.26 | 5.14 | 4.93 |
| Railroad Group | Oct. 6 | 4.97 | 4.95 | 4.84 | 4.56 |
| Public Utilities Group | Oct. 6 | 4.96 | 4.97 | 4.84 | 4.50 |
| Industrials Group | Oct. 6 | 4.71 | 4.71 | 4.65 | 4.27 |
| **MOODY'S COMMODITY INDEX** | Oct. 6 | 379.2 | 379.0 | 386.3 | 389.0 |
| **NATIONAL PAPERBOARD ASSOCIATION:** | | | | | |
| Orders received (tons) | Sept. 26 | 295,039 | 314,041 | 309,620 | 288,837 |
| Production (tons) | Sept. 26 | 336,246 | 327,749 | 323,961 | 308,455 |
| Percentage of activity | Sept. 26 | 97 | 98 | 96 | 94 |
| Unfilled orders (tons) at end of period | Sept. 26 | 502,306 | 546,998 | 507,415 | 423,901 |
| **OIL, PAINT AND DRUG REPORTER PRICE INDEX— 1949 AVERAGE = 100** | Oct. 2 | 110.45 | 108.99 | 110.36 | 108.92 |
| **ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS** | | | | | |
| Transactions of specialists in stocks in which registered— | | | | | |
| Total purchases | Sept. 11 | 1,805,520 | 1,797,350 | 2,405,330 | 2,008,150 |
| Short sales | Sept. 11 | 175,370 | 240,090 | 275,690 | 433,790 |
| Other sales | Sept. 11 | 1,531,020 | 1,481,820 | 2,064,160 | 1,524,420 |
| Total sales | Sept. 11 | 1,706,390 | 1,721,910 | 2,339,850 | 1,958,210 |
| Other transactions initiated off the floor— | | | | | |
| Total purchases | Sept. 11 | 348,150 | 292,770 | 321,400 | 534,110 |
| Short sales | Sept. 11 | 54,400 | 11,200 | 22,000 | 32,500 |
| Other sales | Sept. 11 | 322,320 | 238,200 | 339,210 | 477,880 |
| Total sales | Sept. 11 | 377,220 | 249,400 | 361,210 | 510,380 |
| Other transactions initiated on the floor— | | | | | |
| Total purchases | Sept. 11 | 504,630 | 528,890 | 620,046 | 677,929 |
| Short sales | Sept. 11 | 76,120 | 92,530 | 85,630 | 158,770 |
| Other sales | Sept. 11 | 781,065 | 785,275 | 652,075 | 705,455 |
| Total sales | Sept. 11 | 857,185 | 877,805 | 737,705 | 864,225 |
| Total round-lot transactions for account of members— | | | | | |
| Total purchases | Sept. 11 | 2,658,300 | 2,619,010 | 3,346,776 | 3,220,189 |
| Short sales | Sept. 11 | 305,890 | 343,320 | 383,320 | 625,060 |
| Other sales | Sept. 11 | 2,634,905 | 2,505,295 | 3,055,445 | 2,707,755 |
| Total sales | Sept. 11 | 2,940,795 | 2,849,115 | 3,438,765 | 3,332,815 |
| **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 | Sept. 11 | 1,395,209 | 1,490,405 | 1,886,071 | 1,333,254 |
| Dollar value | Sept. 11 | $70,337,916 | $77,055,016 | $102,677,211 | $63,732,858 |
| Odd-lot purchases by dealers (customers' sales)— | | | | | |
| Number of orders—Customers' total sales | Sept. 11 | 1,095,506 | 1,169,135 | 1,520,490 | 1,426,379 |
| Customers' short sales | Sept. 11 | 19,943 | 13,620 | 15,619 | 5,892 |
| Customers' other sales | Sept. 11 | 1,075,563 | 1,155,515 | 1,504,871 | 1,420,487 |
| Dollar value | Sept. 11 | $55,862,299 | $59,816,569 | $83,237,138 | $64,937,244 |
| Round-lot sales by dealers— | | | | | |
| Number of shares—Total sales | Sept. 11 | 256,150 | 320,430 | 381,580 | 479,400 |
| Short sales | Sept. 11 | ------ | ------ | ------ | ------ |
| Other sales | Sept. 11 | 256,150 | 320,430 | 381,580 | 479,400 |
| Round-lot purchases by dealers— Number of shares | Sept. 11 | 557,180 | 600,300 | 716,360 | 406,080 |
| **TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):** | | | | | |
| Total round-lot sales— | | | | | |
| Short sales | Sept. 11 | 480,830 | 467,110 | 517,590 | 782,760 |
| Other sales | Sept. 11 | 10,999,690 | 11,482,210 | 13,937,700 | 15,535,020 |
| Total sales | Sept. 11 | 11,480,520 | 11,949,320 | 14,455,290 | 16,317,780 |
| **WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):** | | | | | |
| Commodity Group— | | | | | |
| All commodities | Sept. 29 | 119.2 | 119.6 | 119.3 | 118.8 |
| Farm products | Sept. 29 | 86.9 | 88.9 | 87.6 | 91.9 |
| Processed foods | Sept. 29 | 106.8 | 107.4 | 106.7 | 111.1 |
| Meats | Sept. 29 | 98.2 | 99.8 | 96.7 | 108.4 |
| All commodities other than farm and foods | Sept. 29 | 128.3 | 128.3 | 128.3 | 126.0 |

*Revised figure. ¶Includes 930,000 barrels of foreign crude runs. §Based on new annual capacity of 147,633,670 tons as of Jan. 1, 1959, as against Jan. 1, 1958 basis of 140,742,570 tons. †Number of orders not reported since introduction of Monthly Investment Plan. ‡Prime Western Zinc sold on delivered basis at centers where freight from East St. Louis exceeds one-half cent a pound.

| | Latest Month | Previous Month | Year Ago |
|---|---|---|---|
| **BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR**—Month of August (in millions): | | | |
| Total new construction | 5,284 | 5,212 | 4,666 |
| Private construction | 3,592 | 3,586 | 3,126 |
| Residential buildings (nonfarm) | 2,081 | 2,103 | 1,710 |
| New dwelling units | 1,575 | 1,595 | 1,276 |
| Additions and alterations | 435 | 440 | 382 |
| Nonhousekeeping | 71 | 68 | 52 |
| Nonresidential buildings | 811 | 801 | 738 |
| Industrial | 175 | 167 | 171 |
| Commercial | 369 | 379 | 319 |
| Office buildings and warehouses | 178 | 172 | 172 |
| Stores, restaurants, and garages | 191 | 207 | 147 |
| Other nonresidential buildings | 267 | 255 | 248 |
| Religious | 89 | 85 | 79 |
| Educational | 46 | 44 | 53 |
| Hospital and institutional | 50 | 49 | 52 |
| Social and recreational | 55 | 54 | 42 |
| Miscellaneous | 27 | 23 | 22 |
| Farm construction | 189 | 185 | 170 |
| Public utilities | 492 | 478 | 491 |
| Railroad | 29 | 24 | 25 |
| Telephone and telegraph | 88 | 85 | 70 |
| Other public utilities | 375 | 369 | 396 |
| All other private | 19 | 19 | 17 |
| Public construction | 1,692 | 1,626 | 1,540 |
| Residential buildings | 71 | 77 | 71 |
| Nonresidential buildings | 405 | 408 | 430 |
| Industrial | 29 | 31 | 37 |
| Educational | 239 | 245 | 259 |
| Hospital and institutional | 40 | 38 | 36 |
| Administrative and service | 53 | 51 | 55 |
| Other nonresidential buildings | 44 | 43 | 43 |
| Military facilities | 150 | 159 | 129 |
| Highways | 730 | 660 | 611 |
| Sewer and water systems | 143 | 135 | 133 |
| Sewer | 89 | 84 | 81 |
| Water | 54 | 51 | 52 |
| Public service enterprises | 67 | 63 | 52 |
| Conservation and development | 105 | 104 | 99 |
| All other public | 21 | 20 | 15 |
| **CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD** — Month of September (000's omitted). | | | |
| Total U. S. construction | $1,538,000 | $1,495,000 | $1,348,121 |
| Private construction | 961,000 | 777,700 | 409,106 |
| Public construction | 577,000 | 717,300 | 939,015 |
| State and municipal | 463,000 | 540,600 | 809,160 |
| Federal | 114,000 | 176,700 | 129,855 |
| **COTTON SPINNING (DEPT. OF COMMERCE):** | | | |
| Spinning spindles in place on Aug. 29 | 20,258,000 | 20,300,000 | 20,635,000 |
| Spinning spindles active on Aug. 29 | 17,613,000 | 17,501,000 | 17,541,000 |
| Active spindle hours (000's omitted) Aug. 29 | 8,817,000 | 8,020,000 | 8,070,000 |
| Active spindle hrs. for spindles in place Aug. | 440.9 | 401.6 | 403.5 |
| **DEPARTMENT STORE SALES SECOND FEDERAL RESERVE DISTRICT FEDERAL RESERVE BANK OF NEW YORK—1947-49 Average=100**—Month of August: | | | |
| Sales (average monthly), unadjusted | 104 | 102 | 107 |
| Sales (average daily), unadjusted | 102 | 100 | 105 |
| Sales (average daily), seasonally adjusted | 133 | 138 | 137 |
| **EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES**—Month of August: | | | |
| All manufacturing (production workers) | 12,195,000 | 12,447,000 | 11,645,000 |
| Durable goods | 6,705,000 | 7,167,000 | 6,339,000 |
| Nondurable goods | 5,490,000 | 5,280,000 | 5,306,000 |
| Employment indexes (1947-49 Avge.=100)— | | | |
| All manufacturing | 98.6 | 100.6 | 94.1 |
| Payroll indexes (1947-49 Average = 100)— | | | |
| All manufacturing | 165.2 | 170.2 | 150.0 |
| Estimated number of employees in manufacturing industries— | | | |
| All manufacturing | 16,175,000 | 16,418,000 | 15,462,000 |
| Durable goods | 9,073,000 | 9,526,000 | 8,571,000 |
| Nondurable goods | 7,102,000 | 6,892,000 | 6,891,000 |
| **LIFE INSURANCE PURCHASES — INSTITUTE OF LIFE INSURANCE** — Month of August (000,000's omitted): | | | |
| Ordinary | $4,047 | $4,248 | $3,778 |
| Industrial | 541 | 541 | 588 |
| Group | 887 | 703 | 822 |
| Total | $5,475 | $5,492 | $5,188 |
| **METAL PRICES (E. & M. J. QUOTATIONS)**— Sept.: | | | |
| Copper— | | | |
| Domestic refinery (per pound) | 31.018c | 29.893c | 26.081c |
| Exports refinery (per pound) | 28.015c | 28.270c | 25.489c |
| ††London, prompt (per long ton) | £230.375 | £232.838 | £209.313 |
| ††Three months, London (per long ton) | £230.438 | £231.463 | £209.426 |
| Lead— | | | |
| Common, New York (per pound) | 13.000c | 12.286c | 10.872c |
| Common, East St. Louis (per pound) | 12.800c | 12.086c | 10.672c |
| ††London, prompt (per long ton) | £70.722 | £72.163 | £70.523 |
| ††Three months, London (per long ton) | £72.088 | £73.153 | £71.855 |
| Zinc (per pound)—East St. Louis | 11.334c | 11.000c | 10.000c |
| §§Zinc, prime Western, delivered (per pound) | 11.834c | 11.500c | 10.500c |
| ††Zinc, London, prompt (per long ton) | £86.071 | £85.297 | £65.031 |
| ††Zinc, London, three months (per long ton) | £84.991 | £83.972 | £65.389 |
| Silver and Sterling Exchange— | | | |
| Silver, New York (per ounce) | 91.399c | 91.399c | 88.673c |
| Silver, London (per ounce) | 78.898d | 78.844d | 75.881d |
| Sterling Exchange (check) | $2.80370 | $2.80950 | $2.80328 |
| Tin, New York Straits | 102.435c | 102.327c | 93.975c |
| Gold (per ounce, U. S. price) | $35.000 | $35.000 | $35.000 |
| Quicksilver (per flask of 76 pounds) | $223.810 | $229.381 | $238.200 |
| ¶Antimony, New York, boxed | 32.590c | 32.590c | 32.590c |
| Antimony (per pound), bulk Laredo | 29.000c | 29.000c | 29.000c |
| Antimony (per pound), boxed Laredo | 29.500c | 29.500c | 29.500c |
| Platinum, refined (per ounce) | $77.000 | $77.000 | $59.720 |
| Cadmium (per pound, deliver ton lots) | $1.20000 | $1.20000 | $1.52600 |
| Cadmium (small lots) | $1.30000 | $1.30000 | Not avail. |
| Cobalt, 97% grade (per pound) | $1.75000 | $1.75000 | $2.00000 |
| Aluminum 99% grade ingot weighted average (per pound) | $26.800 | $26.800 | $26.800 |
| Aluminum, 99% grade primary pig | $24.700 | $24.700 | $24.700 |
| Magnesium ingot (per pound) | 35.250c | 35.250c | 35.250c |
| **Nickel | 74.000c | 74.000c | 74.000c |
| Bismuth (per pound) | $2.25 | $2.25 | $2.25 |
| **NEW YORK STOCK EXCHANGE**— As of Aug. 31 (000's omitted): | | | |
| Member firms carrying margin accounts— | | | |
| Total customers' net debit balances | $3,425,000 | $3,528,000 | $3,152,000 |
| Credit extended to customers | 154,000 | 153,000 | 140,000 |
| Cash on hand and in banks in U. S. | 374,000 | 383,000 | 332,000 |
| Total of customers free credit balances | 1,035,000 | 1,079,000 | 1,103,000 |
| Market value of listed shares | 304,568,809 | 309,519,664 | 237,508,464 |
| Market value of listed bonds | 104,879,730 | 106,135,307 | 110,165,431 |
| Member borrowings on U. S. Govt. issues | 487,000 | 527,000 | 341,335 |
| Member borrowings on other collateral | 2,315,000 | 2,316,000 | 1,882,916 |

¶Domestic five tons or more but less than carload lot boxed. §§Delivered where freight from East St. Louis exceeds 0.5c. **F.o.b. Fort Colburne U. S. Duty included. ††Average of daily mean and bid and ask quotations per long at morning session of London Metal Exchange. ‡‡Increase all stocks.

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## Fifty Per Cent Increase in Consumer Markets Predicted by Chase Manhattan

Consumer markets could increase as much as 50% in the next decade, The Chase Manhattan Bank says in the current issue of its bi-monthly review, *Business in Brief*, published recently.

Population growth alone could increase the markets from 16 to 20%. If the rise in the standard of living should run at about the average for the past decade, the markets would be 35 to 40% larger by 1970. But with even a fractional rise in the growth rate, the increase could approach or surpass 50% in ten years.

During the coming decade, by far the most rapid population increase will take place in the 15 to 29 age brackets. In no other age brackets could an increase have a more dynamic effect on the economy.

Teenage markets will be emphasized in the next few years. Then, toward the end of the 1960's, young couples under 30 years of age—the backbone of the market for consumer durables like housing furniture, major appliances and autos—will take over the limelight.

People 65 and over, at the other end of the age scale, will probably be the next most rapidly expanding group. They spend relatively more on items like television sets, radios and phonographs, tools, some decorating materials, food and medicine.

Both the fast-growing groups, young couples and those over 65, typically save less of their incomes. This is part of a life cycle pattern and means the population age structure may turn out to be relatively unfavorable to individual saving in thrift institutions in the coming decade.

Greater emphasis on quality also may be one of the keynotes to future merchandising. The country's education level is higher now and figures show that people with more education tend to buy the better quality products and those which provide the amenities of life.

"Finally, our high standard of living, combined with increased leisure, is making it possible for Americans to spend more time enjoying life," the Chase Manhattan report concludes. This presents a challenge which firms marketing consumer products will have to meet in the 'Sixties.

## Exchange Firms Ass'n Receives Nominees

David Scott Foster, partner in Pershing & Co., New York, has been nominated for the office of President of the Association of Stock Exchange Firms for the coming year. Brittin C. Eustis, Spencer Trask & Co., New York, and Wendell W. Witter, Dean Witter & Co., San Francisco, have been nominated as Vice-Presidents and H. Lawrence Bogert, Jr. Eastman Dillon, Union Securities & Co., New York, as Treasurer. Elections will take place at the annual meeting in New York on Nov. 24.

Mr. Foster started his career with the Prudential Insurance Co., after which he joined the firm of Foster & Adams. In 1933 Mr. Foster became a partner in the firm of Weicker & Co. and successor firm, Pershing & Co., to date. He was a Governor of the New York Stock Exchange from 1947 to 1953 and Vice-Chairman of the Board from 1951 to 1953. Mr. Foster has been a Governor of the Association of Stock Exchange Firms since 1955 and served as Vice-President in 1958.

The Association has also announced the following nominations for election to the Board at the annual meeting of members in New York on November 24. T. Jerrold Bryce of Clark, Dodge & Co., New York, was Chairman of the nominating committee.

Robert H. B. Baldwin, Morgan Stanley & Co., New York.

John H. Brooks, Putnam & Co., Hartford.

William C. Coe, Mackall & Coe, Washington.

Howard B. Dean, Harris, Upham & Co., New York.

Bayard Dominick, Dominick & Dominick, New York.

Brittin C. Eustis, Spencer Trask & Co., New York.

John H. Hayward, Reinholdt & Gardner, St. Louis.

J. Earle Jardine, Jr., Wm. R. Staats & Co., Los Angeles.

James Crane Kellogg, III, Spear, Leeds & Kellogg, New York.

Walter B. Levering, Carlisle & Jacquelin, New York.

W. Bruce McConnel, Jr., Singer, Deane & Scribner, Pittsburgh.

Blancke Noyes, Hemphill, Noyes & Co., New York.

Robert A. Podesta, Cruttenden, Podesta & Co., Chicago.

J. Emerson Thors, Kuhn, Loeb & Co., New York.

Nominations for membership on the committee to present a slate of governors for 1960 are as follows:

Robert J. Lewis, Estabrook & Co., New York.

Walter F. Blaine, Goldman, Sachs & Co., New York.

Benjamin H. Griswold, III, Alex. Brown & Sons, Baltimore.

Jacob C. Stone, Asiel & Co., New York.

Lloyd C. Young, Lester, Ryons & Co., Los Angeles.

### Two With Morrison

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C.—Troy T. Martin and Horace W. Woolard have become connected with Morrison & Co., Inc., Liberty Life Building.

### Fulton Reid Adds

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Martin V. Rini has been added to the staff of Fulton Reid & Co., Inc., Union Commerce Building, members of the Midwest Stock Exchange.

### Joins Slayton & Thayer

(Special to THE FINANCIAL CHRONICLE)

QUINCY, Ill.—Charles C. Lockhart is now affiliated with Slayton & Thayer, Hotel Lincoln-Douglas.

### Joseph, Mellen Branch

(Special to THE FINANCIAL CHRONICLE)

MANSFIELD, Ohio—Joseph, Mellen & Miller, Inc. has opened a branch office at 427 Glessner Avenue under the direction of Paul D. Millenbruck.

### Ross, Borton Branch

(Special to THE FINANCIAL CHRONICLE)

AKRON, Ohio—Ross, Borton & Co., Inc. has opened a branch office in the Second National Building under the management of Harry R. Gardner.

# Our Reporter's Report

The investment world turned its attention almost wholly to the Treasury's new financing operation this week particularly when it developed that individual investors, for the first time in years, were showing an exuberant interest in the new four-year, ten-months notes, carrying a 5% coupon.

**Between the rush of investors, large and small, and the admonitions to banks relative to extending credit for the purchase of the notes, there were indications that final allotments, which might possibly be announced today, would be scaled down very sharply above the $25,000 subscription figure. The warning flag was up against free riders.**

The response to the latest offering for the Treasury's account at least suggested that had Congress raised or eliminated the interest ceiling as requested by President Eisenhower, the government might readily have been able to market a substantially longer-term obligation at this time.

**Certainly conditions, generally speaking, were more or less ideal. The corporate new issue calendar has been slender, to say the least, for several weeks and promises to continue so well into November. The Treasury had little or no competition this week, except for a smattering of tax exempts which did not appear to affect the situation much one way or the other.**

The seasoned corporate market once more gave indications of possibly rounding out a bottom somewhere along these levels. At any rate there is mounting evidence that the emphasis at the moment is on the buying side.

#### Things Looking Up

The general atmosphere around the market place is currently more cheerful than it has been in months. In fact some observers are saying quite openly that they believe the bond market has seen its lows for this phase.

**And to back up this opinion they point not only to the rush for the new Treasury notes but to the behavior of the corporate market as well. They point out that a number of better grade issues are now back to their best price levels in some two months.**

Moreover, the rank and file of recent major corporate new issues, many of which broke badly on release from syndicate a short time ago, are now back approximately to their initial offering prices. General Motors Acceptance Corp.'s 5% debentures, brought out at 100 and which broke to around 96, are now back within one-quarter point of the offering levels, being quoted at 99¾.

#### Willing to Wait

Evidently some prospective borrowers are willing to wait a while and finance themselves temporarily through the use of bank credits in the hope of easier money conditions in the months ahead.

**Among them is Consolidated Edison Co. of New York which this week disclosed it has arranged a $100 million credit with a group of banks. This debt will ultimately be funded, but the company hopes at more attractive rates.**

Meanwhile other utilities, including Gulf States Utilities Co., are going ahead with plans to raise capital through the sale of securities. That company plans to market $16 million of first mortgage bonds late next month.

#### Quiet Week Looms

The week coming up promises only a single corporate undertaking of substantial proportions. On Wednesday, Philadelphia Electric Co., whose credit is rated Triple AAA, will be seeking bids on $50 million of new bonds.

The following week Southern Bell Telephone Co., with a Double A rating, will be in the market for bids on $70 million debentures to put it in funds for carrying on its expansion program.

Meanwhile, today, Columbia Gas Systems Inc., rated Single A, will be opening bids for $25 million of new debentures and the Street is expecting some close bidding.

### Now Nassau Investors

The firm name of Nassau Street Investing Company, 65 Nassau Street, has been changed to Nassau Street Investors Company.

## Random House, Inc. Common Stock Offered

The first public sale of common stock of the publishing firm of Random House, Inc. was made on Oct. 1 by Allen & Co. who offered 222,060 shares of the stock at a price of $11.25 per share. The shares are being sold for the account of certain selling stockholders and none of the proceeds will accrue to the company. This offering was oversubscribed and the books closed.

Bennett A. Cerf, President, Donald S. Klopfer, Executive Vice-President, and Charles A. Wimpfheimer, Secretary, who are the selling stockholders, will retain 63.4% of the total shares outstanding after the completion of the offering.

As of June 30, 1959 capitalization of the company, which will be unchanged by the sale of these shares, consisted of $840,698 in long-term liabilities, of which $448,236 were accrued royalties; and 630,460 shares of common stock out of a total authorized issue of 1,500,000 shares.

For the year ended April 30, 1959, Random House reported sales of $9,242,739 and net income of $642,818, equal to $1.02 per share.

### Joins Dempsey-Tegeler

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Geraldine Hamburg has joined the staff of Dempsey-Tegeler & Co., Midland Savings Bldg. She was formerly with Walston & Co., Inc. and L. A. Huey Co.

### DIVIDEND NOTICE

**The Singer Manufacturing Company**

The Board of Directors has declared a quarterly dividend of fifty-five cents per share payable on December 11, 1959 to stockholders of record at the close of business on November 6, 1959.

D. H. ALEXANDER, Secretary

October 6, 1959.

**LONG ISLAND LIGHTING COMPANY**

QUARTERLY DIVIDEND

COMMON STOCK

The Board of Directors has declared a quarterly dividend of 32½ cents per share payable on the Common Stock of the Company on November 1, 1959, to shareholders of record at the close of business on October 14, 1959.

VINCENT T. MILES
*Treasurer*

September 30, 1959

### DIVIDEND NOTICES

**HOOD CHEMICAL CO., INC.**

**Dividend on Common Stock**

The Board of Directors has declared a semi-annual dividend of 5 cents per share on the common stock, payable on November 5, 1959, to stockholders of record October 19, 1959.

NEIL A. MACDONALD,
*Secretary-Treasurer*

September 24, 1959

**THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY**

New York, N. Y., September 29, 1959.

The Board of Directors has this day declared a dividend of Thirty Cents (30c) per share, being Dividend No. 193, on the Common Capital Stock of this Company, payable December 7, 1959, to holders of said Common Capital Stock registered on the books of the Company at the close of business October 30, 1959.

R. M. SWEARINGEN,
Assistant Treasurer.
120 Broadway, New York 5, N. Y.

**CANCO AMERICAN CAN COMPANY**

COMMON STOCK

On September 29, 1959 a quarterly dividend of fifty cents per share was declared on the Common Stock of this Company, payable November 16, 1959 to Stockholders of record at the close of business October 23, 1959. Transfer books will remain open. Checks will be mailed.

JOHN R. HENRY, *Secretary*

**Speedry Chemical Products, Inc.**

magic marker

*Manufacturer and distributor of specialized inks and marking devices for industry, business and the home.*

**Quarterly Cash Dividends**

10¢ per share on the Class A Stock

2¢ per share on the Class B Stock

- Payable December 15, 1959
- Stock of Record November 16, 1959

ISADOR I. TILTON,
*Secretary*

### DIVIDEND NOTICES

WORLD-WIDE BANKING

CHASE MANHATTAN

CHARTERED 1799

THE CHASE MANHATTAN BANK

**DIVIDEND NOTICE**

The Chase Manhattan Bank has declared a dividend of 60c per share on the 13,167,000 shares of the capital stock of the Bank, payable November 13, 1959 to holders of record at the close of business October 15, 1959.

The transfer books will not be closed in connection with the payment of this dividend.

MORTIMER J. PALMER
*Vice President and Secretary*

**AMERICAN ELECTRIC**

AEP

**POWER COMPANY, Inc.**

**199th Consecutive Cash Dividend on Common Stock**

A regular quarterly dividend of Forty-five cents ($.45) per share on the Common Capital Stock of the Company, issued and outstanding in the hands of the public, has been declared payable December 10, 1959, to the holders of record at the close of business November 12, 1959.

W. J. ROSE, Secretary

October 5, 1959.

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# Washington and You

*BEHIND-THE-SCENES INTERPRETATIONS FROM THE NATION'S CAPITAL*

WASHINGTON, D. C.—Drug manufacturers have been rolling up great profits for several years. Securities and Exchange Commission records show that they are in the top bracket in net earnings for all manufacturers.

Profits have been swelled a great deal by new drugs coming on the markets. More and more new drugs to aid mankind will appear in the future to boost earnings.

**Because of the tremendous profits and a nationwide complaint that drug prices are too high, a series of hearings are scheduled to be conducted by the Senate Judiciary's Anti-Trust Subcommittee headed by Senator Estes Kefauver. The hearings probably will start next month.**

Right or wrong, drug consumers across the country are insisting in complaints to Congress that they are being gouged by prices they are having to pay. Individuals are being given support in their complaints by some doctors in a few of the hospitals.

Of course, drug industry spokesmen will be given an opportunity to defend the complaints that are piling up on Capitol Hill. Prepaid insurance plans are having difficulty in some parts of the country as rates continue to go up. The cost of medicines figure in the rates.

### Medical Care More Costly

However, the big reason that health insurance plans are running into difficulties is the fact that holders of these policies are occupying the hospital beds longer than they normally would, if they did not have insurance.

Although the American worker and his family are receiving better medical care than ever before, the cost of medical care is rising. Difficulties which wage-earners and salaried people face in paying for adequate medical care have lessened, but serious sickness is still too much for many of them to overcome.

### Health Bills Pending

Perhaps a major reason that the Senate Anti-Trust Subcommittee hearings loom so large is because of the pressure on Capitol Hill for the series of numerous medical care and hospitalization bills that are pending. They will be live when Congress reconvenes in January.

**The bill that is being taken seriously by the medical profession is the so-called Forand Bill. This measure, bearing the name of Representative Amie J. Forand, Democrat of Rhode Island, is controversial, but it has substantial support. The support could grow.**

Under the Forand bill hospitalization, drugs and appliances would be provided to all persons eligible for Social Security benefits. It would also cover the patient's surgical bills.

The broad plan obviously would mean raising the social security taxes again. Even if no new social security benefits are added, the social security taxes are going up for all of the many millions of people that now pay them. This time last year the yearly social security tax maximum was $94.50. It rose to $120 (maximum) on January of this year.

**Should no additional taxes be added, the tax increase schedule in maximum figures will be: For 1960-62, $144; 1963-54, $168; 1966-68, $192, and 1969, $216.**

**Congress, for some reason, has never increased social security benefits in an off-election year. Next year is a big election year. It could be that the law-makers will provide Federal hospitalization next year or a few years hence. Certainly such a sweeping plan will cost a colossal sum of money.**

Senator Hubert H. Humphrey, Democrat of Minnesota, is sponsoring a bill that would provide 60 days of hospitalization and 60 days of nursing care for social security beneficiaries. The bill would not, like the Forand bill, provide for government payment for doctor's services.

### Pro and Con Views

Numerous doctors have testified in connection with the Forand bill. Some doctors declare that the measure would establish a bad precedent. Dr. Frederick C. Swartz, Chairman of the American Medical Association's Committee on Aging, said the measure proposes benefits regardless of need. He said the Federal Government would supply the beneficiary with compulsory hospital and surgical insurance whether he wanted it or not.

Other opponents contend that the proposed Forand plan would provide health care benefits for more than 1,500,000 people who are still working and supporting themselves. Still others say that the existing insurance plans will do the job. Furthermore, many social security beneficiaries might prefer to buy protection other than hospital and surgical care if they were given the freedom of choice.

**Advocates of the plan contend that the health insurance plans are not adequate for the aged, and that they are getting costlier all the time. Also, they assert that the records show that only about 37% of the people over 65 have medical insurance of any kind.**

### Blue Cross' Experience

The Blue Cross hospitalization officials in Virginia had to appeal to State Authorities at Richmond twice within a year for higher premiums. When they made their second appeal last Spring, doctors said flatly that greater and longer use of the hospital beds was the principal reason for the last $1,500,000 deficit.

Although Blue Cross membership had declined slightly, the number of members receiving hospitalization rose almost 15%; hospitalization admission per 1,000 subscribers increased 12% since 1955, and during the hospital period the number of days stayed at the institutions rose about 20%.

**Dr. Reuben F. Simms of Richmond, a Blue Cross board member at the time, was quoted as saying there had been a definite trend toward substantial diagnosing in hospitals when the patient could be taken care of in an office. He said it was time that "we started educating the doctors they were going to kill the goose that lays the golden egg."**

### Increase in Hospital Construction

With the population growing by leaps and bounds and people living longer, there is going to be greater and greater demands for drugs and medical services. Hospitals are being built in many communities across the land under the Hill-Burton plan which Congress supplies matching funds.

**The number of hospitals increased 60% between 1900 and 1955, from 4,359 to 6,956, but the number of hospital beds increased 280%. This obviously shows the trend toward larger hospitals. Even with the growth in population, the number of hospital beds available for all purposes rose from 4.6 to 9.8 per thousand population during this period.**

The total number of physicians in the United States was about 120,000 in 1900, about one physician for every 633 persons. Although the relative number of physicians has become smaller the amount and quality of their service has increased. A doctor of course can provide care for twice as many patients in a hospital than he can, if he had to make home calls.

The drug manufacturers and the whole medical and nursing profession have been making some tremendous strides down through the years. This fact was pointed up in World War II and the Korean War.

**Approximately 15% of the wounded died in the Civil War; about 8% in World War I; about 4% in World War II, and about 2% in the Korean War.**

*[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.]*

# Businessman's BOOKSHELF

**Comparisons of the United States and Soviet Economies**—Papers submitted by Panelists Appearing before the Subcommittee on Economic Statistics of the Joint Economic Committee of the Congress of the United States—Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C. (paper), $1.00.

**Economic Changes and Banking Legislation in New York State**—Dr. Marcus Nadler and Dr. Jules I. Bogen—Graduate School of Business Administration, New York University, New York, N. Y.

**Economic Dictatorship in Automobile Financing** — American Finance Conference, 176 West Adams Street, Chicago 3, Ill.

**Economy of Israel: Progress Under Freedom**—Leon H. Keyserling and Mary Dublin Keyserling—Development Corporation for Israel, 215 Park Avenue, South, New York 3, N. Y. (paper).

**European Economic Community:** A Case Study of New Economic Regionalism, Part I—Bureau of Business & Economic Research, University of Maryland, College Park, Md. (paper).

**Export-Import Bank of Washington**—Report to the Congress—in two parts—Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C. (paper), Part I, $1.50; Part II, $1.50.

**International Monetary Fund.** Annual Report 1959—International Monetary Fund, Washington, D. C. (paper).

**Mutual Savings Banks of the United States**—Directory—National Association of Mutual Savings Banks, 60 East 42nd Street, New York 17, N. Y. (paper), $3.50.

**National Forecast of the Regional Shippers Advisory Boards, 4th** Quarter 1959—Car Service Division, Association of American Railroads, Transportation Building, Washington 6, D. C.

**New Inflation, The** — Willard L. Thorp and Richard E. Quandt—McGraw-Hill Book Company, 30 West 42nd Street, New York 36, N. Y. (cloth), $5.00.

**Portrait of the Stock Market** — Ninth Public Transaction Study, June 3, 1959—New York Stock Exchange, New York, N. Y. (paper).

**Railroad Equipment Financing**—Donald MacQueen Street—Columbia University Press, 2960 Broadway, New York 27, N. Y. (cloth), $6.00.

**Some Observations on Soviet Russia**—Herbert V. Prochnow—First National Bank of Chicago, Chicago, Ill. (paper).

**Taxes We Pay**—Maxwell S. Stewart—Public Affairs Committee, 22 East 38th Street, New York 16, N. Y. (paper), 25 cents.

**Term Loans and Revolving Credits** — Booklet designed to aid bank officers — American National Bank and Trust Company of Chicago, Chicago, Ill.

**Together We Stand** — New Perspectives on French-American Relations—Sylvan Gotshal—Public Affairs Press, 419 New Jersey Avenue, S. E., Washington 3, D. C. (cloth), $3.25.

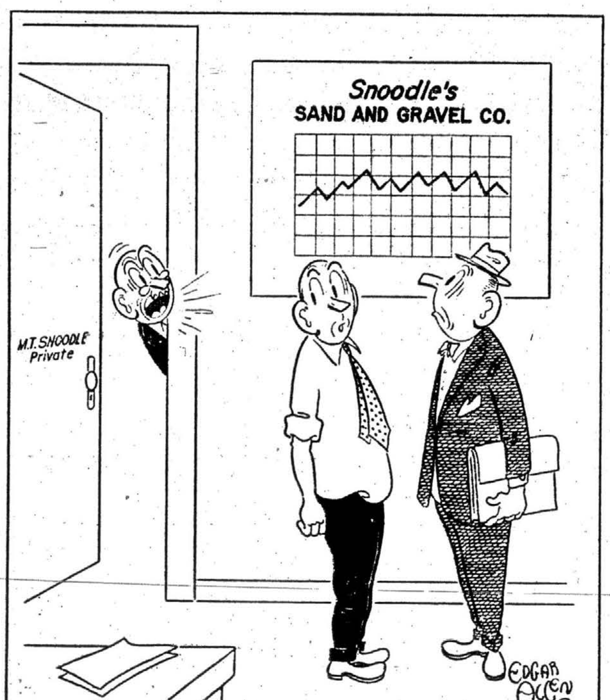
**Toward Better Understanding:** Vice-President Nixon's visit to the Soviet Union and Poland—Department of State Publication No. 6881 — Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C. (paper), 25c.

**Wage Policies and Wage Surveys**—R. S. Stockton—Bureau of Business Research, Ohio State University, Columbus 10, Ohio (cloth), $5.

**Wealth of the Sahara** — Jacques Soustelle—Reprint from "Foreign Affairs"—Press and Information Division, French Embassy, 972 Fifth Avenue, New York 21, N. Y.

**You . . . And the United Nations 1959-60** — Department of State, Public Services Division—Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C. (paper), 20¢.

# BUSINESS BUZZ

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