The COMMERCIAL and FINANCIAL CHRONICLE

ESTABLISHED 1839

Reg. U. S. Pat. Office

Volume 190 Number 5906 New York 7, N. Y., Thursday, December 10, 1959 Price 50 Cents a Copy

Editorial AS WE SEE IT

Just before setting forth upon his extensive travels, the President had this to say:

"Of these (various current) problems, one cries out for immediate solution. I refer to the labor-management dispute that is still unresolved in the steel industry.

* * *

"'Responsible citizenship' in a free country means what it says. It means conducting one's self responsibly in the interest of others, as well as self. America will not—indeed, it cannot—tolerate for long the crippling of the entire economy as the result of labor-management disputes in any one basic industry or any group of industries.

* * *

"Among our free people there is no one man, no one group, no one industry, no one interest that measures in importance to America.

"So, my friends, the choice is up to free American employers and American employes. Voluntarily, in the spirit of free collective bargaining, they will act responsibly; or else, in due course their countrymen will see to it that they do act responsibly. It is up to labor and management, in these disputes, to adjust responsibly and equitably their differences.

"The nation is determined to preserve free enterprise, including free collective bargaining. If we are to do this, labor and management alike must see to it, in every dispute and settlement, that the public interest is as carefully protected as the interests of stockholders and of employes. The public will not stand for less.

* * *

"The leaders of both segments must realize that the achievement of a voluntary settlement fair to all is critically important to the entire nation. Indeed, it is so important that I am instructing the director of the Mediation and Conciliation Service (Continued on page 31)

Copper Strikes Bring Silver Issues to the Fore Again

By Herbert M. Bratter

The troublesome controversy underlying the perennial silver situation, this time brought to the fore by the copper strike, is explained by Mr. Bratter who is long conversant with the subject. His review of current developments spotlights: the dispute between "silver users" and the "silver miners"; the attempt by the latter to stop Treasury sales of free silver to the former at anything less than $1.29 an ounce; the accuracy of the subsidy charge used by the silver miners; the measures the Treasury can successfully employ to obviate the need of buying silver on the market; and the silver miners' attempt to freeze Treasury silver which is held to be an inflationary move.

Because the copper strikes have shut down mines, smelters and refineries through which U. S. newly-mined silver finds its way to the market, the "white metal," nowadays used in a growing number of industrial products, has become scarce, the Treasury has been called upon to supply large amounts of silver to industry and mining interests are busy behind the scenes trying to make something out of the situation.

Herbert M. Bratter

Were it not for Treasury sales of silver to industry, the latter today would have to fill its needs from imported metal. The intensified demand would cause world silver prices to rise. American mining interests would be happy to see that happen. But the sales which the Treasury is making to industry by virtue of powers granted by a 1946 law have the result of keeping the world price of silver from rising. This riles the silver bloc in the Senate. The miners desire a two-step program: (1) Stop Treasury sales to industry, thus making industrial consumers buy their silver on the open market at free market prices; (2) compel the Treasury to issue silver certificates against all the "free silver" it now holds, with the result that it will have to go into the open market and buy whatever silver is needed for subsidiary coinage and pay for it the going market price.

Apart from mining interests here and abroad, developments affecting silver are being watched by manufacturers—the so-called "silver users"—and by commodity traders. The silver users, who are organized in an association, were behind the 1946 law that first empowered the Treasury to sell silver to industry. They of course oppose the proposition that the Treasury cease selling unmonetized silver to industry at 91¢ an ounce so long as silver purchase laws are on the statute books. What would please silver traders, particularly members of the Commodity Exchange, Inc., would be repeal of the silver transactions tax which was enacted in 1934 as part of the Silver Purchase Act. That 50% tax made it impossible to continue trading in silver futures, which is the business of the Commodity Exchange. Prior to 1934, during the period when silver purchases were being advocated in the Congress, the Commodity Exchange provided a futures market where demand and supply could be paired off by producers, users, speculators and governments with demonetized metal to sell.

What the Mining Congress Wants

Although mining interests have been subsidized for years they never relax their efforts to go out after more. A resolution passed by the American Mining Congress in September seeks to get the Treasury to stop selling silver to industry at anything less than $1.29 an ounce, as compared with its selling price of 91¢. If the Treasury acceded, the price of silver all (Continued on page 26)

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

The Security I Like Best . . .

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

This Week's Forum Participants and Their Selections

Jamesbury Corporation — George J. Bradford, Analyst, Blair & Co., Inc., New York City. (Page 2)

Trans-Canada Pipe Lines Ltd. — T. M. Sterling, Partner, Watt & Watt, Toronto, Canada. (Page 2)

GEORGE J. BRADFORD
Analyst, Blair & Co., Inc., N. Y. City
Members New York Stock Exchange

Jamesbury Corp.

Time and time again, over the past several decades great fortunes have been made, as a result of a new invention or of an important technological improvement of an existing device. Occasionally, the farsighted investor may be fortunate to participate from the beginning in an enterprise the objective of which it is to market and capitalize on such a development. In the case of Jamesbury Corp., the investor willing to assume the inherent risks of a relatively new venture, may expect to participate in the pronounced growth phase, so characteristic of a successful new business. Very few young companies have attained as enviable a record as Jamesbury, and we do not know of many with a brighter potential future.


G. J. Bradford

Jamesbury was organized five years ago to manufacture a ball valve, of a unique design, invented by its President, Howard G. Freeman. The development of the modern ball valve has been heralded as the most revolutionary advancement in the valve industry in 60 years. Its far-reaching potentialities may be gathered from some basic industry forecasts.

The American valve industry is a $2.2 billion business, with an annual growth rate of about 7%. Ball valves today represent a tiny fraction of the total but industry sources indicate that these new devices may displace present products in one-out-of-five installations, over the next five years. Such forecast would work out to an annual sales volume for this segment of the industry to somewhere between $600 and $750 million. This compares with an estimated 1959 volume of $10 million for the four or five companies now making these new devices. Jamesbury is the largest civilian manufacturer of ball valves, exclusively. It is readily apparent that if the company can capture but a small percentage of this growing market, the sales and profits potential is vast indeed.

A ball valve, like any other valve, is a control chamber placed on a pipeline to regulate the flow of liquids or gases. The unique feature of a ball valve is the use of a ball bearing in place of a "needle," a "gate" or a "plug," in the ordinary valves made today. The advantages of a Jamesbury ball valve are numerous. The ball itself is sealed in between two plastic (teflon) seals or gaskets which are self-compensating for wear, and change of temperature and pressures. The housing is made of bronze, aluminum, carbon steel, monel, P. V. C. plastic, and stainless steel. As a result of the plastic seals a perfect leak-proof closure is effected under all conditions. Since metal-to-metal friction is eliminated, the valves have a very long life. No lubricants are ever required and maintenance is kept to a minimum. The valve stem may be separately removed for repacking while the valve remains in the line. The absence of lubricants is particularly important in industries such as refineries, beverages or distilleries, where there is danger of contamination of the fluids passing through the valve. It also permits use under extreme temperatures and pressures.

Jamesbury valves and electric, hydraulic, and pneumatic remote controllers or actuators of its own manufacture are used in virtually every industry and at the present time the company's list of customers comprises the oldest, most respected and successful cross-section of American industry. Major markets include the chemical, pulp and paper, gas and petroleum, food and beverage processing, and public utility industries. The business is at present predominantly civilian although the company's products have been specified by the U. S. Navy for use on nuclear submarines. Reflecting this, backlog of orders has increased from $180,000 in 1958 to $1,750,000 at June 30, 1959.

Sales for the 1959-60 fiscal year (ending June 30) are projected at $4.5 million compared with $2.1 million last year and only $35,000 in 1955, the year the company was organized. With the exception of the first year, operations have been consistently profitable. Net profits after taxes are estimated at $200,000 compared with $70,000 last year. With a tight capitalization of 256,000 common shares, per share earnings have increased from $0.09 in 1956 to $0.80 estimated for this year. In addition to the common, the capitalization consists of 2,000 shares of a 6% cumulative preferred stock ($100 par) and $24,000 of 5% notes to a bank. Reflecting the dynamic growth potentialities it is apparent why this leveraged, speculative common may be regarded as an interesting capital gains vehicle for the venturesome investor. The stock is traded in the Over-the-Counter market.

T. M. STERLING
Partner, Watt & Watt
Toronto, Ontario, Canada

Trans-Canada Pipe Lines Limited

The proposal in 1957 to build the world's longest natural gas pipe line stretching across most of Canada, caught the imagination of investors who, in their initial burst of enthusiasm, took the stock up to a high of $47; much of this buying emanated from the United States. Today, at around $25¾, the stock is at a more realistic level but the estimated growth potential has increased since that time.


Theodore M. Sterling

Compared to the U. S. A., the natural gas industry in Canada is in its infancy but if it follows the same pattern, the industry has a brilliant future. I see no reason why it should not follow the U. S. trend. Canada has plenty of gas, a good demand and favorable export possibilities. At the end of 1958 the Reserve Committee of the Canadian Petroleum Association estimated that proven reserves of natural gas were 23¼ trillion cu. ft., while Imperial Oil estimated that remaining recoverable reserves were 400 trillion cu. ft. or enough to last over 1,000 years at the 1958 rate of consumption. On the demand side, present market research and projections by the Gordon Commission indicate that Canadian requirements of natural gas will increase 18 times by 1980, compared to 3.2 times for oil. I feel, therefore, that Trans-Canada Pipe Lines, which will transport a large proportion of Canadian gas requirements, is destined to have a great future.

Trans-Canada needs no introduction to the financial world, for it was born amidst considerable parliamentary altercation which was followed closely both in Canada and the U. S. A. The pipe line completed in October, 1958, makes natural gas available to 60% of the Canadian population and the areas of industry concentrated in eastern Canada. This, the initial year's throughput, will be necessarily small as utility companies which Trans-Canada supplies are still completing or expanding their distribution systems. Last January maximum daily throughput reached 265 million cu. ft. per day. This fall average daily throughput was 300 MMcf which is expected to climb to 350 MMcf by year-end.

A good start, but what of the future you may ask? The anticipated climb in demand is pretty impressive. Trans-Canada expects that maximum daily throughput will increase to 839 MMcf in the 1962-63 season, while a survey undertaken by Commonwealth Services Inc., estimates that maximum daily sales will reach 1,416 MMcf by 1969-70, 2,483 MMcf in 1979-80 and 3,496 MMcf in 1987-88. Exports to the U. S. A. would add another 200 MMcf per day during the initial years of operation. In later years exports will only be limited to line capacity and gas reserves. Already the FPC has granted Midwestern a permit to import gas through Trans-Canada at Emerson, Manitoba. It now remains for the National Energy Board to grant permission to export gas from this country and permission of the Alberta Petroleum and Natural Gas Conservation Board to remove extra gas from the Province to make exports by Trans-Canada possible. Should permits be forthcoming soon, gas could start to flow into the U. S. at Emerson by Nov. 1, 1960. Permission to export gas will enable the company to start operating on a profitable basis the following year.

The great increase in anticipated throughput mentioned above will, of course, require additional financing. By 1963 it is expected that present capitalization will have been increased by $250 million, which includes $135 million required for the purchase of the Northern Ontario section, a part of the line originally financed by the Canadian Government. It is quite probable that common or preferred stock will be issued next year. In this respect the company states that assuming the regulatory pattern follows the conventional rate base formula, it will strive to maintain an equity ratio of between 15 and 20%. The views of Canada's National Energy Board on rates have not been announced yet but I assume that it will be equitable and will give sufficient

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(This is under no circumstances to be construed as an offer to sell, or as a solicitation of an offer to buy, any security referred to herein.)

The Capital Gains Tax: Some Misunderstandings

By Harold M. Somers, Ph.D., LL.B, Dean and Professor of Economics, School of Business Administration, University of Buffalo, and Member of the New York Bar*

Superficial notions about the capital gains tax that may stand in the way of maximizing its usefulness are exposed by Dr. Somers. The legal and economic problems arising from how the tax treatment on gains and losses works out in practice are shown to be more complicated than what meets the casual eye. Thus, the economist and lawyer shows when and why the tax on capital gains may exceed the commonly accepted peak of 25%; illustrates the dangers to investors in overemphasizing tax considerations, and pays special attention to the manner in which the capital gains tax influences the actual yields obtainable on bonds purchased at a discount.

Much year-end tax selling by the small investor is ill-advised. It is based on a misunderstanding of the capital gains tax. The actual tax treatment of capital gains and losses is more complicated than appears on the surface. In particular, the familiar statement that the maximum rate on long-term gains is 25% bears close examination. A full appreciation of how the tax works out in practice is an essential prerequisite to an analysis of its economic effects and to investment decisions that take full account of all the tax consequences.

Harold M. Somers

Maximum Tax Rate On a Long-Term Capital Gain May Exceed 25 Percent

It is sometimes said and often misunderstood that the maximum tax rate on a long-term capital gain is 25%. That is incorrect. A particular long-term capital gain may sometimes subject the taxpayer to a tax far in excess of the 25% and, in fact, may be at his full tax bracket rate, which goes as high as 91%.

Since this statement flies in the face of widely accepted thinking it warrants detailed explanation. The effective tax rate on long-term capital gains is apparently reduced by giving the taxpayer a deduction of 50% of the gain. If the deduction were actually 50% of the long-term capital gain, then the effective tax rate on the full gain would be half the marginal tax bracket, e.g. half of 40% or 20%.

In fact, however, the deduction is not simply 50% of the long-term gain. It is 50% of **either** the **net** long-term gain (net of long-term losses) **or** the net long-term gain **after deducting** net short-term losses (including loss carryovers of any sort), whichever is **smaller.** This may appear to be unduly complicated compared with the simple statement that "long-term capital gains are taxed at a maximum of 25%." Unfortunately, the complicated statement is in accordance with the actual tax provisions, including the requirements of Schedule D of Form 1040, which deals with gains and losses from sales or exchanges of property.

The simplified statement of the rule holds true only when a long-term capital gain is taken in isolation from all long-term losses and from any net short-term losses. For instance, if the only capital gains transaction during the year is the realization of a long-term capital gain of say $10,000, then the deduction will be 50% of this or $5,000, leaving $5,000 to be taxed at the regular rates. Thus the tax is, in effect, one-half of the regular rates on the full gain. If the taxpayer's taxable income is above a certain level ($18,000 for a separate return, $36,000 for a joint return or about $24,000 for a head of household), an alternative computation may be made. This will, in turn, result in a tax which is 25% of the long-term capital gain of $10,000 (technically, 50% of 50% of the full long-term capital gain).

If however, there were any long-term losses or any net short-term losses in the same year, the taxpayer will find that the taking of a particular long-term capital gain will subject him to a tax equivalent to his marginal tax bracket rate on his long-term gain, to the extent to which that gain is offset by the losses. Suppose the taxpayer had taken a long-term capital loss of $1,000 during the year. Suppose also that he was at the 30% bracket. He could offset the loss against his income and save $300 in taxes. Now he is considering taking a long-term capital gain of $1,000 and is told that the long-term gain would be taxed at half his regular rate and at no more than 25%. In fact, however, the $1,000 loss will be offset against the $1,000 gain, and there will be no net long-term gain. There will be a long-term gain deduction of 50% of zero. There will be no addition to or subtraction from taxable income on account of capital gains and losses. The result will be that his tax will be $300 greater than it would have been if he had not taken the long-term capital gain that year. Thus he is paying a tax of $300 for having taken a long-term gain of $1,000, i.e. 30%.

To get the full benefit of the reduced rate for long-term capital gains in the above example, the taxpayer should defer his gain until a year when he can take it in isolation from long-term losses and net short-term losses. This

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Regular Features

Published Twice Weekly

The COMMERCIAL and FINANCIAL CHRONICLE

WILLIAM B. DANA COMPANY, Publishers

Reg. U. S. Patent Office

25 Park Place, New York 7, N. Y.

REctor 2-9570 to 9576

GEORGE J. MORRISSEY, Editor

WILLIAM DANA SEIBERT, President

CLAUDE D. SEIBERT, Vice-President

Thursday, December 10, 1959

Every Thursday (general news and advertising issue) and every Monday (complete statistical issue — market quotation records, corporation news, bank clearings state and city news, etc.).

Other Office: 135 South La Salle St., Chicago 3, Ill. (Telephone STate 2-0613).

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

Subscription Rates

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

Other Publications

Bank and Quotation Record — Monthly, $45.00 per year. (Foreign Postage extra).

Note—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

The State of TRADE and INDUSTRY

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

Most observers expect the economy's pre-strike records in output, income and employment to be regained and surpassed rapidly, now that steel production has been resumed, the Federal Reserve Bank of New York observed in the December issue of its "Monthly Review." This, of course, assumes that the steel strike is not renewed after the Taft-Hartley injunction expires on Jan. 26 and that transportation is not disrupted by a breakdown of labor negotiations in the railroad industry.

Part of the confidence in a quick return to high level activity is due to new evidence that total industrial output, personal income, and retail sales have held up well despite the steel and other metals strikes. Cautious optimism is also suggested by a new survey of businessmen's plans for capital expenditures in 1960, which points to a sizable increase over 1959 outlays.

In a second article, the Reserve Bank points out that a vigorous economic expansion is underway abroad in the major industrial countries. Industrial output in most countries is setting all-time records. Industrial output in Britain was 7% higher in the third quarter of this year than in the year ago period. In France, third quarter output was 5% above a year earlier, while in Germany the year-to-year advance was 8% in October.

The current expansion is still largely concentrated in the basic and the consumer-durables industries, as well as in construction activity. However, business investment in fixed capital is now showing strength, as an increasing number of industries are beginning to operate at close to full capacity. An important stimulus to the economic upswing has continued to be provided by exports. Western European sales to the United States during the first nine months were 42% above the level of the corresponding 1958 period.

The continued expansion in production, the "Review" notes, has pushed employment to high levels and in several industrial countries wage pressures have begun to appear. Consumer and wholesale prices, generally stable during the first half of the year, have also begun to move up, mainly reflecting this summer's long drought. For example, the cost-of-living index has recently been more than 3% above year ago levels in both Germany and the Netherlands.

With the reappearance of price and wage pressures in a growing number of industrial countries, the shift toward monetary restraint has become more pronounced. The German Federal Bank raised its discount rate in October by a full point to 4%, bringing it to the level already prevailing in the United States, the United Kingdom and France. The Dutch and Japanese monetary authorities have also moved in the direction of credit restraint while the central banks of Sweden and the United Kingdom have warned against a too rapid growth in bank lending. Partly because of these steps, confidence abroad remains high that the present growth will not develop into an inflationary boom.

Bank Clearings Up 9.4% From 1958 Week

Bank clearings this week will show an increase compared with a year ago. Preliminary figures compiled by the "Chronicle" based upon telegraphic advices from the chief cities of the country, indicate that for the week ended Saturday, Dec. 5, clearings for all cities of the United States for which it is possible to obtain weekly clearings will be 9.4% above those of the corresponding week last year. Our preliminary totals stand at $27,653,210,908 against $25,281,075,758 for the same week in 1958. Our comparative summary for some of the principal money centers of the week follows:

Week-End. Dec. 5—	1959 (000 omitted)	1958 (000 omitted)	%
New York	$14,688,406	$12,994,993	+13.0
Chicago	1,388,094	1,272,048	+ 9.1
Philadelphia	1,191,000	1,118,000	+ 6.5
Boston	848,145	778,832	+ 8.9

Complete details of bank clearings throughout the nation appear on page 47 of our Monday, Dec. 7, edition.

Auto Industry Demand Will Keep Steel in Short Supply

Availability of steel for many steel users in early 1960 depends on whether automakers can reach their ambitious production goals, "The Iron Age" reports.

The national metalworking weekly says that the auto industry will try to obtain nearly 30% of total steel shipments. This will be needed to sustain production of nearly 2¼ million cars in the first quarter of 1960.

The magazine points out that the auto industry normally takes from 15% to 20% of steel shipments. In 1958, its share of the steel market was about 17%. But in record-setting 1955, automakers took 23% of steel shipments.

The automotive demand "The Iron Age" says, will keep the market vise-tight for the products in greatest demand by automakers. These include cold- and hot-rolled sheet, cold-finished strip, and certain grades and types of bars, particularly forging bars and billets.

The magazine also points out two developments in the railroad industry that will affect steel supplies. First, a shortage of rail cars will hamper steel shipments, particularly in the East. Second, railroads have come in for big orders for cars, further tightening the market for light plate and structurals. New car orders, not yet announced under the industry's system of disclosing orders, may have hit 8,000 last month.

Mill shipments are gaining ground, continuing the better-than-expected recovery of the steelmakers. They are still lagging behind ingot production, but are approaching two million tons per week. December should see eight million tons shipped, "The Iron Age" predicts.

This rate of shipments is not yet reflected in immediate production schedules. This is because inventories and pipelines were so depleted that stocks must be put in balance before full-scale operations are scheduled.

Many consumers are finding it tough to plan ahead because of differences among producers on scheduling shipments. Some are clearing up third quarter orders first; others are dropping the third quarter entirely.

Meanwhile, uncertainty over the steel negotiations contributes to confusion of the market. Fear of a new walkout after 80 days of Taft-Hartley injunction is not dissipating, particularly in view of recent mediation efforts.

"The Iron Age" says there is little hope of a negotiated settlement. With no yielding in sight on the controversial 2-B local practices clause, the probability of a "mandated" settlement grows. If this occurs, the magazine predicts, the industry side will get the worst of it.

Steel Mill Operations Hit 92.5% Of Capacity

Steel inventories in the nation's metalworking plants have bottomed out and are on the increase, "Steel," the metalworking weekly, reported.

Inventories were down to 8 million tons, the lowest level since 1946. They are estimated at 8.5 million tons now and are expected to hit 10 million tons by Dec. 31. It means that plants are beginning to call back some of the 450,000 to 500,000 workers laid off because of steel shortages created by the strike.

Even though mills are shipping steel at about 90% of capacity, metalworking plants will not be run at capacity until they've balanced their inventories and accumulated enough steel for uninterrupted operations. This lack of vital parts is restricting operations in automotive, construction, railroad car and farm equipment industries.

The outlook for the first quarter is good, barring a resumption of the steel strike. Metalworking will chew up a record 21 million tons of steel in the first three months, predicts the metalworking weekly. A major factor in the forecast is 2.24 million cars automakers are said to be planning for production.

Steel production continues to climb. In the first two months of 1960, producers expect to clean up most of the orders placed in the third quarter of 1959. Steel mill operations last week hit 92.5% of

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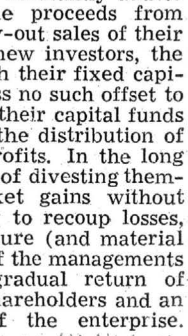
OBSERVATIONS...

BY A. WILFRED MAY

INVESTMENT COMPANY FINANCING: YOUR DIVIDEND IN STOCK OR CASH?

The investment company policy of giving the shareholder the choice of taking his dividends in either stock or cash is growing fast. This was started in 1950 by the open-end funds, who give a three-way option: (1) the investment income in cash, with the capital gain dividend in stock or cash; (2) both dividends in cash; or (3) both dividends in stock. Now the stock-cash alternative limited to the year-end distribution of their capital gains is spreading out among the closed-ends. Adopted by Lehman Corporation and Niagara Share two years ago, this policy is also to be followed by Consolidated Investment Trust, General Public Service, Insuranshares, and American Electric Securities.



A. Wilfred May

Tri-Continental has always retained all of its capital gains, and a few others have withheld them in part, despite the fact that this penalized them with a double tax, first on the company, and again on the shareholder's ultimate receipt of the distribution. This policy was based on the principle that a cash out-payment of a fund's realized capital gain constitutes a deceptive return of capital. The rest of the industry paid out its market profits, and is continuing to do so despite the recent change in the Revenue Code permitting their retention without involving double-taxation.

"Unwinding"—A Threat to Closed-End Management

It is particularly important to closed-end managements to prevent the paying-out of their assets in cash dividends. Whereas the open-end funds constantly add to their assets the proceeds from their day-in day-out sales of their own shares to new investors, the closed-ends with their fixed capitalization possess no such offset to the attrition of their capital funds resulting from the distribution of their market profits. In the long run the process of divesting themselves of market gains without the opportunity to recoup losses, to the discomfiture (and material disadvantage) of the managements constitutes a gradual return of capital to the shareholders and an "unwinding" of the enterprise. And with the older companies possessing substantial proportions of their assets in the form of still cashable unrealized appreciation, such distribution of capital funds will presumably continue during future bear as well as bull markets.

Because of the fortuitous nature of stock market profits, the problem of preserving capital is more severe for investment companies than for industrials or utilities. Exceptionally in the latter industry, Citizens Utilities Co. since 1956 has given the investor the choice of buying its class A shares paying dividends in stock, or B in cash, with the holder's continuing privilege of exchanging A into B.

"The Pattern and the Cloth"

Some observers feel that a shrinkage of the capital pool should not hurt the stockholder; that the managers should "cut the cloth" of their expenses "to fit the pattern" of their assets. In this article we will not elaborate on this "hot" question.

Building the Pool Via Assessment

The major anti-attrition instrumentality used by the closed-enders has consisted of the sale of additional stock to their own shareholders through rights offerings. When some buy a closed-end fund which sells at a discount, a serious dilution of their investment is inflicted on those stockholders who are unable or unwilling to subscribe. This "assessment" occurs because the sale of the stockholder's rights only off-sets the spread between the offering price of the additional stock and the market quotation, giving him no protection to cover the shrinkage of the latter below the asset's value.

Your Alternative Results

The cash-stock choice method avoids this degree of abuse. In a *closed-end fund* selling at a discount the stockholder acquiring his capital gain dividend in cash suffers only a slight dilution. If he chooses to take stock, he maintains his proportionate interest and earning power as a minimum, and even gains to the extent that other shareholders are diluted by taking cash.

If your stock is selling at a premium, taking the dividend in *additional shares* which are figured at the lower asset value will put you ahead, the same as any investment which has advanced over the price at which you acquired it.

A premium fundholder *taking cash* will leave you even, since no premium is realizable on dollars one receives.

If you are an open-end fund shareholder there is no dilution through a dividend in either stock or cash since they are figured at asset value (only two funds are known to have charged a "load" commission) for acquiring the additional shares.

In the light of the foregoing, your procedure as a closed-end holder should be to choose stock if cash is not required for the payment of the accompanying tax bill, or otherwise. If you are an open-end holder, choose whichever of the three alternatives which is the most convenient.

* * *

IN DEFENSE OF THE CONTRACTUAL PLAN MAN

Leader Dacey Urges Exposure of The "Real Rascals"

Dear Mr. May:

I enjoy and agree with most of what you write. I feel bound to tell you, however, that I greatly deplore your continuing attacks upon the contractual plan business.

You may quote all kinds of figures about the percentage of commissions deductible the first year, the number of years it will take for ordinary income dividends to make up that fee, etc., but you cannot get away from the fact that the majority of contractual plan owners end up with a sum which represents a profit to them, whereas some such incredible percentage as 70% of the voluntary plans established have gone off the books. These people avoided that dreadful prepayment of commissions which so disturbs you. They also avoided the pleasure and satisfaction and security which might have been their's if they had had the discipline of a contractual plan.

The Worst Offender

If, as you say, the Federal Government is readying a crackdown upon the practice of collecting ten years' fees in advance, it will not have far to look to find the worst offender. What would you say to a sponsor who concentrated his fee not in the first *year's* payments, but in the very first *monthly* payment? Feeling as strongly as you do, I am sure that you will wish to join me in exposing the rascal. His name is Uncle Sam. From the very first monthly payment on a $100 per month contractual plan, through his Internal Revenue Department he grabs $12 representing the issue tax on $12,000 worth of securities. It matters not to him that the investor may make only one, seven, or seventeen of the contemplated 120 payments, and he won't refund a dime of it, even when the sponsor refunds the entire initial payment to an investor who claims he misunderstood the plan, or simply changed his mind.

There are abuses in all selling fields, and I suppose that the Metropolitan area particularly has its share in the Contractual Plan field. Many of the companies sell conservatively and properly; some even prohibiting their salesmen from accepting applications on the first interview.

The worst black eye given the mutual fund business in the past ten years came not from contractual plans but from the wholesale liquidations of a glamorous fund brought out last year by a famous investment banking firm, shares of which were promoted not by the little fellows selling contractual plans literally door-to-door, but by stock exchange firms who reaped an underwriter's harvest and who have since been brazenly selling the shareholders out of their mutual fund holdings and back into individual stocks, in as disgraceful an example of churning as ever took place.

I pray you to give the much-maligned contractual plan man a respite and direct your editorial wrath at his betters.

Cordially yours,

Norman F. Dacey

Norman F. Dacey & Associates, Financial Consultants & Trustees, Distributors of Mutual Fund Shares

Bridgeport, Conn.
Dec. 7, 1959

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"P.S." ON A FINANCING ABUSE

In our column of last week we contended that the absence of investor protection against the abusive Call provision in most bond contracts, to a great extent stems from the Competitive Bidding method of flotation. Striking confirmation of this conclusion is adduced from this week's offering of French bonds. In line with all such financing by foreign borrowers (excepting Canada), this $50 million issue provides the buyers with a 10-year protection against Calling at *any* premium-price. Yielding 5.89% to its 1979 maturity and 6% on its average life, any offsetting charge for the Call protection would seem to be nominal.

Of course, we do not maintain that in negotiated financing the underwriter has dictatorial power. But there surely is more flexibility where a contract is jointly arranged, than where a wrapped-up package is mechanically auctioned off to get the highest bidder.

New Edwards Branch

ST. PETERSBURG, Fla. — A. G. Edwards & Sons has opened a branch office at 853 Central Avenue under the direction of Francis A. Lay.

F. S. Emery Branch

MANCHESTER, N. H.—F. S. Emery & Company Inc. has opened a branch office in the Amoskeag Bank Building under the direction of Henry J. Stone.

First Monticello Branch

First Monticello Corporation has opened a branch office at 15 William Street, New York City under the management of Ronald Rakow.

The Cooper-Bessemer Corp.

By Dr. Ira U. Cobleigh, Enterprise Economist

Some field notes on a company excelling in the production of engines, turbines, pumps and compressors

A recent projection in "Business Week" indicates a substantial rise in American capital goods expenditures for 1960 (estimated total, $37.4 billions). This is very good news for The Cooper-Bessemer Corporation which devotes its energies to making high-quality gas and diesel engines for the oil, gas, heavy chemical, railroad and marine industries.


Ira U. Cobleigh

For 1958 Cooper-Bessemer had it a bit rough, with sales dropping 24% below 1957, due to the general industrial back-spin and, in particular, to the postponement of gas pipeline construction caused by the Memphis case court decision, ordaining restrictive regulation of gas prices. Fortunately, however, this muddled and illogical ruling was reversed by the Supreme Court in December, 1958. As a result, pipeline building has resumed enthusiastically and business at Cooper-Bessemer has since taken on a far brighter hue. At June 30, 1959 unfilled orders had boomed to $31 million, up 51% from the same date in 1958. For the first six months of this year, net per share rose to $1.74, against $1.17 for the corresponding period in 1958. And the pick-up continues. Net sales are expected to rise above $60 million and per share net to around $3.50, for 1959. Which is the sort of corporate improvement that attracts investors and influences markets.

Currently around 36% of company sales are to the gas transmission industry. Cooper-Bessemer has long been a major supplier of big gas turbines, and the compressors they drive to keep natural gas moving hundreds of miles silently and swiftly through pipelines from rig to range. The demand of pipeline operators for more power has led Cooper-Bessemer to join forces with Pratt & Whitney (Division of United Aircraft) to harness the famous J-57 jet aircraft engine to drive the turbine in a gas compressor station. This is quite an innovation, and the prototype unit is for installation at Clementsville, Kentucky on the Columbia Gulf Transmission line. This power package is only half the size of the standard industrial turbine but packs a terrific wallop — 10,500 H. P. from a two-ton turbine. The advantages which this new unit may bring to pipe line operation include a lower price, and lower cost of maintenance since the J-57 unit can be removed and sent to Pratt & Whitney for repairs, while another jet takes its place. The traditional gas turbine compressors have had to be repaired on the job and made it necessary to maintain high-priced traveling repair crews and a large supply of spare parts. Over 17,500 J-57 jets have been built, so their performance and reliability has been well established. On its new assignment the J-57 is expected to run steadily for ten months or more without overhaul.

Another new product by Cooper-Bessemer is a line of compressors especially designed to hop up the pressure in tired gas fields, where pressure is too weak to get the gas into pipelines. Also, over two years ago, the company began manufacture of its own pneumatic, electrical and electronic control systems. These are virtually automatic in their operational control of pipeline engines and compressors.

There are also new blowers for soot and for sewage aeration; and compressors and engines to produce the liquid oxygen that makes our missiles run.

So you see Cooper-Bessemer is not one to stand idly by. It does well with its entrenched lines but is steadily innovating, improving and expanding its wares.

After pipelines, the principal 1959 sales of the company are to the oil and gas industry (15%), 6% to chemicals, 4% to the marine trade, and 4% to railroads, 12% miscellaneous, and 23% in parts, repairs and service.

We neglected to mention another facet of CBE (N. Y. S. E. stock symbol). That is the liquefaction of natural gas. Continental Oil and another company have joined in a venture—water transport of liquefied natural gas to England and the Continent. CBE is to supply the engines and compressors for this operation.

Cooper-Bessemer has not always been so progressive and so dynamic a company. The common, adjusted for splits, sold as low as $1 in 1939, and the earnings were irregular and not particularly impressive until 1956 when the company exerted a new order of magnitude and profitability. This was due importantly to entry of a new management team. In 1954 CBE earned $1.74 a share, $3.71 in 1955 and $4.10 in 1956, (the best year).

Financial position of CBE leaves little to be desired. At 6/30/59 current assets stood at $33 millions, of which amount $12.4 millions were in cash. Current liabilities at this date were only $8.6 millions. Such a sturdy balance sheet suggests no need for public financing for some time to come, and provides the resources for acquisition and merger of attractive companies in related product lines.

Because of the rapid growth and heavy capital expenditures characteristic of the gas and gas pipeline industries, CBE seems to be serving a solidly expanding market, and should look forward to excellent sales volumes for some years to come. Sixty million dollars is a likely sales target this year, and we would estimate above $65 million for 1960.

Naturally when any investor looks at a stock, one of the things he wants to know is about dividends. Since 1947 CBE has been a dividend payer, customarily delivering about 40% of net to stockholders each year in cash. There have also been some interesting stock dividends—50% in 1949, 10% in 1950 and 1951, 5% in 1952, 20% in 1956 and a 2-for-1 split in 1957. Capitalization consists of $4 million in long debt and 1,303,638 common shares, currently trading on N. Y. S. E. at 38½ with a $1.60 dividend. At 11 times indicated 1959 net the common could scarcely be tagged over priced at this juncture.

The manufacturing plants of CBE are at Mount Vernon, Ohio and Grove City, Pa. There are, in addition, branch offices in 20 cities in the U. S. and sales agents in 15 foreign countries. There are also eight subsidiary companies, including Cooper-Bessemer of Canada Ltd. with offices at Calgary, Edmonton and Halifax. Employees numbering 3,900 and around 5,200 shareholders take a lively interest in the products and progress of this busy enterprise.

Because its products are ittle known, and not highly advertised consumer items such as Coca-Cola, Camels or Ivory Soap, people are not well acquainted with Cooper-Bessemer and the fine capital goods it turns out. This company does, however, serve vital and expanding markets and tens of millions of people who heat and cook with natural gas should be grateful to Cooper-Bessemer for providing the equipment that propels this useful vapor from the wellhead to their homes. Engines, compressors, blowers, pumps and generators may seem dull items, but they keep our industries moving; and there are in addition Cooper-Bessemer Diesel engines that run ships at sea and railway locomotives. (The company got an order for 119 Diesel locomotive engines last January.)

We think that CBE is an interesting company with a highly respected product line, and spending $2 million a year on research to improve it. The stock is seven points below its 1959 high, sells at a most conservative price/earnings ratio and the indications here are for a continued advance in sales and net earnings in 1960.

TAX-EXEMPT BOND MARKET

BY DONALD D. MACKEY

The State and municipal bond market has been easier during the past week but not in a reactionary sense of the word. Although the **Commercial and Financial Chronicle's** high grade State and Municipal Bond Index was 3.515% a week ago, in terms of yield, and is 3.565% today, the dollar equivalent would represent less than a one-half point decline. This average is derived from outstanding, relatively active issues, and does not directly reflect the new issue offerings which daily reach the market.

In recent columns we have alluded to the firmness of the new issue market, while noting that the secondary market does not always or necessarily follow the new issue lead. For the past few weeks municipal bond price Indexes generally have been slightly lower, while new issue bidding for the most part has been strong and consistently competitive.

Investors Receptive

Recent underwritings have been, on the whole, fairly successful. One in five or six, has been close to a sell-out, whereas the rest seem about half sold or even better. At this currently satisfactory rate of distribution, and because the new issue calendar, although heavy in spots, is generally moderate in volume and numbers of issues for this time of year, the market seems likely to continue steady for the present. There has been good spacing of large sales by the issuing authorities, and there have been discreet cancellations and deferments of sales, when a cluttered market situation has seemed imminent. This has cleared the market of unwieldy pressure.

Inventory Swollen

With all the heavy volume of financing accomplished earlier in the year, the "Blue List" total of state and municipal offerings stood at only $219,660,466 on Nov. 9 last. Since then it has been increased about $100,000,000 to the current level of $326,550,697. Although the increase is relatively important and further increase must be viewed as of signal importance to underwriters and traders, the present float is not a serious deterrent to our highly competitive new issue bidding. However, the dangerously thin markets which are occasional tend to alert dealers of this close to chronic over-competitiveness.

An exception to this keen spirit of competitive new issue bidding is, of course, the exceptionally large flotation such as is offered by the State of California periodically and many large public issuers. Although offered for competitive bidding, for the most part one bid usually ensues in these cases with better distribution generally resulting.

California Postpones Sale

In this connection, $100,000,000 State of California bonds (1961-1985) were scheduled for sale yesterday (Dec. 9). The sale has been indefinitely postponed, with no reason for the postponement immediately available, according to one of the bidding group heads. Since California bonds are in supply, and because many of its important subdivisions have recently sold sizable issues, parts of which remain unplaced, it would appear that the State may be seeking a more favorable market situation at some near future date.

Recent Awards

The $21,601,000 Commonwealth of Massachusetts issue awarded Dec. 3 to the Chase Manhattan Bank; Halsey, Stuart & Company; Salomon Brothers & Hutzler Group is close to two-thirds sold. This high grade credit continues to attract investors of all types and present high yields afford a broader distribution.

On the same day an interesting and unusual issue came to market. This was the $13,000,000 Los Angeles County, California - Marina Del Ray Revenue 5.60s, due 12/1/99, and offered at 101½. There was an excellent demand for this high yielding issue, supported entirely by Marina revenues, and a premium bid quickly developed. The underwriters included Blyth & Co.; B. J. Van Ingen & Co.; Dempsey-Tegeler & Co., and many others.

On Tuesday, Dec. 8, two important new issues were offered by large dealer groups. The Middlesex County, New Jersey Sewerage Authority awarded $7,705,000 serial bonds to the First Boston Corporation; Smith, Barney & Co.; B. J. Van Ingen & Co.; Alex Brown & Co. syndicate. The bonds were scaled to yield 4.20% for 1994-1998 maturities. The issue met with immediately good investor reception and a balance of only about $2,000,000 is reported at press time. The investment status of this credit has steadily improved and seems closer to being recognized at its real worth.

The Commonwealth of Puerto Rico awarded $20,000,000 serial bonds to the First National City Bank; Chemical Bank New York Trust Company; First Boston Corporation; Lehman Brothers; C. J. Devine & Company group. The bonds reached a yield of 4.05% in 1978-1980. The balance in account was reported about $13,000,000 on Wednesday morning. Gradual improvement in sales seems likely if past performances are a criterion.

The $10,000,000 Chicago, Illinois Board of Education serial bonds were awarded on Wednesday to the Glore, Forgan & Co.; C. J. Devine & Co.; Chemical Bank New York Trust Company; Drexel & Co. Group. The bonds were scaled to yield 3.70% in 1977-1979. A good investor reception was indicated.

Larger Issues Coming to Market

The new issue calendar includes a few large and interesting issues for the coming weeks. The Houston, Texas

Continued on page 45

MARKET ON REPRESENTATIVE SERIAL ISSUES

	Rate	Maturity	Bid	Asked
California (State)	3½%	1978-1980	4.00%	3.80%
Connecticut (State)	3¾%	1980-1982	3.55%	3.40%
New Jersey Highway Auth., Gtd.	3%	1978-1980	3.70%	3.50%
New York (State)	3%	1978-1979	3.75%	3.60%
Pennsylvania (State)	3⅜%	1974-1975	3.25%	3.10%
Vermont (State)	3⅛%	1978-1979	3.30%	3.15%
New Housing Auth. (N. Y., N. Y.)	3½%	1977-1980	3.40%	3.25%
Los Angeles, Calif.	3¾%	1978-1980	4.00%	3.80%
Baltimore, Md.	3¼%	1980	3.80%	3.65%
Cincinnati, Ohio	3½%	1980	3.55%	3.40%
New Orleans, La.	3¼%	1979	3.90%	3.75%
Chicago, Ill.	3¼%	1977	4.00%	3.80%
New York City, N. Y.	3%	1980	4.25%	4.15%

December 9, 1959 — Index = 3.565

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	109¼	—¾	4.54%
Chicago-O'Hare Airport 4¾% 1-1-1999	1-1-1974	104¾	105¼	—½	4.47%
Chicago Reg. Port 4% 7-1-1995	7-1-1962	103½	95	—½	4.27%
Florida Turnpike Authority 3¼% 4-1-1995	4-1-1962	103½	84½	—1¼	4.08%
Grant Co., Wash. PUD No. 2 3⅞% 11-1-2005	5-1-1966	103	95½	—½	4.11%
Illinois Toll Highway 3¾% 1-1-1995	1-1-1965	103¾	72¼	—½	5.55%
Illinois Toll Highway 4¾% 1-1-1998	1-1-1978	104¾	90	—¼	5.36%
Indiana Toll Highway 3½% 1-1-1994	1-1-1962	103	85	—½	4.34%
Jacksonville, Fla. Exp. 4¼% 7-1-1992	7-1-1967	103	104¾	—1	3.98%
Kansas Turnpike Authority 3⅜% 10-1-1994	10-1-1962	103	72½	—1¼	5.04%
Kentucky Turnpike Authority 3.40% 7-1-1994	7-1-1960	104	90½	—¾	3.90%
Mackinac Bridge Authority 4% 1-1-1994	1-1-1964	108	86	—3¼	4.85%
Maine Turnpike Authority 4% 1-1-1989	1-1-1958	104	82½	—2	5.16%
Massachusetts Turnpike Authority 3.30% 5-1-1994	5-1-1962	103½	81	—2½	4.35%
Massachusetts Port Authority 4¾% 10-1-1998	10-1-1969	104	103	—¾	4.58%
New Jersey Turnpike Authority 3⅜% 7-1-1988	7-1-1958	103½	93½	—1¼	3.75%
New York Power Authority 3.20% 1-1-1995	1-1-1963	103	83½	—1½	4.09%
New York Power Authority 4.20% 1-1-2006	1-1-1970	103	101½	—¾	4.13%
New York Thruway Authority 3.10% 7-1-1994	7-1-1960	103½	83½	—1½	3.98%
Ohio Turnpike Authority 3¼% 6-1-1992	6-1-1959	103	84½	—2¼	4.12%
Pennsylvania Turnpike Authority 3.10% 6-1-1993	6-1-1959	103	82½	—1	4.04%
Richmond-Petersburg Turnpike 3.45% 7-1-1995	7-1-1963	103½	79½	—2	4.62%
Tri-Dam Project, Calif. 3.05% 7-1-2004	7-1-1959	104	82½	—¾	3.88%
Virginia Toll Revenue 3% 9-1-1994	9-1-1959	105	84¼	—½	3.82%

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.

December 10 (Thursday)			
Abington Township, Pa.	1,500,000	1961-1980	7:45 p.m.
New York State Employees' Retirement System, N. Y.	17,395,000	1964-1966	1:00 p.m.
Orangetown and Clarkstown Central School Dist. No. 1, N. Y.	1,500,000	1960-1988	2:00 p.m.
Tyler Independent Sch. Dist. Tex.	1,500,000	1962-1978	7:30 p.m.
Wisconsin University Building Corporation, Wis.	5,270,000	1960-1997	10:00 a.m.
December 11 (Friday)			
Board of Regents State Teachers' Colleges, Texas	1,530,000	1962-1999	9:00 a.m.
Florida Development Comm., Fla.	2,000,000	1961-1972	11:00 a.m.
December 14 (Monday)			
Board of Trustees Of State Colleges, R. I.	1,100,000	1961-1998	Noon
Garland Ind. School District, Texas	1,500,000	1960-1994	7:30 p.m.
Houston Indep. Sch. Dist., Texas	16,934,000	1961-1989	2:00 p.m.
Port of Portland, Ore.	2,000,000	1960-1979	10:00 a.m.
Utah University, Utah	3,160,000	1962-1999	10:30 a.m.
December 15 (Tuesday)			
Andrews Indep. Sch. Dist., Texas	2,989,000	1961-1975	2:30 p.m.
Arapahoe County S. D. No. 6, Colo.	1,750,000	1965-1968	-------
Augusta, Ga.	2,300,000	1960-1989	Noon
Clifton, N. J.	1,170,000	1961-1975	8:00 p.m.
Fairfield Local S. D., Ohio	1,493,000	1961-1982	Noon
La Salle County, Ottawa Township High School District No. 140, Ill.	1,800,000	1960-1979	8:00 p.m.
Los Angeles County, Calif.	2,444,000	1961-1980	9:00 a.m.
Mississippi Southern College, Miss.	1,465,000	1961-1998	10:00 a.m.
New Jersey (State of)	66,800,000	1963-1975	11:00 a.m.
Paw Paw School District, Mich.	1,600,000	1961-1988	8:00 p.m.
Plain Local School District, Ohio	2,550,000	1961-1980	Noon
Reading, Mass.	1,100,000	1961-1979	11:00 a.m.
December 16 (Wednesday)			
Bergen County, N. J.	1,967,000	1960-1975	Noon
Dekalb County, County S. D., Ga.	11,500,000	1962-1990	2:00 p.m.
Gary, Ind.	1,250,000	1961-1979	10:00 a.m.
Huntington Union Free Sch. Dist. No. 13, N. Y.	1,449,000	1960-1989	1:30 p.m.
Niagara Falls, N. Y.	1,500,000	1960-1967	3:00 p.m.
Piqua, Ohio	3,450,000	1960-1974	Noon
Pittsfield, Mass.	1,925,000	1960-1979	11:00 a.m.
Richmond, Va.	8,800,000	1961-1980	Noon
Robbinsdale Indep. School District No. 281, Minn.	1,050,000	1963-1990	4:00 p.m.
December 17 (Thursday)			
Miami-Trace Local Sch. Dist., Ohio	1,652,500	1960-1980	2:00 p.m.
Midland, Texas	3,110,000	-------	2:00 p.m.
North Robinson Local S. D., Ohio	1,250,000	1961-1983	7:00 p.m.
Oneida County, N. Y.	1,475,000	1960-1973	2:00 p.m.
Southbridge, Mass.	1,210,000	1961-1980	11:00 a.m.
December 18 (Friday)			
Adams Township Local S. D., Ohio	2,600,000	1961-1984	Noon
Howland Township Local School District, Ohio	1,755,000	1961-1984	3:00 p.m.
Perry Local School District, Ohio	1,650,000	1961-1980	Noon
December 21 (Monday)			
Sandusky, Ohio	2,000,000	1960-1984	2:00 p.m.
December 22 (Tuesday)			
Ventura Union High S. D., Calif.	4,900,000	1961-1975	11:00 a.m.
December 23 (Wednesday)			
Eastwood Number Two Local S. D. Ohio	1,200,000	1961-1983	Noon
Trustees of Indiana Univ., Ind.	1,083,000	1960-1996	10:00 a.m.
January 1 (Friday)			
Chicopee, Mass.	3,000,000	1961-1980	11:00 a.m.
January 5 (Tuesday)			
Santa Monica Unified S. D., Calif.	2,500,000	1961-1980	9:00 a.m.
January 6 (Wednesday)			
San Jose, Calif.	4,435,000	1961-1980	11:00 a.m.
January 11 (Monday)			
Spring Branch Ind. Sch. Dist., Tex.	2,892,000	1961-1990	8:00 p.m.
January 12 (Tuesday)			
Columbus City School Dist., Ohio	8,000,000	1961-1983	Noon

DEALER-BROKER INVESTMENT LITERATURE AND RECOMMENDATIONS

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

Air Freight Industry—Report—Alkow & Co., Inc., 50 Broadway, New York 4, N. Y.

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

Equities for Investment—List of common stocks in various industries which appear attractive—Gude, Winmill & Co., 1 Wall Street, New York 5, N. Y. Also available is an analysis of **Commercial Solvents Corporation.**

Glass Industry—Review—Hemphill, Noyes & Co., 15 Broad 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.

New York Bank Stocks—Analysis—In December letter—Goodbody & Co., 2 Broadway, New York 4, N. Y. In the same issue are lists of securities in different categories which appear attractive. Also available is a report on **General Instrument.**

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

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

Railroad Fixed & Contingent Bonds—Circular—Vilas & Hickey, 26 Broadway, New York 4, N. Y.

Steel Industry—Survey—E. F. Hutton & Co., 61 Broadway, New York 6, N. Y. Also in the same circular are data on **Capital Equipment, Oxygen Producers, Refractories** and **Selected Railroads.**

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American Airlines, Inc.—Review—John H. Lewis & Co., 63 Wall Street, New York 5, N. Y.

American Cyanamid Co.—Memorandum—Green, Ellis & Anderson, 61 Broadway, New York 6, N. Y.

Anaconda Company—Data—Oppenheimer, Neu & Co., 120 Broadway, New York 5, N. Y. Also in the same circular are data on **Continental Oil Co., Food Machinery & Chemical Corp., National Tea Company, Quemont Mining Corp.** and **Thompson Ramo Wooldridge Corp.**

Armstrong Rubber—Report—Thomson & McKinnon, 2 Broadway, New York 4, N. Y.

Barnes Engineering Co.—Analysis—Purcell & Co., 50 Broadway, New York 4, N. Y.

Beckman Instruments, Inc.—Report—Schweickart & Co., 29 Broadway, New York 6, N. Y.

Brooklyn Union Gas Co.—Analysis in current "ABC Investment Letter"—Amott, Baker & Co., Inc., 150 Broadway, New York 38, N. Y. In the same issue are data on **Marine Midland Corp., Arthur G. McKee & Co., Houston Corporation,** and the **Grolier Society.** Also available is the current tabulation of **Real Estate** bond and stock averages.

Falstaff Brewing Company—Analysis—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y. Also available is an analysis of **Atlantic Coast Line Company.**

General Instrument—Report—Hill, Darlington & Co., 40 Wall Street, New York 5, N. Y. Also available is a memorandum on **Raytheon Company.**

Harsco Corporation—Report—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y. Also available is a report on **Insurance Stocks.**

Imperial Packing Corp.—Report—R. G. Worth & Co., Inc., 160 Broadway, New York 38, N. Y.

Interchemical Corp.—Analysis—A. M. Kidder & Co., Inc., 1 Wall Street, New York 5, N. Y. Also in the same circular are data on **Collins Radio Co.** and **American Marc.**

Iowa Southern Utilities—Analysis—A. G. Becker & Co., Inc., 60 Broadway, New York 4, N. Y.

S. Klein Department Stores—Analysis—Blair & Co. Inc., 20 Broad Street, New York 5, N. Y.

Landa Oil Company—Analysis—Central Securities Co., 5738 North Central Expressway, Dallas 6, Texas.

Lazard Fund, Inc.—Memorandum—Arthur Wiesenberger & Co., 61 Broadway, New York 6, N. Y.

Lockheed Aircraft—Review—Montgomery, Scott & Co., 120 Broadway, New York 5, N. Y.

Lone Star Cement—Analysis—Reynolds & Co., 120 Broadway, New York 5, N. Y. Also available are analyses of **Carrier Corporation** and **United States Rubber.**

Miles Laboratories, Inc.—Analysis—Hill Richards & Co., 621 South Spring Street, Los Angeles 14, Calif.

Morningstar-Paisley—Analysis—Boenning & Co., 1529 Walnut Street, Philadelphia 2, Pa.

National Distilleries & Chemical Corp.—Report—Hornblower & Weeks, 40 Wall Street, New York 5, N. Y. Also available is an analysis of **Ohio Oil Company.**

National Starch & Chemical Corp.—Memorandum—H. Hentz & Co., 72 Wall Street, New York 5, N. Y. Also available is a review of the **Electric Utility Industry.**

Parke, Davis & Co.—Memorandum—J. A. Hogle & Co., 40 Wall Street, New York 5, N. Y.

Philip Morris, Inc.—Report—Harris, Upham & Co., 120 Broadway, New York 5, N. Y. Also available are reports on **Black & Decker Manufacturing Co., Montgomery Ward & Co., Inc., United States Borax & Chemical Corp.,** and a portfolio of stocks selling under 30.

Revlon, Inc.—Analysis—Hayden, Stone & Co., 25 Broad Street, New York 5, N. Y. Also available are an analysis on **American Distilling Company** and a bulletin on **Mansfield Tire & Rubber Co.**

Rockwell Manufacturing Co.—Memorandum—Moore, Leonard & Lynch, Union Trust Building, Pittsburgh 19, Pa.

Schering Corporation—Review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Sutherland Paper—Memorandum on proposed merger with KVP Co.—William Blair & Co., 135 South La Salle Street, Chicago 3, Ill.

Tennessee Gas Transmission Company — Report — The Milwaukee Company, 207 East Michigan St., Milwaukee 2, Wis.

Tex Tube, Inc.—Report—Moroney, Beissner & Co., Bank of the Southwest Building, Houston 2, Texas.

Union Gas Company of Canada, Ltd. — Analysis — Doherty Roadhouse & Co., 335 Bay Street, Toronto, Canada.

Universal Oil Products Company—Study—Forges, Singer & Co., 15 Broad Street, New York 5, N. Y.

Wallace & Tiernan—Analysis in December Investment Letter—Carreau & Co., 115 Broadway, New York 6, N. Y. Also in the same letter are a list of tax target stocks for anticipated recovery and high yield stocks.

Westinghouse Electric Corp.—Memorandum—Woodcock, Hess, Moyer & Co., 123 South Broad Street, Philadelphia 9, Pa.

Now Corporation

SAN ANTONIO, Texas—H. Leslie Evans, Inc., Milam Building, is continuing the investment business of H. Leslie Evans.

E. H. Snyder Opens

Ernest H. Snyder is conducting a securities business from offices at 107 Wiliam St., New York City.

Goodbody Adds Three

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—Thomas J. Asher, Charles W. Brady and Ollie B. Elton have been added to the staff of Goodbody & Co., 59 Marietta Street, Northwest.

With Daugherty Butchart

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg. — Harold E. Michener and Kenneth A. Smith have been added to the staff of Daugherty, Butchart & Cole, Inc., 729 Southwest Alder St.

COMING EVENTS

IN INVESTMENT FIELD

Dec. 11, 1959 (Montreal, Canada)
Montreal Bond Traders Association 32nd Annual Dinner at the Grand Salon of the Queen Elizabeth Hotel.

Dec. 15, 1959 (New York City)
Investment Association of New York Ninth Annual Dinner at Starlight Roof, Waldorf-Astoria.

Jan. 15, 1960 (Baltimore, Md.)
Baltimore Security Traders Association 25th annual Mid-Winter Dinner.

Feb. 1-2, 1960 (Dallas, Tex.)
Association of Stock Exchange Firms meeting of Board of Governors at Sheraton Dallas Hotel.

Feb. 3, 1960 (Detroit, Mich.)
Bond Club of Detroit annual winter party at Sheraton Cadillac 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.

May 9-10, 1960 (Atlanta, Ga.)
Association of Stock Exchange Firms meeting of Board of Governors at Hotel Atlanta Biltmore.

Sept. 12-13, 1960 (New York City)
Association of Stock Exchange Firms meeting of Board of Governors at Fisher's Island Club, Fisher's Island, N. Y.

Nov. 27-Dec. 2, 1960 (Hollywood Beach, Fla.)
Investment Bankers Association Annual Convention at Hollywood Beach Hotel.

With American Secs.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Andrew J. Mahoney has become associated with American Securities Corporation, 53 State Street. He was formerly with Halsey, Stuart & Co. Inc.

With Reynolds & Co.

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C. — Edwin S. Outen is now affiliated with Reynolds & Co., 221 South Church Street. He was previously with Bache & Co.

With Granbery, Marache

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Gilbert J. Bouley has become associated with Granbery, Marache & Co., 45 Milk Street. He was formerly with Lee Higginson Corporation.

T. M. Kirsch in N. Y. City

Terry M. Kirsch is engaging in a securities business from offices at 52 Wall St., New York City under the firm name of T. M. Kirsch & Co.

No Sign of Adverse Change In Setback of Sterling

By Paul Einzig

Despite the sudden, unpredicted setback in sterling, gold and, as a result, the stock market, Dr. Einzig notes no sign of an adverse change in sterling's technical position or in the Bank rate. While this setback occurred, the economic outlook remained unchanged, if not improved, and the balance of trade stayed sound. In pointing this out, the British observer attributes the change to the outflow of foreign short term funds attracted to higher interest rates abroad. He comments on another entry into the business of issuing transferable gold certificates (the International Gold Corp., Ltd., Johannesburg, South Africa); suspects this sort of thing encourages private hoarding; and ponders how this would add to our difficulties were another dollar scare shortage to erupt.

LONDON, England — It is indeed remarkable how narrow a margin is capable of changing the sentiments and the prospects of the markets. Until the end of November sterling was considered to be as solid as rock, and the outlook on the London Stock Exchange was viewed with optimism. After the turn of the month there was a sudden change. Sterling declined to a discount in relation to the dollar, and the Stock Exchange turned really pessimistic, for the first time since the general election. Already before the end of November there was some talk about a possible weakening of sterling, partly in anticipation of less favorable gold figures for the month, and partly in anticipation of a de-control of sterling in the near future.

Paul Einzig

The decline in the gold reserve was very moderate, but it was sufficient to give rise to speculation about the possibility of a higher Bank rate. The outflow of gold was the result of the higher interest rates in the United States, Western Germany and other countries. While until recently the possibility of a lower British Bank rate was widely envisaged, the decline of the gold reserve by £18 million was sufficient to give rise to expectations of a higher Bank rate. The assumption behind this change is that Britain can not afford to lose gold and that the authorities may decide to raise the Bank rate to protect the gold reserve. Yet only a month earlier the self-same authorities decided that they could afford to repay the Export-Import Bank credit five years ahead of maturity.

Economic Outlook Remains the Same

The loss of gold and the weakness of sterling brought about a setback on the Stock Exchange on the ground that a higher Bank rate would mean a fall in Government loans and the effect of dearer money on business would affect equities. Yet the general economic outlook is the same as it was a week earlier or a month earlier. Indeed recent indications are distinctly in favor of a revival in the capital goods industry which until recently took no part in the general business revival.

In reality Britain could afford to lose much more gold before it would become necessary to resort to dearer money, provided that the loss is caused by the withdrawal of funds from London and not by a deterioration in the balance of payments. After all, the presence of large amounts of foreign short-term funds in London is a potential source of weakness. It is a liability which should be offset against the amount of the gold reserve. If there is a simultaneous decline in the gold reserve and in the foreign balances by identical amounts, the situation remains fundamentally unchanged. On the other hand if the outflow of gold is due to an adverse change in the balance of payments, either through an increase of imports or a decline in exports, or through an outflow of long-term capital, then the technical position of sterling weakens.

There is no reason to suppose that in the present instance there has been any such adverse change. Recent trade figures have been favorable, and until recently investment capital has been flowing to this country. The change in the gold situation and in the trend of sterling must have been exclusively the result of the outflow of short-term funds attracted by higher interest rates abroad. This movement may continue for some time, without necessarily inducing the British authorities to raise the Bank rate.

On the other hand, if pressure for higher wages and especially for shorter working hours should become intensified the government might feel impelled to employ the Bank rate weapon against a revival of the resulting wage inflation. At present there is more or less full employment, but in some districts there are indications of overfull employment. If the demand for a 40-hour week is conceded in a number of industries, the result would be an acute scarcity of labor and the wage spiral would resume its upward course.

Several important wage demands will mature next month, and the government is not likely to put up the Bank rate until it becomes clear whether the trade unions concerned would press their demand to an extent that threatened to lead to an increase in costs and a decline in exports. Meanwhile Britain may lose more gold and sterling may possibly have to be allowed to decline nearer its lower support point of $2.78.

More Gold Bullion Certificates?

The importance of gold in the financial situation received attention at the beginning of December also as a result of the publicity given to the inauguration of the International Gold Corporation Ltd. This firm was recently established in Johannesburg, South Africa, with the object of issuing transferable gold certificates based on gold deposited with the Standard Bank of South Africa. The London firm of Johnson Matthay & Co., bullion dealers and refiners, is also associated with the new corporation. The certificates will represent a certain weight of gold varying from bars of 50 grammes to bars of one kilo. The price of the certificates will be based on the London price of gold, plus a premium of 3½%. Somewhat similar certificates based on gold are already issued by a firm with which the London banking firm and bullion dealer Samuel Montagu & Co. is associated. The new enterprise seems more active, however, in publicizing its certificates, and its aim is to appeal to the small man wanting to hedge against devaluation by buying such certificates, holders of which are entitled to claim the delivery of the gold bars they represent at any time and in any country where it is lawful for them to hold gold.

There can be no doubt that the popularization of such certificates, which would mean an increase in private gold hoarding, would be detrimental to international liquidity. Even though there is now less heard about the inadequacy of gold reserves it would be a matter for regret if substantial amounts of gold were to be withdrawn from Central Bank and Treasury reserves and earmarked against privately owned gold certificates. Private hoarding of gold has been the source of much difficulties in France, India and other countries. The encouragement of the practice is definitely against the public interest.

Moreover, should there be a revival of dollar scares in 1960, the increased facilities for United States residents to hedge by means of acquiring gold abroad would add to the difficulties of the United States authorities. It is true there would be no direct withdrawals from the American gold reserve. But American buyers of gold would be sellers of dollars, and the selling pressure would lead to a decline of the American gold reserve. At the present moment sterling is once more in the center of interest. But the possibility of further dollar scares in the not too distant future should not be overlooked in forming an opinion about the new enterprise.

Jas. H. Oliphant to Admit Partners

Jas. H. Oliphant & Co., 61 Broadway, New York City, members of the New York Stock Exchange, on Jan. 1 will admit D. Lionel Howedel and Walter G. Roden to partnership. Mr. Roden has been associated with the firm for some time.

International Trade Flow In the Years Ahead

By George S. Moore, President, The First National City Bank of New York, New York City*

Considerable experience gained from supervising foreign operations in a bank, which involved frequent visits to some 30 countries, is utilized by Mr. Moore in discussing: (1) prospects for growth of the world economy and world trade; (2) problem of the underdeveloped countries; and (3) the problem and solution to our balance of payments deficit. The banking head envisions dynamic growth ahead and need for additional ocean cargo space, finds the problem of primary producing or developing countries are not necessarily far from hopeless, and advises we keep our economic house in order rather than restrict imports. Mr. Moore favors removal of discriminatory restrictions against our goods, says our decision on "tied" loans be used as a bargaining lever, and hopes recovery abroad will mean a decreased need for economic aid.

I intend to discuss three principal aspects of the international trade outlook during the years ahead: First, the prospects for growth of the world economy and world trade, including ocean going shipping, based on the assumption, which I think is reasonable, that we can avoid major wars.

George S. Moore

Second, the problem of the primary producing, or developing countries—one of the principal challenges of the '60s that the more prosperous industrialized countries of the Free World must face. Political stability and a balanced economic development on our side of the Iron Curtain depends on our helping these areas of low purchasing power.

Third, the problem of the deficit in U. S. international payments, and what we and the rest of the world can do about it.

Prospects for the Growth of the World Economy

International trade reflects the state of world prosperity and is tied to the world output of goods. Industrial countries with high productivity tend to exchange more goods than do the primary-producing countries whose productivity and rate of investment are low.

Statisticians figure that during the four decades from 1870 to 1910, world manufacturing production advanced at an annual rate of 3.9%. The growth of the volume of trade lagged somewhat behind, at an annual rate of 3.3%. These are good figures to remember, because those pre-1914 decades were a peaceful era during which people all over the world achieved a solid advance in their living standards.

During the period between the two World Wars, after some gain during the '20s, the volume of trade fell back to the pre-1913 levels. The basic cause was economic nationalism and the Great Depression, itself. Every nation wanted to reduce its imports and develop its own sources of supply.

During the postwar decade this trend was completely reversed. From 1948, the year in which the Marshall Plan began, to 1957, when the world went through an investment boom, world industrial production advanced at an annual rate of about 6.5%. This was topped by the growth of world trade at the rate of about 7.2%.

The Postwar Trade Expansion

What was the reason for this extraordinary performance?

During the earlier part of the reconstruction decade, up to about 1952, the growth of international trade was stimulated by the uneven distribution of world resources created by wartime upsets and destruction. We here in the United States and Canada had exportable surpluses of practically everything the rest of world needed. Our exports were limited only by the availability of dollars in the hands of foreigners, who were perennially complaining about the "dollar shortage."

This particular phase of the postwar trade expansion ended with the recovery of production abroad beyond prewar levels and with the satisfaction of deferred demands. But by that time, world trade was getting its second breath through a great upsurge in savings, investment, and foreign lending. In fact, from 1953-57, the world went through a period of unprecedented expansion of the means of production and an unprecedented rise in living standards. Exceptions were countries where population outgrew resources and where inflation and political instability impaired balanced development.

The great upswing in savings, investment, and foreign lending during the second phase of the postwar decade was primarily the result of the gradual abandonment of the planned economy in Western Europe and elsewhere, in favor of a market economy. This also involved a return to monetary and fiscal disciplines. These encouraged both corporate and individual saving and investment and, by repressing inflation, gave a more stable basis for planning ahead.

Nothing succeeds like success. The role played both by currency stability and the revival of the habit of saving in the spectacular progress of West Germany was not lost on others. The rise in production and productivity which followed the reestablishment of a market economy in most European countries was so remarkable that it surprised the Europeans themselves. As currencies were stabilized, capital came out of hiding, and entrepreneurial activity began to flourish.

With Western Europe's confidence in its own future restored, the stage was set for dynamic growth during the years ahead. One manifestation of the changing attitude was the desire to remove all obstacles to the achievement of higher living standards—through intra-European cooperation. This led to the establishment of the European Economic Community (Common Market) and the proposed European Free Trade Association (Outer Seven). I am convinced that the dynamism of this period is still with us and will dominate the coming decade.

Dry-Cargo Shipping Fails to Reflect Trade Expansion

You may inquire at this point why the world's dry-cargo shipping did not feel the effect of the great expansion of the volume of international trade more fully during the postwar decade—except perhaps during the Suez Crisis.

This failure to keep pace with the expansion of the volume of international trade was due partly to technological developments—more efficient use of cargo space and quicker handling of ships in ports. But it also reflected some important shifts in postwar trade patterns.

There has been extraordinary growth of intra-European trade and of U. S.-Canadian trade, both of which involve relatively little sea-going shipping.

The rapid recovery of agriculture, especially in Western Europe, and the development of synthetics which also reduced shipping needs.

Some time ago, the Unilever people estimated that synthetics now account for about 15% of the raw materials used in manufacturing. This compares with about 3% before the Second World War. It is said that were it not for the increased use of synthetics, imports of natural raw materials into the main industrial countries would be some 40% higher than at present.

On the other hand, the impact of investment in industry and transportation, has encouraged world trade in capital goods and transportation equipment, which has more than doubled. Other big gainers have been non-ferrous metals, iron ore, and petroleum products, which are, of course, in a class by themselves. Rising consumer expenditures have been reflected in the increasing volume of world trade in fresh fruit (bananas, citrus fruit), drugs, and consumer durables.

Prospects for the Expansion of World Ocean-Cargo Trade

It is my feeling that conditions in most industrial countries are now quite favorable to the expansion of ocean-cargo trade. As you know, there has been a promising business recovery in North America, including Canada and Mexico, with industrial output considerably above the corresponding period last year despite the steel strike. In Western Europe, industrial production is up almost 10%. One of the most remarkable recoveries has taken place in Japan. Some of the industrializing countries, such as Australia and South Africa, are also doing well, thanks partly to a sizable capital inflow.

As to business prospects ahead, here in North America we may conservatively anticipate a modest business expansion through most of 1960, possibly longer—subject, of course, to developments on the labor front and the trend of defense expenditures. In Western Europe and Japan, the momentum of the current business expansion is also likely to continue, with principal support coming from rising domestic consumption and private housing. Thus far no concern has developed over this expansion, as it did during 1958, except for a modest increase in the German and Dutch bank rates and a tightening of reserve requirements in Japan.

Apart from the United States, most industrial countries are in a strong balance of payments position. Most of them are also in a highly liquid position. West Germany, Switzerland, and the Netherlands, with a total population about one-third as large as ours, hold gold and foreign exchange, freely convertible into gold, equal to about one-half of the United States gold stock. These reserves give the industrial countries freedom to pursue expansionary policies and to liberalize the remaining restrictions on imports.

With industrial activity establishing new records in many countries there should be additional improvement in the trade between the industrial and primary-producing countries during the months ahead. There should be heavier movements of breadgrains, oilseeds, and cotton to Europe because of somewhat smaller crops there this year and a shift in our surplus disposal policy. Except for a few commodities, Western Europe, with a population of some 270 million, imports at least twice the volume of raw materials we do. Any increase in Europe's standard of living is therefore quickly reflected in its purchases from the primary-producing countries.

The growing demand for such raw materials as iron and copper ores will result in greater reliance on African, South American, and Labrador sources, which means more and longer hauls. Bauxite shipments, too, should expand if all the aluminum production facilities planned all over the world are actually built. On the other hand, Europe's growing self-sufficiency in breadgrains and animal products leaves little hope for increased cargo demand for these staples except during years of short crops. All in all, however, I believe that we may confidently look forward to additional requirements for cargo space, and therefore to more business in general.

The conditions for growth of world trade are here. The population of the Free World is increasing at the rate of about 2%—nearly 40 million people—a year. By the time the so-called "Surging '60s" are history, Latin America alone is expected to have more than 250 million people. The world's purchasing power is increasing even faster—around 4% a year. The 400 million people of India hope to double their per capita incomes by 1970. Only those who have seen India have an inkling of what such an increase implies in the way of expanded output of food and industrial products.

World consumption of energy is more than doubling every decade. That means more hydroelectric projects, and more tankers to carry petroleum products.

A great middle class market for consumer durables is rising in Western Europe, in Japan, and in many countries in Latin America.

But there will also be plenty of problems and headaches. Stiffer competition will have to be faced at home as well as in foreign markets, as the Western European factories switch more completely to large-scale production. We may even face increased competition from the Soviet bloc. Still, this is the kind of world we strove to build during the postwar period.

We must now learn to live in this world. I am sure that there will be more than enough business for those with the courage, imagination, and flexibility to adapt quickly to these changing world conditions.

The Problem of the Primary-Producing or Developing Countries

This optimistic prospect brings me to the second major problem I wish to discuss tonight—that of the primary-producing, or developing countries. This is a problem for which there is no easy solution; it will be with us for a long time—but the balanced economic growth of the Free World, and even our peaceful survival demands that the industrialized nations of Western Europe, North America and Japan join in seeking the answer. The problem is great because:

(1) As a result of developments over which they have no control, the primary-producing and newly-industrializing countries suffer from business slumps in the older industrial countries—their customers. In recent years, their terms of trade have deteriorated. Commodity prices have been more or less stabilized, but any improvement in the fortunes of these countries will have to come from a rise in export volume.

(2) The primary-producing countries and the newly-industrializing countries still lack, to a large extent, essential skills, technical know-how and managerial ability. They also lack the sort of financial and industrial organization that made possible the speedy rehabilitation of Western Europe and Japan.

(3) Many of these countries suffer from a split personality. They seek foreign capital, management, and know-how. But, for nationalistic reasons, and because of the fear that this might lead to foreign control and exploitation, some have assumed attitudes and adopted policies which are discouraging private investment.

(4) In their anxiety to get the better things in life as fast as possible, in response to understandable social pressures, many have been engaging inflationary economic policies. Many have created excessive purchasing power which has increased the demand for imports. With a few exceptions, their gold and dollar reserves are small. Although they urgently need capital, a flight of capital has been stimulated by declining confidence in their currencies, in some instances.

Yet the problem is far from hopeless. Considerable progress has been made in many countries in dismantling cumbersome currency controls and establishing a single free market rate and in adopting fiscal and monetary disciplines. These accomplishments have been due largely to the cooperative efforts of the International Monetary Fund, the World Bank, the U. S. Treasury, and many private financial institutions. A favorable change in the political climate is a number of these countries has supported these steps. The International Monetary Fund in particular, has performed a highly valuable function in representing prospective creditor countries. The Fund has the great advantage of being a neutral and objective international institution.

This new approach has been increasingly successful. Colombia and Turkey are in better shape; Chile, Paraguay and Pakistan are showing improvements; and Argentina is in the midst of an heroic stabilization effort, with every hope of success.

Spain took the plunge early this year, subjecting itself to the disciplines required by the IMF, and freeing its trade, in return for full membership in the OEEC. The flow of European private capital to primary-producing countries is assuming sizable proportions in anticipation of growing requirements of iron ore, bauxite and other industrial raw materials.

Another example of international cooperative effort is the International Development Association, proposed at the recent Washington meetings of the Fund and World Bank. Under this proposal some soft currencies could also be used for development purposes.

Deficit Balance of Payments—The American Export Problem

This brings me to the last problem I wish to discuss, our balance of payments deficit and the American export problem. To what extent have our exports been affected by the return to a more normal and stable pattern of international trade—and to what extent have our exports become less competitive in world markets? It is still too early to answer these questions, but several factors have become clear.

Some of our exports, like coal, were bound to decline with the development of additional energy supplies in Western Europe.

Some of the advantages we had in technical knowledge, skills, capital, and entrepreneurial ability were also bound to diminish as productive efficiency increased in Europe and Japan. This we must accept as a natural historical development.

As a result of government price supports and restrictions on acreage and marketing, many of our farm products can be moved in international markets only with the help of subsidies or surplus disposal programs.

We have failed to adapt our products to the changing needs and tastes of foreign countries. The loss of some of our automobile export business is a case in point.

In general, we had it too easy during the postwar period and underestimated the comeback of our competitors. But there is no need to panic. There are many products in which we have a natural advantage. We have excelled in the industrial application of new ideas and innovations. Strangly enough, I derive more comfort regarding our export problem through talking with foreigners than with many of our own exporters. Europeans point out that we still have a good lead in many fields—such as packaging machinery—and that we are favored by our "export mix."

Cash Deficit in U. S. International Payments

On the other hand, there is no room for complacency. Our merchandise exports offer by far the most feasible way to plug the deficit in our international payments. This deficit was $3.4 billion in 1958, resulting in gold outflow of $2.3 billion. This year, foreign countries are acquiring dollars at a rate above $4 billion. The gold loss was held down to $950 million during the first 10 months. A number of explanations have been offered: higher interest rates here, reviving trade, investment opportunities, and the repayment of outstanding obligations. Our determination to eliminate the Federal deficit has made an immeasurable contribution to bulwarking confidence in the dollar.

Although we still have over one-half of the world's gold, we cannot afford to continue to lose it at the recent rate. Nor can we afford continuously to run up our short-term indebtedness, now around $16 billion.

Briefly, we have this year a surplus of over $3 billion in our merchandise and service accounts. Against this surplus, there is private capital outflow (around $2 billion), government grants and loans associated with our economic aid ($2.5 billion) and military expenditures abroad ($3 billion). With imports leveling off and some prospect of a modest export improvement, a temporary strengthening of our balance of payments may well take place during the fourth quarter.

Steps to Be Taken

How, under a liberal trade policy, can we strengthen our balance of payments position?

First, we can keep our economic house in order. We can balance our budget, as the government is already trying to do. We can resist the wage push, and restrain other factors which tend to make our exports less competitive. We can keep our interest rates high enough to attract more savings. In general, we should adopt the monetary and fiscal disciplines that our Western European competitors accepted to contain the inflationary pressures within their economies and engender confidence in their respective currencies. It would be foolhardy on our part, after having done so much to promote progress and stability abroad, to throw it all away because we ourselves do not have the self-discipline to compete in the world we helped to create.

We should not want to strengthen our balance of payments position by restricting merchandise imports, after striving to liberalize the international exchange of goods which are either not available from domestic sources or not produced here in sufficient quantities. Nor can we interfere with the flow of private investment capital which in many ways relieves the development loan burdens of the U. S. Treasury.

We can insist, as we did at the GATT meeting in Tokyo, on the immediate removal of outmoded discriminatory restrictions against our goods. Economic recovery abroad has removed any justification for them. As you may have noticed, the United Kingdom, Japan, and France have already announced further liberalization of their dollar imports. Britain has also removed restrictions on travel abroad.

We are "tying" loans made by the Development Loan Fund to our exports, in much the same way that Export-Import Bank loans are "tide." This decision should, however, be regarded, as a bargaining move to encourage other industrial countries to increase their own assistance to underdeveloped areas.

We are taking a closer look at the international burdens we more-or-less voluntarily assumed as a result of the Cold War. Our military expenditures are motivated by the facts of life in a divided world. It is essential that we maintain adequate military establishments abroad. But a large portion of our military outlays goes to the mutual defense burden. Our cash outlays for offshore purchases of military hardware could probably be reduced.

Some of our economic aid—also motivated by reasons of national security—is probably outdated in the light of progress made in some of the beneficiary countries during the past 10 years. Greater encouragement could be given to private capital—as a substitute for government projects—by means of investment guarantees, tax liberalization, and the adoption of the Boggs Bill objectives. Western Europe and Japan should also be brought into programs to help backward areas. The proposal to create an International Development Association as an adjunct of the World Bank may be one way to do this.

There is, of course, a good chance that the expansoin of the world economy and international exchange of goods will help to reduce our payments deficit during the months ahead to manageable proportions—say, somewhere between one and two billion dollars. I have not the slightest doubt that the '60s will bring such an expansion in trade in view of the growth of population and the accelerated rate of investment almost everywhere. Even if world trade does not grow as rapidly as during the 1948-57 period, its more stable pattern should allow for solid gains in the living standards of all peoples.

World trade outside of the United States has already reached the levels of 1957, largely because of the re-expansion of Western European and Japanese trade. This, with some increase in our imports, has already contributed to improvement in the primary-producing countries, and with it the prospects of the shipping industry. More help is likely to come from Western Europe, which normally imports more than twice as many primary commodities as the United States. Moreover, these purchases are far more diversified than ours.

Similarly, the recovery of European capital markets promises an increased outflow of European capital. Here again the primary-producing countries should be the chief beneficiaries.

Conditions around the world have changed. The reconstruction period is over. Even the relations of the Free World with the Communist bloc may be entering a new phase. The time has come for the reassessment of our role in the world economy. We have acquired two vigorous partners—Western Europe and Japan. Although they may both give our exporters a run for their money, they may now also share in the burdens of defending the Free World and developing the backward countries of Asia and Africa.

*An address by Mr. Moore before the 61st Anniversary Dinner, The American Institute of Marine Underwriters, The Waldorf-Astoria Hotel, New York City, Nov. 19, 1959.

Dominick Firm Elects Partners

Donald D. Mackey, William T. Smith, Mason B. Starring, III, and Myron A. Wick, Jr., have been elected general partners in Dominick & Dominick, 14 Wall St., New York City, members of the New York Stock Exchange, it has been announced.

Mr. Mackey, who has been with the firm for 20 years, is in charge of its Municipal Bond Department.

Mr. Smith, who is in charge of the mechanical operations of handling securities at the main office, has been with the firm for 36 years.

Mr. Starring is the resident partner in charge of the firm's branch office at 150 East 42nd St., New York. He has been with the firm for four years and was previously with R. Hoe & Co. He is chairman of the Board of Trustees of the Harvey School.

Mr. Wick is with the firm's Buying Department. He has been associated with Dominick & Dominick for four years and was previously President of PM Industries.

Baker, Weeks & Co. To Admit Partners

Baker, Weeks & Co., 1 Wall Street, New York City, members of the New York Stock Exchange, on Jan. 1 will admit Rodney G. Fiske and Courtnay Pitt to partnership. Mr. Pitt will make his headquarters at the firm's Philadelphia office, Philadelphia National Bank Building.

Hornblower & Weeks Appoints 2

PHILADELPHIA, Pa.—Hornblower & Weeks, members of the New York Stock Exchange and other leading exchanges, announces the appointment of Frank J. Eisenhart as Sales Manager and John M. Gallagher as Manager of the Corporate Finance Department of their Philadelphia office, 1401 Walnut Street.

Frank J. Eisenhart John M. Gallagher

Both have been associated with Hornblower & Weeks for the past 14 years.

Hugh W. Long Co. Elects Powell

ELIZABETH, N. J.—David J. Powell, Dallas, has been elected a Regional Vice-President of Hugh W. Long & Company, Inc., of Elizabeth, N. J., one of America's leading mutual fund sponsors. He represents the company in Arkansas, Oklahoma, Texas and western Louisiana.

Before joining the Long Company in 1957, Mr. Powell was associated with the Dallas investment firm of Eppler, Guerin & Turner, Inc.

The Security I Like Best

Continued from page 2

return to attract the large amounts of private capital so necessary for the continued building of major pipe lines in Canada.

In its recent submission to the National Energy Board the company estimated that, assuming an export permit will be granted, it would earn $4.52 million in 1961 on sales of $86 million and $8.3 million in 1963 on sales of $119 million. On present capitalization net per share would be equivalent to 78 cents in 1961 and assuming about 7 million shares would be outstanding in 1963, profits would be $1.19 per share.

With gas reserves under contract sufficient to meet both Canadian and present export requirements and a favorable anticipated demand curve, the future looks very bright for Trans-Canada and should reward the patient investor who is willing to forego income for a few years. An official of the company, speaking before the 12th Annual Convention of the National Federation of Financial Analysts Societies in Montreal last June, stated that "the long-term prospects for the common stock investor in this company should be exceedingly good." I fully concur with his remark.

Morgan Stanley to Admit Gilmartin

On Jan. 1 Morgan Stanley & Co., 2 Wall Street, New York City, members of the New York Stock Exchange, will admit Roger T. Gilmartin to partnership.

The Right Investment Tests For City Real Estate Values

By Roger W. Babson

Discerning a correlation between proper traffic control and real estate values, Mr. Babson calls for dedicated progress toward reviving old city centers with efficient regulation of vehicle transportation. He believes new shopping centers may be fads that have reached their zenith, and envisions future cities with wide streets for autos and rear ones for truck deliveries.

There are various tests for selecting the right city to buy land for a new supermarket or apartment house or merely for an investment. One test is population growth; others are the tax rate, water supply, and—very important — the condition of the schools, the churches, and the character of the people.

Roger W. Babson

Although we are now in a period of prosperity with wealth increasing rapidly, yet we are not using this wealth to improve our daily living. We certainly have not provided the mobility for our citizens which good business and good health deserve. Our streetcar lines are going into bankruptcy; our railroads are giving up passenger business; our roads are overcrowded with private cars and trucks. Therefore people are moving to the suburbs while still working in the cities, creating an impasse in mobility within the cities.

All of the above means that the best cities in which to invest money are those which have widened their roads, provided ample parking space, and are making trucks deliver and pick up at night. Although our present prosperity is due largely to the automobile, it is this very industry which is revolutionizing our cities, and crumbling real estate values. We owe much to Henry Ford, but I wish he were alive today to help us out of this dilemma.

Motor Age Problems

The automobile has given us new freedom; but, paradoxically, this industry to which we owe so much is also threatening to strangle us all and make us live and work in city caves. Yet the biggest part of the transportation program has barely started. The huge roadbuilding program will not only change the faces of all cities, but will set the location for new cities. These may be very long and narrow, with very wide streets for autos. In the rear may be streets meant wholly for trucks to pick up and deliver merchandise; while our sidewalks will have two stories and our stores two "ground floors."

No city should be blamed for getting into the present messy condition. The New England locality in which I am writing this column had its streets laid out by cows 300 years ago. These cowpaths were gradually widened for ox wagons, then for horse-and-buggies. Most cities have inherited today's problem. But, oddly enough, most city residents do not own autos or get very upset about the congestion, so city planners find it hard to get recommendations adopted.

Traffic Problems Can Be Eliminated

It is hopeful that cities are beginning to study the traffic problem and are employing traffic engineers. Newspapers are joining the demand for a solution which will restore the prestige of their cities and not leave them manufacturing, business, and living slums.

Cities have long been conscious of water pollution, and most cities have pure water today. Some are concerned about air pollution but are just awakening to the importance of proper zoning, and the development of parks, forests, and conservation projects. Although we have only 60 people per square mile, compared with Japan's 620, yet traffic conditions in Japan today are better than in the U. S. Better living and transportation conditions would justify increasing taxes; people would accept a higher tax if they got more for their money.

Conclusion

In view of the above, the wise investor in real estate is giving much more attention to traffic conditions, parking space, and road control. When one builds a new home, the value of the **house** declines from year to year; but if the city has proper traffic control, the value of the **land** will increase year by year. This is something city newspapers as well as real estate agents should emphasize. I believe in reviving the old city centers, with proper traffic regulations. The new shopping centers may be fads which are now at their zenith.

Chambers of Commerce, Boards of Trade, and Merchants Associations should therefore give their primary thought to improving the transportation and parking facilities of their cities. They should remember that their task is not to keep things as they are, but to forge ahead and prepare for the great changes which are already in progress.

Bank of Montreal Elects Officers

MONTREAL, Canada—Richard G. Ivey, Q.C., Chancellor of the University of Western Ontario and a Director of the Bank of Montreal

Richard G. Ivey

David G. McConnell

since 1941, has been elected a Vice-President of the bank, and David G. McConnell, Vice-President of the St. Lawrence Sugar Refineries Ltd., has been elected a Director of the bank, it has been announced.

These appointments follow the retirements of Louis L. Lang, a Vice-President and Director; and L. J. Belnap, B. C. Gardner and Robert J. Dinning directors, who have reached the statutory retirement age of 75 under the Canadian Bank Act.

Mr. Ivey is Senior Partner of Ivey, Livermore & Dowler, President of the Northern Life Assurance Co., of Canada, and a Director of numerous other companies.

Mr. McConnell is a Director of the Montreal "Star," and a member of the Board of Management of the Montreal General Hospital.

Laird Bissell Meeds Appoints Shurtleff

Lynn Shurtleff

Laird, Bissell & Meeds, 120 Broadway, New York City, members of the New York Stock Exchange, announce that O. Lynn Shurtleff has become associated with them as manager, division of Fund Management Stocks. Mr. Shurtleff, a specialist in mutual fund management company securities, was formerly with Hayden, Stone & Co. in the institutional research and stock sales department.

Detroit Bond Club Winter Party

DETROIT, Mich.—The Bond Club of Detroit, at their Board of Directors' Meeting, completed plans for their annual winter party.

The event will be held at the Sheraton Cadillac Hotel, Detroit, Mich., on Feb. 3, 1960. The guest speaker will be Dr. J. Philip Wernette, Professor of Business Administration at the University of Michigan and Editor of the Michigan "Business Review."

Clark, Dodge to Admit Three

Clark, Dodge & Co., 61 Wall St., New York City, members of the New York Stock Exchange, on Jan. 1 will admit Nelson R. Jesup, Elwood B. Van Ness and Charles H. Waterhouse to partnership. Mr. Waterhouse will make his headquarters in the firm's London office.

Lawson, Levy Will Admit Wosser

SAN FRANCISCO, Calif.—Lawson, Levy, Williams & Stern, 1 Montgomery Street, members of the New York and Pacific Coast Stock Exchanges, on Jan. 1 will admit Frank M. Wosser to partnership. He has been with the firm for many years.

2 With Dempsey-Tegeler

(Special to The Financial Chronicle)

ST. LOUIS, Mo.—Lewis E. Fleer and Floyd L. Walker are now associated with Dempsey-Tegeler & Co., 1000 Locust Street, members of the New York and Midwest Stock Exchanges. Mr. Fleer was formerly with Bache & Co. Mr. Walker was with Johnson, Lane, Space and Co., Atlanta.

Reinholdt, Gardner Adds

(Special to The Financial Chronicle)

ST. LOUIS, Mo.—Larry T. Drebes has joined the staff of Reinholdt & Gardner, 400 Locust Street, members of the New York and Midwest Stock Exchanges. He was formerly associated with Yates, Heitner & Woods.

FROM WASHINGTON ...Ahead of the News

BY CARLISLE BARGERON

The United States Senate is often referred to as a rich man's private club. But a study of the body reveals that its rich men are the hardest workers.

Carlisle Bargeron

It would seem natural that a man reaching 60 and having obtained his share of worldly goods would like to be a member of the Senate to pass away his declining days.

The ones I have in mind work harder at being a Senator than they had been working at their business. It seems to give them a new life.

There's Senator Homer E. Capehart of Indiana, for example. At 62 he is considered two or three times a millionaire. He has been described as Indiana's Man of Energy. When in Washington, he is at his desk at 9 o'clock every morning and seldom quits before 6 o'clock in the afternoon. He has a constant stream of callers, attends all of the meetings of the committees to which he belongs, of which there are four. And he seeks to answer every roll call. On the floor he frequently takes part in the debate. An aggressive, likeable sort of a fellow, he does not hesitate to tangle with anybody, even the sharp-tongued Senator Morse.

Probably the Senate's richest man is Senator Kerr of Oklahoma. He is an indefatigable worker and is responsible for considerable legislation. He, too, works his staff hard and long. Few Senators like to tangle with his sharp tongue.

Now 90 years old, Senator Green of Rhode Island, a bachelor with oodles of money, is still going strong. He is a strong-willed man of the liberal persuasion. Not infrequently at long committee hearings, he will be the only Senator who is not dozing.

These men have worked hard all their lives. It is the way they accumulated their wealth. They can't let down now. Life would cease to be interesting.

Senator Murray of Montana is a very wealthy man. But he has grown a little feeble in recent years and now delegates a lot of his work to his staff.

Senator Symington of Missouri is another wealthy man who keeps busy. He is busy right now running for the Democratic Presidential nomination.

Senator Kennedy of Massachusetts, another Presidential aspirant, and a rich man, particularly is he a member of a rich family, is usually active, although his activity recently has been spent in seeking the Presidential nomination.

Most political commentators agree that the recent statement of the Catholic Bishops against birth control hurt his candidacy irreparably. It is not that there was any movement towards birth control but to speak just when they did had the effect of emphasizing Kennedy's Catholicism. It seems to have put him on the spot, notwithstanding that he and President Eisenhower feel the same way about the subject. Mr. Eisenhower said the matter was not a political question and that as long as he was President there would be no move to force birth control on any overpopulated nation. Senator Kennedy's attitude was about the same. He said that if any nation asked for it this Government could then consider giving education on birth control methods.

But some of the Protestant clergy have taken it up and insist that Kennedy's attitude is based on the law laid down by the Bishops of his Church. It is expected that the controversy will grow and grow and become a political issue. You are likely to find people who do not believe in birth control themselves taking up the cudgels against Kennedy. It seems to have been a most inept time for the Bishops to speak up but they are not stupid men and they must have had some reason for doing so.

* * *

If Mr. Eisenhower is depending on an increase in postage rates and in gas taxes to balance the budget he may as well look elsewhere. Congress refused to touch the postal rates at the last session and would only boost gas taxes one-half percent.

Next year is an election year. The old itch to vote for all appropriations and against all taxes will be strong.

It is difficult to see, either, how Mr. Eisenhower can square his request for increases with his fight on inflation. Tax increases are just as inflationary as increases in the cost of goods and services.

Bacon, Whipple to Admit Buchan

CHICAGO, Ill.—Bacon, Whipple & Co., 135 South La Salle Street, members of the New York and Midwest Stock Exchanges, on Jan. 1 will admit Andrew D. Buchan to partnership.

Ball, Burge Firm To Admit Cawley

CLEVELAND, Ohio — On Jan. 1 Ball, Burge & Kraus, Union Commerce Building, members of the New York and Midwest Stock Exchanges, will admit Edward P. Cawley to partnership.

E. J. Hindley Co. Formed in New York

E. J. Hindley & Co., Inc. is engaging in a securities business from offices at 7 Stuyvesant Oval, New York City. Officers are Edward J. Hindley, President; Vincent Martinelli, Vice-President and Treasurer; and E. M. Hindley, Secretary. Mr. Martinelli is an officers of H. Kook & Co., Inc.

Dempsey-Tegeler Office

SAN DIEGO, Calif. — Dempsey-Tegeler & Co. has opened a branch office at 239 A Street under the management of Edward H. Hope. Mr. Hope was formerly local Manager for Eastman Dillon, Union Securities & Co. and prior thereto was head of E. S. Hope & Co.

Astor & Ross Admit

On Dec. 10 Alan M. Goldberg will acquire a membership in the New York Stock Exchange and will become a partner in Astor & Ross, 111 Broadway, New York City, members of the New York Stock Exchange.

Municipal Bonds' Immunity —Some Current Problems

By Austin J. Tobin, Chairman of the Conference on State Defense and Executive Director of The Port of New York Authority*

Reviewing the basically unchanged issues since 1938 to date involved in the persistent and recurrent efforts to destroy the immunity of State, municipal, housing and industrial development, and the Port Authority bonds, Mr. Tobin says the real purpose is to do away with state governments. The writer sums up the current attack on immunity of tax-exempts; criticizes the Ways and Means Committee for denigrating such an important issue by lumping it with its current hearings on "tax-loopholes" and for deliberately excluding the views of governors, mayors and other public officials; finds that the Life Insurance Company Income Tax Act of 1959 does tax municipals unless the Treasury honors the exception later made; and though personally opposed to use of tax exemption for private industry, argues constitutional principle exempts them too. Regarding the latter he denies that the Port Authority allows any "pass through" and shows how this is handled.

This is not the first occasion on which I have discussed the prospects and consequences of federal attacks on the immunity of state and municipal bonds before the Municipal Forum. In 1938 when the Treasury was mounting an all-out attack against that immunity, the first talk that I had ever made on the subject was made before that group.

Austin J. Tobin

In 1945 when successive waves of the government's attack had been beaten back both in Congress and through to the Supreme Court of the United States I reviewed that fight before the Forum. And again in 1946 Dave Wood and I appeared before the Municipal Forum to comment on the Saratoga Springs decision.

Many took a very active part throughout those years in assisting state and municipal officials from all parts of the country who were presenting their arguments — constitutional and financial — against the Treasury's efforts to tax municipal bonds.

However, those who have become associated with the municipal market during the last 10 to 15 years may not fully realize how great the danger was at that time and how great an effort has been required to defeat the Administration's and the Treasury's drives to throw down the constitutional barrier and to establish once and for all the power of the Federal Government to control the financing of our states and local governments.

In June of 1938 the Attorney General of the State of New York and 39 other Attorneys General of the States, together also with the General Counsel of the Port Authority, met in Washington to formulate a plan of coordinated action that we all knew was going to be essential to the preservation of the sovereignty and financial integrity of state and local government.

The Department of Justice had just issued an official pronouncement taking the flat position that the Federal taxing power was supreme and included the power to tax all the functions and instrumentalities of the state governments; that the national government's power to tax income "from whatever source derived" admits no exceptions whatsoever and that in the Department's own language "the principle of immunity" protected "the Federal Government against taxation by the states" but did not shield "the states against the * * * supreme taxing power of the central government." In developing this destructive thesis, the Chief Counsel of the Bureau of Internal Revenue at that time argued before the Investment Bankers Association that "there was no basis for denying the power of the national government to tax the people and the institutions of the state."

On the basis of these rather amazing claims of Federal power, the Treasury and the Department of Justice asserted not only the power to tax the interest on state and municipal bonds, both bonds outstanding as well as future issues, but also to tax the bonds themselves, and indeed, the very revenues of state agencies. The opening gun of this broad attack had come in April 1938 with a message from President Roosevelt to the Congress — a Democratic Congress by the way—calling for the immediate enactment of a bill taxing future issues of municipal bonds.

This was the power and scope of the attack faced by the Attorneys General of the States when we met that day in Washington in June of 1938. The meeting organized a sub-committee to recommend a specific program of defense. The outcome was the organization of the Conference on State Defense which I served as Secretary and in later years as Chairman. The function of the Conference was to serve as a catalyst which would bring together and coordinate the opposition of state and municipal officials and of state and municipal associations, such as the Council of State Governments, the National Association of Attorneys General, the Governors Conference, the American Municipal Association, the United States Conference of Mayors, the Municipal Finance Officers Association, the National Institute of Municipal Law Officers, and the National Association of County Officials.[1]

As Chairman of the Conference I am very happy to advise his friends in the municipal market that John Linen has emerged from his retirement (if indeed he ever entered upon it) to join the Port Authority staff as a consultant for the express purpose of working through the ranks of the Conference on State Defense in opposition to current Treasury efforts to tax municipals.

Reviews Early Efforts

When the Conference was first organized, we were faced with quite a task. We had to muster our own forces in state and local government and investment circles and try to give them the hope, the encouragement and the will to make the all-out fight that was so obviously necessary to preserve the immunity of state and local bonds. It was the surprising fact that few state and municipal officers in those days realized the critical importance of the immunity of their securities, the constitutional fiscal and economic reasons for its existence or the tragic consequences of its possible loss.

Our second effort was to analyze the arguments of the Treasury Department and the Department of Justice and to study and put together the economic and legal answers in the form of source materials which would be available for the use of state and municipal officials in arguing the soundness of their cause. Principally, this consisted of a brief—"The Constitutional Immunity of State and Municipal Securities" signed by the Attorneys General of the 40 States, including incidentally, Earl Warren, then Attorney General of California. It bore the challenging sub-title "A Legal Defense of the Continued Integrity of the Fiscal Powers of the States." We also arranged the preparation of an extensive analysis of the financial and economic consequences of the government's proposals which was published in the form of a report by the Professor of Public Finance of Princeton University, Harley L. Lutz and entitled — "The Fiscal and Economic Aspects of the Taxation of Public Securities."

Our third and, of course, our most critical effort was to see to it that state and municipal officials throughout the country brought the force of their arguments to the attention of the Congress and later, through the Attorneys General of the States as *amici curiae*, before the courts which reviewed the *Shamberg* case and other related legal actions.

Daniel B. Goldberg, the Port Authority's Assistant General Counsel and a former governor of the Municipal Forum has worked with me since those first days of the organization of the Conference on State Defense. He has been a bulwark of the defense of the immunity of municipals ever since, ultimately taking my place as Secretary of the Conference and assuming direct charge and responsibility for the 1954 fight against taxation of housing bonds and more recently for the very difficult and intricate issue that arose over the provisions of the 1959 Life Insurance Company Income Tax Act. No discussion of this subject with his friends and mine in the municipal field would be complete without my tribute to his loyalty, his tremendous ability, his resourcefulness and a mention of my own respect and affection for him.

In response to the President's message in 1938 the Senate had created a Special Committee on the Taxation of Governmental Securities. The Conference on State Defense organized the presentation of the witnesses for the states and cities before this committee. Among the witnesses we called to present our case were Fiorello La Guardia, Henry Epstein, then Solicitor General of New York and then Chairman of the Conference on State Defense (now a Justice of the New York State Supreme Court), Henry Hart of the First of Michigan Corporation, John Linen, Morris Tremaine, then Comptroller of the State of New York, and David M. Wood. We presented also the testimony of an overwhelming majority of the Attorneys General, of the then 48 states, and the statements of hundreds of cities, counties, townships and public agencies. A few months later practically the same group of state and municipal officials, economists and investment bankers, presented, the views of state and local government to the Ways and Means Committee of the House.

Sums Up the Basic Issues

Here let me sum up the basic issues as they were developed then and as they have remained unchanged ever since. First, since I began as a lawyer, let me emphasize that any attempt to tax the interest on state and municipal bonds would, in my opinion and, what is much more important, in the opinion of the Port Authority's General Counsel, its board counsel, and of many eminent attorneys skilled in the field of municipal law, be unconstitutional. And we have every confidence that today's Supreme Court would so hold. The continued validity of the doctrine of the immunity of municipal bonds from Federal taxation is indicated by all recent Supreme Court decisions in the field, since the burden of such a tax is measurable and real and direct, unlike many of the borderline cases in which the Court has permitted taxation. The members of this Forum are in an authoritative position to know that a tax on state and municipal bond interest would increase the interest rated which would be necessary to continue to attract investment money for state and local government purposes and that in very many cases the additional interest would break the deal and make it impossible to sell the bonds at all. Particularly with todays high interest costs, the financial resources of many communities would be stretched past the breaking point or, in the case of many revenue bond issues, the balance would have been tipped beyond the point of economic practicability. Cities, counties and districts with low credit ratings or with an unrated credit, might not be able to borrow at all. In the language of the Supreme Court, therefore, there could be no burden more measurable, real and direct.

We are also confirmed in our confidence by the opinions of the Supreme Court in the Saratoga Springs decision in 1946.[2] Of the three surviving judges of that court, Justices Douglas and Black dissented even from the decision which permitted the Federal Government to levy an excise tax on the sale of Saratoga Springs bottled water by the State of New

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1 In announcing the organization of the Conference on State Defense the forty Attorneys General said in part: "We ask the cooperation and the support of the states, municipalities, and of state and municipal agencies . . . in attaining the objectives herein set forth to the end that the integrity and sovereignty of the states in this nation may be preserved. No issue could be more vital to their welfare and prosperity and to the continued functioning of state government in the United States."

2 New York v. United States, 326 U. S. 572

Measures to Sustain Banks' Profit Position

By Dr. E. Sherman Adams,* *Deputy Manager*
The American Bankers Association, New York City

Concerned that the present satisfactory bank earnings will not continue in the years ahead, Dr. Adams questions present liquidity requirements in examining possibilities of increasing earnings via acquisition of more higher-yielding assets. Thus, to improve banking's competitive lending ability, the bankers' economist suggests: (1) further downward revision in cash reserves; (2) revising concept of pledged securities behind public deposits; (3) increasing the ratio of mortgage to savings deposits; and (4) rescinding taboos against raising bank capital by preferred stock and capital debenture financing. In analyzing other challenges confronting banking, the author criticizes banks for not competing more effectively and doubts removal of tax inequality will solve basic problem likely to emanate from the slowing down in the rate of increase in deposit velocity and declining bank liquidity.

Wither banking? And wherever whither may be, how can we earn an occasional dollar and keep out of the public doghouse on our way thither?

Dr. E. S. Adams

Or, more nobly phrased, what problems will the coming decade hold for banking? And what bank managerial policies will be required to promote a strong banking system and a healthy economy?

It is mandatory, of course, to start by talking about growth. These days everything is growing, aside from temporary slowdowns in steel production, TV quiz shows, and sales of cranberry sauce. "Growth," has become the thinking man's byword.

In any event, by 1970, it is estimated that we shall have 33 million more people in these United States, 14 million more men and women receiving paychecks, and 10 million more households. Personal incomes, even assuming no further inflation, will rise about 50%.

In short, there will be many more potential bank customers and the public will have greatly increased saving power and borrowing power. And by the same token, there will be a comparable expansion of business and of its borrowing requirements.

What will this mean for banking? Expansion? Obviously. But how much expansion and what kind? Will banking resources grow faster or slower than the economy as a whole? How will banks lend and invest their funds? Will they earn sufficient profits to remain sound and vigorous?

The answers will depend largely upon bank management. Banking is affected by external factors, to be sure, but the difference between mediocre and excellent performance almost always reflects the policies pursued by bankers themselves. And this will apply particularly to the years ahead because of the challenging problems with which banks will be faced.

To analyze what may happen, let us start by considering the outlook for bank deposits: first demand deposits; then, savings deposits.

The Future of Demand Deposits

The future expansion of commercial bank demand deposits will be greatly influenced, of course by the monetary policies of the Federal Reserve. Over the years, the Reserve authorities will see to it that deposit growth bears at least roughly parallel relationship to the overall expansion of the economy.

However, there are usually differences between the rates of growth of demand deposits and of the economy, and these differences can be of major importance to banking. Over the coming decade, for example, the difference between a 5% annual growth rate in demand deposits as against 3%, would make a difference of about $40 billion of deposits by 1970. This, in turn, would make a difference of around $1½ billion annually in the gross earnings of the banking industry.

Net profits would benefit substantially from a faster rate of deposit growth. Demand deposits are not costless to banks, of course. To obtain them, indeed, the banks must operate an intricate bookkeeping and clearing mechanism at great expense. However, this expense does not vary directly with the volume of these deposits but is more affected by their activity. Therefore, once the banks have sufficient deposits to break even on the cost of handling this activity, additional deposits are especially profitable.

To the Federal Reserve authorities, the velocity of money turnover is a major factor to consider in deciding how fast the volume of deposits should be permitted to increase. Ever since the end of World War II, with only occasional interruptions, deposit velocity has been rising rapidly. Many depositors, especially business firms (and also, incidentally, the U. S. Treasury), have been utilizing their bank balances more and more economically. This has been encouraged by various factors, including particularly higher interest rates.

This substantial rise in deposit turnover has been one of the chief reasons why the Reserve authorities have restricted the growth of bank deposits to the extent that they have over this period.

Whither Velocity?

So, what will happen to deposit turnover? It probably could increase somewhat more. If interest rates average somewhere around present levels over the coming decade, as seems not unlikely, some additional business firms and even some individuals may economize more on the use of their bank balances.

However, the *rate of increase* in velocity is almost sure to slow down. Turnover has now returned to a more normal level. Many corporations have already gone about as far as they can toward financing more sales per dollar of cash on hand. From now on, in fact, rising sales may mean relatively much larger demands for more cash than has been the case in recent years.

This would obviously have significant implications both for deposit turnover and for deposit growth — and also, incidentally, for the volume of bank loans to business.

As the rate of increase in velocity slows down, the Federal Reserve authorities should be willing to permit a faster expansion of bank demand deposits than in recent years, particularly if business urgently needs more bank credit. In other words, now that most of the excessive liquidity inherited from World War II has been squeezed out of our economy, a more rapid increase in the money supply should be in prospect.

What Can Bankers Do?

What can bankers do to promote a larger volume of demand deposits? One way would be to start paying interest again on demand deposits. This suggestion brings shivers of horror to those who remember what happened during the 1920s. Nevertheless we shall probably hear more discussion of this possibility.

My own guess is that it will not happen. However, it would not be surprising to see banks go considerably further than they have in competing for short-term funds on time certificates and open time accounts.

A more promising approach would be for banks to merchandise their checking account services more vigorously. With family incomes rising rapidly, banks should be able to persuade a considerably larger proportion of the population to maintain checking accounts.

Incidentally, this raises an intriguing question with respect to the recent enthusiasm of some banks for check credit plans. If banks succeed in convincing people that they should do all their buying without having any money in the bank, how seriously will this tend to slow down the growth of bank demand deposits—and of bank profits?

In any event, it seems clear that while there are some things banks can do to promote growth of demand deposits, most of the factors affecting this expansion are largely beyond their control. On balance, however, these factors appear to be definitely favorable for the coming decade.

The Future of Savings Deposits

The outlook for savings deposits is a completely different proposition. The main question here is: How effectively will commercial banks compete for personal savings?

Let's be more specific. If, over the coming decade, commercial banks are able to maintain their present proportion of institutionalized personal savings, it is estimated that their thrift accounts should increase by $26 billion, more than 40%. However, if they continue to lose ground in competing for this business as rapidly as they have been losing ground over the past ten years, then the increase would be only about $10 billion, less than 17%. The difference of $16 billion is a sizable chunk of business which may be won or may be lost by the banks.

We are all familiar with the handicaps of commercial banks in competing for this business. The one we hear about most is tax inequality. This is a real disadvantage, of course, but the figures clearly show that it is nowhere near as important, relatively, as many persons assume. Its elimination would not solve the banks' competitive problem by any means.

Another is that commercial banks must pay dividends to stockholders, whereas mutual institutions do not. This one we have to live with.

However, by far the greatest disadvantage is the fact that other institutions pay savers appreciably higher rates of return and are thereby able to attract more savings. At the moment, this is due in part to the 3% ceiling on interest payments by commercial banks but many banks are still paying less than the ceiling rate.

Will it become desirable to raise this ceiling? That will depend largely upon what happens to the general level of interest rates. If the ceiling is raised, however, the competitive position of many banks would not be improved at all.

In any event, one thing is crystal clear; namely, that the present wide differential between the rates permitted commercial banks and the rates paid by some savings and loan associations, should not be allowed to continue. The rate ceiling on commercial banks was instituted to safeguard the sound-

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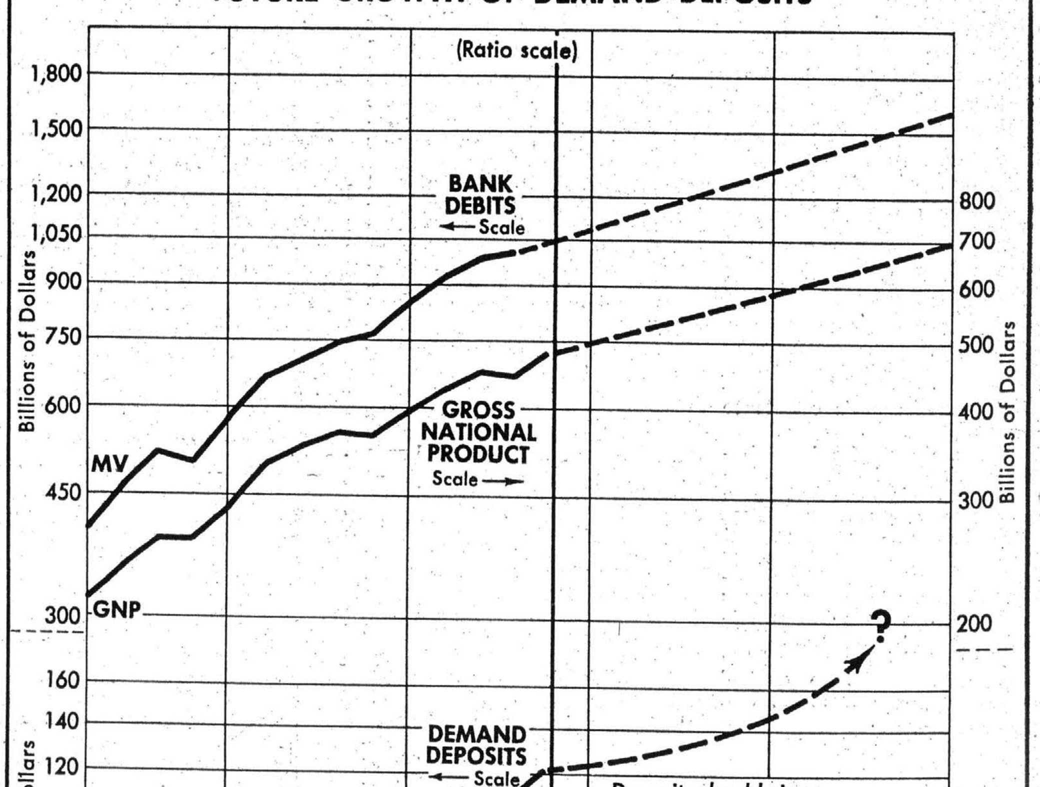
FUTURE GROWTH OF DEMAND DEPOSITS*



*Data: Bank debits to demand deposits and deposit turnover figures for 337 reporting centers; adjusted demand deposits of all commercial banks. Source: Federal Reserve.

Do Rising Int. Rates Cause Inflation or Deflation?

By G. Walter Woodworth,* *Professor of Finance, University of Illinois, Urbana, Ill.*

Finance economist answers this by taking apart current utterances on the subject voiced in the hall of Congress and elsewhere which he finds to be invalid. Professor Woodworth's analyses disproving the contention that rising interest rates are price inflationary shows why tight money acts to restrain price inflation and investment expenditures, why check-reins employed by the Federal Reserve are needed, and why there should be careful coordination of fiscal-monetary-debt management control. The latter is termed "one of the greatest economic challenges of our time" the achievement of which will keep price inflation to one side and depression to the other without sacrificing our political and economic liberties.

The remarks I wish to make are suggested by the heated controversy that took place last summer in regard to the feasibility of legislation to raise or remove the ceiling on interest rates that the Federal Government could pay on its obligations, and to raise the Federal debt limit. On June 8, 1959, the President sent a message to Congress requesting: (1) Removal of the 3.26% interest rate ceiling on E and H Savings Bonds; (2) Removal of 4¼% interest rate ceiling on new issues of Treasury bonds; (3) Increase in the Federal debt limit from $283 billion to $288 billion, and an increase in the temporary debt limit to $295 billion.

G. Walter Woodworth

This message gave rise to hundreds of pages of testimony and hearings before the Committee on Ways and Means of the House of Representatives, the Banking Committee of the Senate, and the Joint Economic Committee of the Congress.

At the end of June the debt limit was raised to $285 billion, with a temporary upper limit of $295 billion; also in mid-September Congress passed a bill which raised the ceiling rate on E and H Savings Bonds to 4¼%. But Congress refused to remove the 4¼% limit on Treasury obligations of over five years' maturity—despite the unremitting efforts of the President and of Secretary Anderson.

It would be impossible and inappropriate for me to review all the important issues, interesting as they are, raised in these hearings. But I do wish to discuss one of them, namely: Is a rise of interest rates inflationary or deflationary?

Economic fallacies in general make me shudder — perhaps because I am an economist. I am still shuddering a bit from the flagrant fallacy that has been bandied about so frequently since early summer by men in high places. I refer to the proposition that rising interest rates cause commodity price inflation.

My chief purpose is to let some sunlight in on this fallacy, and thereby to prove its absurdity. I should also like to emphasize the tragedy that will confront our nation if this fallacy becomes widely accepted and is woven into public policies.

Let me quote a few statements of people in high offices as samples of this current fallacy.

(1) By a leading Senator, and a candidate for President: "The Administration wants to increase the interest rates on long-term government securities. But it is obvious this move would affect interest rates up and down the line. Sooner or later, the result would be felt where such inflationary action is always felt—by the consumer. I'm convinced that few things have contributed as much to inflation as rising interest rates."[1]

(2) By an influential and long-time member of the House of Representatives: "The only inflation we have today is inflation caused by high interest. In other words, if the interest rate had not been increased since Jan. 20, 1953, the Eisenhower Administration would not have had to get a debt limit increase. It is all caused by high interest, and if you increase it again, again we will be called upon to increase the debt limit, just as we have in the past."[2]

(3) By the president of a large bank—and a conservative Republican: "I'm for the Eisenhower Administration in general, but this tight money business is one of the reasons why the cost of living is going up. The Treasury has to borrow more to meet higher interest costs. This increases the national debt and the money supply. More spending and higher prices follow. If the administration doesn't get interest rates back down to normal, the 50-cent dollar will soon be worth 30 cents."

The Argument That Rising Interest Rates Are Inflationary

More specifically, what are the arguments in support of the contention that a rise of interest rates is inflationary?

First, the point is made that interest, like wages, is a cost of production; hence when the cost of borrowed money rises, selling prices must also rise if normal profit margins are to be maintained. While there is a logical basis for this contention as part of the cost-push theory of inflation, the actual cost impact of higher rates on prices is negligible.

A few statistics in regard to the relative importance of interest as a cost will give perspective to this issue. During the postwar years the amount of interest paid by all active business corporations was about 1% of total receipts from sales of goods and services.[3] Total interest cost, however, is not relevant to this issue since it concerns the cost effect of a rise in interest rates. Assume, therefore, that the average rate paid rises from 4% to 6%. This would amount to about one-half of 1% of total receipts. Even this overstates the cost importance of interest since the bulk of outstanding debt does not mature each year; hence, a rise in the market rate affects currently only a fraction of debt contracts, and the over-all cost effect on prices is negligible.

The objection may be raised that use of the over-all interest cost to business submerges the effect on particular industries that make large use of borrowed capital. But price inflation is an over-all conception, typically measured by the rise in the Consumers Price Index or the Wholesale Price Index of the Bureau of Labor Statistics. The objection, therefore, is not really germane to the question. To be sure, a material rise in the rate of interest has varying cost impacts, ranging from negligible to appreciable. But this is a question of distribution of the price effects; not of the over-all change in the value of the dollar. As I shall show later, a rise of rates is most relevant to the marginal influences of tight money on the levels of employment and general business activity.

Interest Cost of Federal Debt

The second main strand of argument pertains to the Federal budget. Proponents of the proposition point out that an increase of 1% on a debt approaching $300 billion represents an additional $3 billion in the Federal budget. If this amount is borrowed annually from the banks it will in a decade add $30 billion to the money supply. Such an increase will stimulate expenditures with a resultant bidding up of prices. Under the assumptions as given, the argument appears disarmingly plausible and logical. But as is so often true of assumptions, they fail to fit the practical world.

First, a rise of 1% in the current rate of interest affects the cost of servicing only a part of the Federal debt in any one year. To use fiscal 1960 as an example, the $76 billion of maturing debt would have to be refunded on a 1% higher basis at a cost of $760 million. The carrying charge on the rest of the debt would not rise until maturity—at which time the market rate may well have recorded a cyclical decline.

Second, the assumption is made that the additional interest cost item in the budget is borrowed by the Treasury. This is not necessarily the case at all. What actually takes place is mainly a question of over-all fiscal policy. If the general policy calls for a balanced budget, the new interest item should take its place with all other budget items. A balanced budget can still be realized by increasing tax revenues, by reducing expenditures, or by a combination of the two.

A final assumption is that the Treasury borrows the added interest item from the banking system, thereby creating new money. This may very well occur, but again—not necessarily so. If the Treasury borrows current savings from non-bank lenders — individuals, pension trust funds, life insurance companies, mutual savings banks, businesses, and so on —no new money is created. The Treasury securities are purchased by transfer of existing money.

Thus, examination of assumptions underlying the second argument cuts it down to size. The truth is that any increase in interest on the Federal debt that arises from a tight money policy is picayune compared with the huge expansion in money that would take place under constant easy money conditions.

A final, though less important, strand of the argument is based on the observation that interest rates and commodity prices frequently rise together during the prosperity stage of the business cycle, as in 1956-1957. From this it is concluded that the rise of rates causes the rise of prices. This inference is no more justified than is the opposite one—that the rise of prices causes the rise of rates. The truth is that both rates and prices sometimes move upward together at this stage of the cycle in response to general prosperity. Expanding expenditures of consumers and businesses bid prices up; expanding demands for loan money together with Federal Reserve pressure on supply leads to higher rates. The closest cyclical correlation between interest rates and prices is actually an inverse one, (instead of direct) obtained by lagging the price series between 12 and 18 months. That is, easy credit conditions encourage, and are a precursor of, cyclical recovery of production and prices; tight credit conditions restrain business and prices, and are to a degree a harbinger of cyclical decline.

Orthodox View of Relation Between Interest Rates and Commodity Prices

Orthodox economists look upon the money rate of interest as a price for the use of money capital. Just like other things traded in a relatively free market, the rate emerges from the interaction of demand and supply. Businesses, individuals, and governments demand loan money to finance investment and consumption expenditures. Personal and business savings normally provide most of the supply, but the banking system may also augment supply by loans of new money to borrowers. If the price for loan money rises, less will be borrowed, just as less of a commodity or service will be bought when the price rises. While the demand for loan money is in general relatively inelastic within the usual range of rate variations, there is a fringe of marginal borrowers who are quite sensitive to rate changes. They are predominately composed of businesses and individuals that make large use of borrowed capital—notably residential and other construction, state and local governments, and public utilities. On the other hand, when loan money is available at low rates, more tends to be borrowed by businesses, individuals, and governments.

Another aspect of the loan money market is the important influence of changes in interest rates on the valuation of income-bearing assets. The best illustration can be drawn from the bond market. In April, 1958 at the low point of interest rates the price of U. S. Treasury 3¼s maturing in 1983 was 103, giving a yield of 3.1%. By September, 1959, the price of this issue had declined to 85½, affording a yield of 4.2%. Thus, a rise of 1.1% in yield was accompanied by a price decline of 17½ points. As a consequence, banks, insurance companies, and other lending institutions were very reluctant to sell bonds in order to make real estate and other loans. They did not want to take the loss on bonds and the concomitant reduction in current income.

Consider also a simplified illustration drawn from the field of commercial real estate. Let us assume a property whose net rental income is $5,000. When the prevailing yield on such a property is 5%, the value would be in the vicinity of $100,000. But if the prevailing yield rises to 6%, the value would decline to $83,333 ($5,000/.06). Hence, an investor

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1 Senator Lyndon B. Johnson in a leaflet sent to constituents.

2 Wright Patman, Congressman, State of Texas—Hearings before the Committee on Ways and Means, House of Representatives, 86th Congress, First Session, p. 225.

3 Statistical Abstract of the United States, 1958, p. 492. These data are drawn from the Bureau of Internal Revenue, *Statistics of Income.*

The Depletion Issue Today

By Lowell Stanley,* *Graduate Economist, Beverly Hills, Calif.*

Oil economist and producer lays open economic unrealities of previous and new arguments raised against tax depletion allowance for oil. Mr. Stanley presents critics' admission, regarding its elimination or reduction, that: (1) it would mean less exploration, less development, less oil and higher prices; (2) the industry is not making too much money; and (3) the national security aspect is vital. The author charges depletion opponents with jumping to the wrong conclusion about our over-supply; denies there is misallocation of resources or misuse of capital; shows additional tax revenue would not ensue; states the existing rate is a compromise and to reduce it further would be most inequitable; and asks effect on "break-even point" and on the consumer not be ignored.

Our fuel, mineral and other resources are so important, so basic, that our national policy cannot, must not, be based on error. Before going further let me mention some examples of these errors.


Lowell Stanley

The opponents of the tax provision for percentage depletion exaggerate both oil income and depletion. In a copyrighted booklet a Senator starts his analysis of depletion with this sentence: "Suppose the well produces $5,000,000 of oil for each of 10 years." The reader is expected to imply that this may be a typical situation. But the average well in the U. S. produces, instead, about 14 barrels a day, and for 365 days at $3 a barrel, this is about $15,000 a year. The Senator's example is 330 times the average. No U. S. wells are producing that much.

What if he were debating the farm problem and gave an example of a cow with such exaggerated producing capacity? How scientific a farm program could we expect from such thinking?

The distressing thing about it is that another Senator wrote a foreword to this booklet saying, "The sound principles he there laid down furnish a foundation for public understanding."

Another kind of exaggeration is the one which appeared in the *Congressional Record* of Aug. 27, this year: "As a matter of fact, competent authorities tell us that recovery value of depletion allowances average 19 times the cost of the wells."

Let's do some arithmetic. If a well produces over its entire life as much as $500,000 (this would be better than an average well) the maximum percentage depletion it could possibly get would be $137,500. If this is 19 times the cost of the well, then a well would cost around $7,230. You know the fact is that costs run many, many times this. And the fact is that the industry spends about 60% of its gross income from crude oil for replacing, finding and developing new reserves.

Another mistaken charge is like the one on page 15823 of the *Congressional Record:* "Oil production is the only industry which grants a charge-off for intangible costs, plus depletion allowance."

The fact is that all comparable costs, all costs of getting out the mineral or timber or other resource, are allowed for all these industries. On the other hand, if drilling costs are not allowed, oil and gas would be the only resource industry where all the extraction costs are not recognized. These drilling costs are only one step, usually the most important and most expensive step, in the extraction, mining, or producing process.

Monopoly Would Result Without It

Then there are arguments based on charges of monopoly. However, I know of no major industry that has a lower degree of economic concentration, but without the tax treatment we have to recognize depletion and provide for replacement of values exhausted in extraction, this would not be so. Because without it, powerful economic forces would be unleashed to cause liquidations and sell-outs. The law of self-preservation would cause wholesale transfers and corporate realignments, with properties tending to go to those having most ready access to the capital markets. By the very nature of things, voluntarily or not, monopoly would begin to become a reality.

The panelist for the coal industry will say this, and his statement applies equally to mines and oil properties: "By abolishing percentage depletion allowances and thereby forcing the successful mine owner to sell out in order to take advantage of capital gains rates, the effect would be to promote monopoly through the operation of the tax laws, rather than producing an increase in tax revenues."

About 62% of crude oil production is shared by 32 companies, whose ownership is in the hands of millions of people. The other 38% is in the hands of thousands of other producers. Treasury statistics show more than 5,500 corporations and more than 19,900 individual businesses engaged in oil and gas production. Does this sound like monopoly?

And if they would study the Treasury's latest published figures, it might come as a surprise to find that 53% of the companies had net losses (1956) and that the Treasury's summary of individual tax returns (1955) shows net losses for 37% of these operators who account for half this group's gross income. Does this sound like a lack of risk?

Still another line of attack is to present tables showing comparison of income taxes and reported earnings of selected companies. Here our critics show no effort whatsoever to analyze the subject, or even to try to understand it, or to look into the economic realities.

They stress the ratio of income taxes paid to reported earnings. Based on earnings after cash expenditures for drilling and exploration, these ratios would be entirely different. The differential comes about because the industry, whether wisely or not, defers in its accounts much of these costs, to iron out the fluctuations, and to offset against hoped-for future production. It is only because the industry is continually increasing its expenditures to keep up with the increasing demand and need for reserves that this differential occurs. If this were a static industry, spending a constant amount for such costs, then our critics would have no such statistics to misinterpret.

All resource industries, including oil and gas, run up against the inherent limitations of accounting for income. That is why comparisons with taxes and reported income are misleading. For instance, as we produce from and deplete one property, and in one way or another replace it with another property, probably less desirable and with higher costs, this ordinarily results, through the mechanics of our accounting systems, in the recording of a profit, when in reality, and from an economic sense, none may exist. Without percentage depletion, such phantom profit would be taxed an a basis which would destroy capital resources of the industry, to the detriment of the national interest.

It is not my purpose to undertake a lengthy discussion of these errors and mis-statements, but in the public interest some way must be found to bring a sense of accuracy and responsibility to the depletion opponents. The November hearings of the Ways and Means Committee will sift out these errors. I have great confidence in the members of the Committee.

There can be little new in the line of attack by the depletion opponents, and there must be consistency with their basic conclusions of the recent past. We should get a good preview from what was written and said at the hearing four years ago before the Joint Economic Committee of Congress. There an exhaustive review was devoted to the "Impact of Federal Taxation on Natural Resources Development." This study was intended to present all possible viewpoints. There were three able witnesses or panelists who had been appointed to challenge vigorously the percentage depletion law. Their job was to muster the strongest arguments they could.

The critics of the law recognize that depletion occurs, but challenge the formula which has been in the law for 33 years, and the corresponding discovery value formula which preceded it.

It was not, and cannot be, charged that the oil industry makes too much money. No, their spokesman stated, "the rate of return on capital, from the petroleum industry as a whole, appears to accord closely with that applying in other segments of the American economy."

Unable to challenge on that score, there was one central theme in their criticism. It revolved around a theoretical neutral tax treatment, and the use or allocation of capital. They claimed that our tax treatment of mineral industries results in a misallocation of capital, an excessive use of, or waste of, capital.

What the Opponents Admit

The opponents advocated elimination of the present provisions, with the easy assurance that everything would all somehow be taken care of by what they call the price mechanism. This, they admit, would result in less development, and less oil, higher prices, and greater dependence on foreign oil and minerals.

How could we have a poorer climate for economic growth?

Look at the record before that committee. Then the opponents' chief spokesman, who is a member of the present House Ways and Means panel said: "If we were to revise our taxing of corporate income so as to treat all industries more equally than we do now, we would have less exploration for minerals and a smaller minerals industry."

He referred primarily to oil. And in a statement prepared for the committee, assuming a change in the depletion law, he said: "If the rest of the economy wants more oil, it should be willing to pay for it by ways of a higher market price."

And on the same page: "It would be much cheaper for the rest of the economy simply to buy whatever extra oil it desired in the world market."

And then: "Our tax laws also foster the uneconomic expansion of mineral production."

Continuing in an appendix, on the claim and theory that capital is misallocated to resource development, his paper said: ". . . estimates lead to the conclusion that

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Connecticut Brevities

A new development in the field of packaging machines has been announced. The significant feature of these machines is their ability to cold fold oriented polystyrene sheets into semirigid trays without using heat, adhesives or scoring. The polystyrene sheets used in this new method are produced by Plax Corporation, a subsidiary of **Emhart Manufacturing**, Hartford, and Monsanto Chemical Co.

* * *

Heli-Coil Corporation, Danbury, has filed with the Securities and Exchange Commission for registration of 157,500 shares of its common stock. The stock will be exchanged for the outstanding stock of Grip Nut Corporation. Heli-Coil stockholders will meet Dec. 15, to approve an increase in the authorized common stock from 500,000 $1 par shares to 2,000,000 no par shares. This will pave the way for a 100% stock dividend which would be paid one week after the effective date of the charter amendment to stockholders of record Dec. 15.

* * *

Stockholders of **Echlin Manufacturing Company** of Branford have approved a merger with United Parts Manufacturing Company of Chicago. The merger agreement calls for an exchange of 74,720 shares of Echlin stock and payment of $1.3 million in cash for the assets of United Parts. Echlin produces automatic ignition replacement parts. United Parts will be operated as the brake parts division of Echlin, beginning Jan. 4, 1960.

* * *

The **Housatonic Public Service Company** of Derby recently sold 76,642 shares of common stock on a one-for-five rights offering to stockholders. Proceeds from the sale amounting to approximately $1,750,000 will be used to repay bank loans of $1,100,000 and for construction expenditures.

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The Directors of **Roger Corporation** of Rogers have declared a 4% stock dividend payable Dec. 15 to stockholders of record Dec. 4. The company paid a 3% stock dividend in September. In March the stock was split seven-for-one.

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Chesebrough - Pond's, Inc. of Clinton has announced it will acquire the Aziza Eye Cosmetics Division of Mauvel, Ltd., through an exchange of stock. The Aziza line of products, which include mascara and eye shadow, will be merged into Chesebrough's Prince Matchabelli operations. The acquisition is the third by Chesebrough-Pond's in four years. In 1956 the Company purchased Seeck and Kade and in 1958 bought Prince Matchabelli, Inc., from Vick Chemical.

* * *

Four HU2K high speed, all weather helicopters built by **Kaman Aircraft Corporation**, Bloomfield, have been ordered by the Navy this year for development test purposes. Another 12 will be purchased by the Navy in fiscal 1960 for evaluation and test. Kaman is expected to go into full production on the helicopter in fiscal 1961. A Navy spokesman has indicated that since the HU2K is scheduled to replace utility helicopters now operating with the fleet, the eventual quantity ordered might amount to some 250 helicopters. The HU2K, which is now undergoing flight test at Kaman's plant, was developed under a contract it won several years ago to provide the Navy with a faster, longer range helicopter for search and rescue at sea.

Paine, Webber to Admit Two

Francis P. Sears, Jr., Boston, Mass., and Donald M. Wright, Los Angeles, Calif., have been invited to become general partners


Donald M. Wright Francis P. Sears, Jr.

of Paine, Webber, Jackson & Curtis effective Jan. 1, 1960, according to an announcement made by Lloyd W. Mason, executive partner of the coast-to-coast New York Stock Exchange member firm.

Mr. Sears joined Paine, Webber in 1946 and is presently the Manager of the brokerage department in the Boston office, 24 Federal Street.

Mr. Wright commenced his employment with Paine, Webber in 1955 after having worked seven years for California banks in the capacity of security analyst and trust advisor. Presently, he is Manager of the sales department in the Los Angeles office, 626 South Spring Street.

Francis Broderick Opens

WASHINGTON, D. C. — Francis Broderick is engaging in a securities business, specializing in mutual funds, from offices at 1319 F St., N. W. He was formerly with Whitney & Co. and Investment Bankers of America, Inc.

Joins Fahey, Clark

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Howard H. Peters has become connected with Fahey, Clark & Co., Union Commerce Building, members of the Midwest Stock Exchange.

May Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg. — John R. Manning has been added to the staff of May & Co., 618 Southwest Yamhill Street.

With Scott, Bancroft

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Joseph W. Teter has become connected with Scott, Bancroft & Co., 235 Montgomery Street.

THE MARKET . . . AND YOU

BY WALLACE STREETE

Industrials, with only lukewarm help from the rails, continued to drive toward their all-time peak with the consensus in Wall Street fairly confident that a reading above 700 will be posted for the first time in history before the year is out. The previous high-water mark was 678.

Splits and Dividends Versus Tax Selling

The business background was encouraging and year-end dividends and stock splits were arriving in profusion to bolster the market's action. Whether all of the tax selling had been cleaned up was moot, although in selected issues where better action came with a rush the presumption is that the selling here has abated. Despite the chances of more selling lurking around and awaiting better prices, the general expectation is that it will be absorbed easily.

* * *

As is the custom in the year's final month, the markets were broad and trading active. For broad markets the comparison stretched back to January and for better one-day gains the comparison was back to November of 1957. That looked far more like the start of the traditional year-end rally than any new flood of tax selling.

Rails Still Neglected

While the rail support wasn't overly enthusiastic, this seesawing and laggard section was able to inch ahead session after session without a setback. By contrast last month the group lagged repeatedly even while the industrial average was marching to recovery peaks. So it is something of a turn-about and, as such a moderately hopeful sign.

* * *

With the industrial average again at a relatively lofty standing, the hunt for issues that offer a minimum of downside risk made some of the quality rails a natural for consideration. Some other companies with land holdings in Florida where the big realty boom centers, were able to do well on promise although holdings of Atlantic Coast Line comprising some quarter million acres in key areas were largely ignored. So was the study looking toward a merger with Seaboard Air Line, which should be completed early next year. Shares of Coast Line have held in about a 12-point range while those of Seaboard haven't yet wandered over a span of as much as 10 points.

A Feed Company Branches Out

Another narrow-moving item all year has been Archer-Daniels-Midland which usually is dismissed as a feed manufacturer, which blithe writeoff ignores some vigirous inroads it has been making in chemicals and plastics. It has been available at an above-average yield of 5% and holding at less than 12-times earnings despite a long dividend record and a strong financial position to illustrate the neglect accorded the issue.

* * *

Papers and packaging items haven't had much following recently, and while an issue like Oxford Paper shows only about an average yield, the fact that it is off more than a quarter from the 1959 top and nearly half from the 1956 peak still makes it a candidate for improvement. In fact, expansion in the last five years cost as much per share as the recent market price which is ignoring the improved plant rather pointedly.

* * *

In part, the neglect can be traced to a poor earnings showing on the surface for the first nine months of this year against last. But the outlook for the full year anticipates covering the dividend requirement by a good margin, and the dreary comparison is due to start-up expenses of bringing new lines into production to mitigate the seeming retrogression. And with a strong improvement next year extremely likely, the stock hovering near its five-year low and selling at a substantial discount from book value is not one of the overvalued situations around.

* * *

Diamond National Corp., the old Diamond Match, is one of the famous old names with an unbroken dividend record spanning 70 years that only lately has started stirring. Today the match business is down to 15% of sales and the company is an important packaging producer, printer and lumber dealer.

Expanding Match Company

Diamond itself has been having a bit of trouble profitwise in its integration, but it did, in acquiring U. S. Printing & Lithograph, pick up a new chief executive William H. Walters, plus a company that has shown constantly increasing earnings. In other words—since the U. S. Printing merger is only three months old—there is a good chance that Diamond can now start to show drastic improvement with the expense of integrating new acquisitions at least temporarily at an end.

* * *

Yield doesn't seem to be the paramount issue for most of the market followers. Despite the fact that the yield in Minnesota Mining is a fractional one, that doesn't prevent the stock from being one of the wide gainers on occasion. More important to MMM followers would appear to be its dominant position in the magnetic tape field, its 257% growth in sales in a decade, etc.

* * *

A stock with longer-range promise might be Link Belt where the dividend had to be cut and the stock sagged dispiritedly, although the materials handling business is in the forefront of any plant expansion to cut labor costs via automation. The company seemed to have made its turn, but then bumped into the steel strike so that estimates of this year's results are generally on a par with last year, which were far from dramatic. However, with a strong upturn in operations in 1960, the sharp contrast could show up and make the issue a candidate at least for a restoration of the 75-cent quarterly dividend in effect prior to the cut to 60 cents. Even at the current rate the return is an above average 4% which seems to be discounting the recent trials of the company.

Foods Gaining Popularity

Long laggard food stocks were able to perk up, mostly in anticipation of some good earnings news. Projections of results for the current fiscal year along with its big stake in the European Common Market of H. J. Heinz are so glowing that to some of the services and brokerage firms, this is both a candidate for a stock split and a dividend boost.

* * *

Beatrice Foods was another food company under the scrutiny of some of the market analysts. It is an item with a yield approaching 4%, but also is a candidate for a better payout since it distributes less than half of its earnings to holders and is in a pronounced earnings uptrend.

* * *

Ranking well below the dairy giants—National Dairy and Borden — Beatrice has been in a deliberate program of downgrading its reliance on low-margin dairy items and boosting the proportion of high-margin, specialty foods it handles. Where butter once accounted for a fourth of sales two years ago, it is less than 10% currently. The egg and poultry line was shaded down from 7% to 2%. The program, judging by earnings, would appear to be a successful one.

[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.]

Robert Lewis Adds

(Special to THE FINANCIAL CHRONICLE)

ROCKFORD, Ill. — Verne E. De Courcy has been added to the staff of Robert G. Lewis & Company, Rockford Trust Building, members of the Midwest Stock Exchange.

Canada General Names Shierling

BOSTON, Mass.—The reconstitution of the Canada General Fund Limited Executive Committee to an Investment Committee and the appointment of Evan V. Shierling to that committee has been announced by William F. Shelley, President of the $90 million mutual fund. Mr. Shierling, a Vice-President, has been associated with Canada General Fund since it was organized in 1954. He has been associated with Boston Management and Research Company, investment adviser to Boston Fund and Canada General Fund, since 1942. He formerly was associated with Moody's Investors Service. He is also a Vice-President of North American Fund of Canada Limited.

Evan V. Shierling

Other members of the Canada General Fund Investment Committee include: Mr. Shelley, Robert L. Osgood, Edward F. Ryan, Maxwell C. G. Meighen and A. Bruce Matthews.

William Stern Burnham Partner

William P. Stern as of Jan. 1 will be admitted to partnership in Burnham and Company, 15 Broad Street, members of the New York Stock Exchange.

Walston Adds Two

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — John R. Foley and James C. Graziani are now affiliated with Walston & Co., Inc., 265 Montgomery Street.

Full Employment Economy Requires Stable Housing

By Hon. Albert Rains, United States Congressman (D.-Ala.)*

Linking housing declines to tight money and, in turn, to causing economic recession, Rep. Rains promises that he and the Congressional Committees concerned will seek measures to assure an ample mortgage credit-flow, at reasonable rates, to maintain a stable, healthy home building industry. The ranking House Banking and Currency Committee member and Housing Subcommittee Chairman refers to such measures as tapping pension funds, creating a Central Mortgage Bank and emergency legislative support for FNMA. He is disturbed by the drop in housing starts; objects to use of interest rate as a control mechanism; defends Congressional inaction on government bonds' interest rate; and asks that "full" employment and price stability be both explicitly stated as national goals.

Because banking is such a complex operation, few people realize the fundamental importance of the banking system. All too often they overlook the fact that behind every product that is sold, every truck, train or plane that moves, and behind every building that is constructed, credit has played a vital role.

Sees Home Building Decline

In no industry is credit more important than in home building. Bank credit is vital at every step of the way. It enables the materials dealer to carry his inventories, it provides the builder with construction financing, it enables the mortgage banker to carry his shelf of loans, and it accounts for a substantial share of the ultimate financing for the home buyer. This is the aspect or segment of the money market which gives me greatest concern, because I am seriously disturbed that the home building industry appears to be headed into a decline once more. And past experience tells us that a slumping home building industry can pull the entire economy down into recession.

Albert Rains

I cannot escape the eerie feeling that the economic situation today is very much as it was about three and a half years ago—in early 1956. You will recall that at that time the economy was well along in its recovery from the 1953-54 recession. Then as now, business investment was rising fairly rapidly, placing pressure on the supply of credit. Then as now, interest rates were rising and the Fed was relentlessly pursuing a restrictive monetary policy. Then as now, home building had started downhill. As we all know now, we paid a heavy price in the serious economic recession which began in the Summer of 1957.

I have detected a school of thought which apparently seeks to establish the doctrine that the ebb and flow of our economy, and more specifically the fluctuation between full employment and recession, is both inevitable and not necessarily unhealthy.

I reject this thesis as both defeatist and lacking in compassion for the severe economic hardship which an untold number of families suffer in periods of economic recession. I think we should bear carefully in mind the fact that each of our post-World War II recessions has bitten a little deeper and that each successive recession has left larger and more lasting scars. Each time unemployment has risen to a higher level. To me the lesson is plain—we must find ways of preventing, or at least moderating, these progressively more serious economic contractions.

I do not think any of us can afford to be complacent when we realize that in this last recession 12 million American families—that is, one out of every four—suffered either the total unemployment of one of its breadwinners, or reduced working hours and a consequent reduction in family income. In my judgment we cannot shrug off the danger of another recession. We must be constantly alert to signs of weakness in the economy, and also ever vigilant to offer a helpful hand to keep the economy moving in high gear.

It is widely recognized that residential construction is a key "leading" indicator of economic trends. Historically, it has led overall production and employment both on downswings and recovery. This is not simply a statistical coincidence. It reflects the far reaching economic importance of the $15 billion home building industry. Residential construction provides a market for hundreds of products and, in recent years, it has provided employment for nearly 3 million men, on-site and in the factories. No one interested in the health of our overall economy can be indifferent to trends in the home building industry.

I am disturbed because we are now witnessing a slow but steady decline in home building. Over the last five months the annual rate of private starts has fallen by 100,000 units and every indication points toward a further decline, very likely at an accelerating rate.

Blames Tight Money

In my judgment the decline is due to tight money. Excessive mortgage discounts are making it extremely difficult for builders to realize a fair profit on their homes and there is a serious danger that inflated interest rates are beginning to stifle demand. Today the typical family buying a house under FHA has to pay more—far more—for financing than for the house itself. In many parts of the country home builders are unable to arrange forward financing on reasonable terms. Home builders—like other small businessmen and small farmers—are the first to suffer the consequences of a restrictive monetary policy.

Over the past six years we have seen interest rates rise year after year to truly alarming levels. Take the interest rate on the FHA home loan for example. In 1952 a borrower could obtain an FHA loan with an interest rate of $4\frac{1}{4}$%. Today a borrower has to pay $5\frac{3}{4}$%, a percentage increase of 35%! When you take into account the $\frac{1}{2}$ of 1% annual premium charge for FHA insurance, this means that the home buyer is now paying $6\frac{1}{4}$% annually for FHA financing!

Taking a $13,500 mortgage (FHA's approximate 1958 average) with a 30-year maturity, this tremendous increase in interest costs has boosted the financing cost of the $13,500 mortgage by approximately $4,500. Stated another way, if the line had been held on interest rates, the average home buyer could get an additional bedroom, an additional bathroom, and perhaps a garage as well for the amount saved. Actually the cost of financing the home over the life of a mortgage loan is far more than the cost of the home itself. At the present rate the financing cost of a $13,500 30-year FHA loan amounts to $16,200.

Quotes Dr. Arthur Burns

Many of us in Congress feel a growing concern about the uneven impact of hard money. I would like to quote if I may from Dr. Arthur Burns, a respected and able economist, who, as Chairman of the Council of Economic Advisers from March 1953 to December 1956, was a chief economic adviser to President Eisenhower. In his book entitled "Prosperity Without Inflation," he makes the following statement:

"The traditional assumption that general credit controls exercise something like a uniform impact on different sectors of the economy appears to be invalid. When the government embarks on a restrictive credit policy, it does this with a view of restraining the growth of total expenditure, not to benefit one type of activity or to injure another. In practice, however, some branches of activity, such as those in which the Federal Government itself is engaged, are untouched by general credit restrictions. In other activities, such as consumer instalment buying, the effects are seriously felt only after a very substantial lag. On the other hand small businesses and the home building industry are apt to feel the impact of general credit restraints fairly promptly and more keenly. But not only do general credit restrictions have selective effects, it also appears that these effects may interfere with some key objectives of national economic policy—such as the extension of home ownership, the promotion of sound neighborhoods, and the maintenance of an environment in which small and new businesses, which are a vital source of innovation in our economy, have a reasonable opportunity to survive, prosper, and grow."

To my mind, Dr. Burns has stated the case fairly. General monetary restraints hit hardest at those groups in our economy least able to defend themselves. I share Dr. Burns' concern for small business which he characterizes as "a vital source of innovation in our economy." I also share his concern with the extreme impact which tight money has on home building and the home ownership aspirations of our people.

I would also like to state my vigorous opposition to the thesis that home building should be deliberately starved of credit during periods when our economy is running in high gear. In the post-World War II period, residential construction has made a vital contribution to bringing the country back out of recession. Too many people overlook the other side of the coin. And that is the fact that declines forced on the home building industry have played an important part in leading us into those recessions. It appears that in recent years when prosperity hit the economy, our economic managers have panicked and said to one another, "Let's cut back on home building and save it for the next recession." I am convinced that not just home building and housing policies are hurt by this, but that the entire economy suffers.

Finds Buyer Penalized

This policy of allowing wide swings in home building penalizes the buyer through higher costs. It is impossible for an industry to plan intelligently if it is subject to extreme fluctuations. It is only common sense that the industry would be more efficient and its costs would be reduced if it could maintain a stable level of activity.

... nt money has another effect on home mortgage financing which is of particular concern to me. That is the fact that shortages of mortgage money breed dangerously unsound home financing practices. In hearings which we held in 1957, our housing subcommittee found abundant evidence that the tight money of that period had driven builders to adopt second mortgages and other questionable devices, such as land sales contracts.

Those of us who recall the disastrous consequences of the pyramiding of second and third mortgages prior to the Great Depression are naturally concerned when we see the return of similar practices. Not only do these loans double up the buyer's payments in the early years but when written as balloon payment loans, they raise the same problems of refinancing that have in the past proven highly unwise. In the case of instalment sales contracts, the buyer often does not have title and in some cases can be thrown out of his home even for a brief default. These financing devices are dangerous and render the home owner especially vulnerable in times of economic recession.

In my judgment you cannot expect the Congress to stand idly by and watch while monetary policy undercuts housing policy, while unsound financing practices spread, and while a key industry is thrown into a decline which may very well sow the seeds of another recession.

We face the compelling necessity of finding means of assuring the ample flow of mortgage credit on reasonable terms necessary to a healthy home building industry. I know that this problem will be given the highest priority by my Housing Subcommittee and by its parent Banking and Currency Committee in the months ahead. In our hearings and studies we will leave no avenue unexplored in trying to find an answer.

While one dislikes to approach a problem with even a single preconception, I must say in all candor that I cannot accept the solution propounded by many which calls for a flexible interest rate policy on government-guaranteed and insured loans, permitting the rate to rest at whatever level current market supply and demand factors may dictate. I have had some experience in this field and I have learned to my sorrow that the word "flexible" has taken on a new meaning—it now means only one thing and that is upward — with one notable exception in the case of farm prices.

I believe as a matter of firm conviction that the endless upward spiral of interest rates is not the answer. We must turn from an economic policy which actively encourages, even welcomes, every further increase in the interest rate structure.

Finds Interest Rate A Poor Weapon

In my judgment this policy has proved a dismal failure. In theory higher interest rates are supposed to curtail investment in boom periods by restraining borrowing. But the record is plain that higher interest rates exercise little if any restraint on the borrowing capacity of the more powerful segments of our economy.

Theoretically we are told that higher interest rates will help combat inflation by encouraging more savings. Again the facts in our recent history have not supported this theory. All we have seen as interest rates climbed upward is a competitive rate war between the various groups who bid for the savings of our people. The difficulty I am convinced is that interest rate increases as they occur have virtually no effect on the decisions to save of the vast majority of our citizens. The average family saves with the primary purpose of providing a nest egg for future needs, and in my judgment the rate of savings of the average family is largely unaffected by increases in the interest rate level.

And I am convinced that these theoretical advantages of a higher interest rate policy—which as I have said are seriously questioned by the facts of experience—are far outweighed by the very serious danger we court in driving borrowing costs so high that the average family may find the financing costs of carrying mortgages and consumer instalment debt prohibitive. I am fearful that sooner or later, unless we call a halt, the inexorable upward spiral of interest rates we have seen over the past few years will force a day of reckoning which I am sure we will all like to avoid.

I recognize that the problem of assuring an adequate supply of mortgage capital for the home building industry is a most difficult and complex one. But I do feel strongly that we cannot sit idly by and wait for the inevitable readjustment.

What Congress Will Do

In our forthcoming studies and hearings we will entertain all ideas and suggestions. We will search for ways of tapping the vast resources of pension funds. We will examine carefully the builders' proposal for a Central Mortgage Bank. We hope that experts in the field of banking will have constructive proposals. And I say quite frankly, if home building is on the ropes when Congress reconvenes, and none of these proposals has been found to work, we will seriously consider providing a substantial support fund in the Federal National Mortgage Association's special assistance operation, similar to the billion dollar fund provided in the Emergency Act of 1958, which in my judgment was a key factor in sparking us out of the last recession.

Now I am well aware that the suggestion that additional FNMA special assistance may be necessary automatically brings forth cries of inflation in many quarters. I am convinced that these cries of alarm, however well-intentioned, are unfounded. I yield to no man in my opposition to inflation and I am aware of the injustice which inflation brings to many of our people. But I am also aware of the fact that this subject is encrusted with a welter of myths and misunderstandings.

Defends Congress' Ceiling Rate

In my judgment, one of the most unfair canards is the current cry that the failure of the Congress to authorize a higher interest rate on long-term government bonds is at present our greatest inflationary danger. To me it is ludicrous to pick on a single factor to explain away the refinancing mess in which the Treasury now finds itself. Actually, it is a serious question whether the government should issue long-term bonds in the present economic setting. Such an action would inevitably raise long-term yields and could have a very harmful effect upon the availability of mortgage funds.

As a matter of fact, you will recall that the Congress was prepared to compromise with the Administration on the matter of the interest rate ceiling. All we asked in return was that the bill contain a provision regarding the Federal Reserve System which expressed the sense of Congress. In my judgment it expressed a perfectly sensible view and in practical effect did no more than spell out what basic Fed policy should be anyway. Moreover, it did not bind the Fed to any specific action. Modest as this provision was, the Treasury and the Federal Reserve

Board raised a tremendous hue and cry. They claimed that this provision was completely unacceptable and in the end they succeeded in killing the bill. I think too many people forget that the Federal Reserve Board is a creature of Congress and the arrogance in the implication that the Congress cannot express its opinion on Fed policy disturbs me greatly.

Moreover, we must remember that interest costs are an important item in the government's budget. To me it is incomprehensible how an Administration which talks so much of economy can blandly accept the tremendous increases which we have seen in the costs of carrying the national debt. Back in January, when the President submitted his budget for fiscal 1960, it carried an item of $8 billion as interest on the debt. That figure was recently revised upward by $1 billion without a word of complaint. This is truly inflation of our budget costs with a vengeance.

Wants Both Evils Condemned

While I am on this subject, I would like to take note of the vigorous newspaper campaign which some companies are conducting against inflation. Efforts to combat inflation—real inflation—of course are commendable, but I often wonder why we do not see similar newspaper campaigns urging aid to the unemployed in times of recession. I wish that more leaders of the business community would show that they are at least as concerned over the evils of recession as they are over the evils of inflation.

Again while on the subject of inflation, I would like to take this opportunity to say that I am in wholehearted accord with one of the recommendations of the American Bankers Association, which I understand was adopted formally as a resolution. That is the recommendation that the Employment Act of 1946 should be amended to incorporate price stability as an additional stated objective of national policy. Some have argued that the phrase "maximum purchasing power" is in effect the same thing, but I believe that this is a somewhat tenuous argument and agree that the objective should be stated explicitly.

All of us I am sure would like to see maximum employment and growth with stable prices. It would seem to me unarguable, therefore, that such an objective should be clearly set forth in the basic document outlining our national economic policy. At the same time I would hope that the American Bankers Association objective would go along with another amendment to the Employment Act of 1946, which I regard as equally important. I believe that the Act should be renamed the Full Employment Act and that it should state unequivocally that full employment is one of our national goals.

Many will recall that when the Employment Act of 1946 was first considered, it was called the Full Employment Act. This one word engendered so much controversy that the phrase full employment was finally stricken. It was said at that time that if full employment were made our policy objective that we should be led into a program of inflation. The unfortunate result was that the bill as finally passed dropped both objectives. It is not flatly against inflation nor for full employment. I am convinced that it is high time we correct this lapse and establish a firm basing point so that the policies of our Government can be directed both toward stable prices and toward insuring that employment opportunities will always exist for all men and women able and willing to work.

Frankly, I often think we spend too much time tilting at the windmills of past economic problems. I think that too often our preoccupation with problems of the past tends to obscure a proper vision of the future.

I am convinced that we are in need of a bold and imaginative economic policy. We are continuously told that we must not grow too fast and that we cannot afford this or that vital program. I reject this "standpattism" which seems to pervade our present governmental policies.

The almost daily newspaper stories on our lag in the field of space science is a constant reminder of the terrible price we pay when we allow ourselves to be governed by a timid pennypinching approach to our national welfare. I do not mean in any way to belittle the accomplishments of our military forces and of our scientific experts. They are doing a heartwarming job in trying to preserve our national security. Nevertheless many of these men themselves will be the first to tell us that we are not doing enough and that the path of a half-hearted effort is a dangerous one indeed.

In my judgment our nation is also saddled with an economic policy which seems to be preoccupied with preventing growth rather than encouraging it. A balanced budget is a goal which all of us seek in periods of economic prosperity. But it is one thing to seek it as a desirable objective and quite another to make it a fetish which blinds us to our needs and capabilities as a nation.

In my judgment we must shake off the shackles of the economic platitudes of the past which seem to bind our thinking. We must face the future with confidence and recognize what to me is a basic truth and that is that the only road to a balanced budget—and to price stability for that matter is—the road to a growing and expanding full employment economy.

Refers to C.E.D. Study

In support of this hope for large-scale economic growth, I would like to call attention to a recent study by the Committee for Economic Development, one of our leading and respected business research organizations. This report shows that if we do no more than resume past rates of growth, our total national output ten years from now will be $624 billion — fully $189 billion more than in fiscal 1958, the last fiscal year before the full impact of the last recession.

This projected rate of economic growth has tremendous implications for Government financing. The CED report found that if there were no changes from current tax rates, Federal budget receipts would jump from $69 billion in 1958 to $105 billion in the year 1968, an increase of over $35 billion in only ten years' time.

Unless this growth is stifled by unduly restrictive monetary policies, in my judgment the natural expansion of our economy will make it possible to provide greater services to the American people, including a stronger military defense posture, and also offers the hope for ultimate tax relief.

Ours is the richest country on earth and ours is the best economic system ever devised. In spite of this wealth, there are some things which we cannot afford. We cannot afford runaway inflation. Nor can we afford the misery of recession. We cannot even afford to gamble on these matters by leaving them to chance. This is not a plea for Government intrusion into the private economy because that intrusion has already taken place. As a result of a soul-searing depression and hot and cold war, the Federal Government is now the largest single factor in our economic lives. It is now spending nearly $80 billion a year, mostly for defense and the cost of past wars. Our total Federal debt now exceeds $290 billion. Obviously, everything that Government does or fails to do has repercussions throughout the business world. The problem facing us is not whether the Government should have a powerful voice in economic matters—it already has—but how to use that power wisely. That as I see it is the major challenge which lies ahead. And I am confident that this great democracy of ours will meet that challenge fully.

*An address by Rep. Rains before the Savings and Mortgage Division at the Annual Convention of the American Bankers Association, Miami Beach, Florida.

Mass. Investors Names R. Bailey

BOSTON, Mass.—Appointment of Richard B. Bailey as an industry specialist in the investment research department of Massachusetts Investors Trust was announced today by Dwight P. Robinson, Jr., Chairman of trustees.

Richard B. Bailey

Mr. Bailey, prior to joining the Trust's staff, was an industry specialist and assistant to the Vice-President in charge of research and supervision at another Boston-based mutual fund. Earlier he had been associated with C. Brewer & Co. in Honolulu as an industrial engineer and with Raytheon Company as a production engineer.

Mr. Bailey will do investment research in a selected group of industries in which the Trust has investments.

Service for Paul A. Just

Memorial services for the late Paul A. Just, regional Vice-President of Hugh W. Long & Co., Inc., and previously Executive Vice-President and Director of Television Shares Management Corporation, will be held Saturday, Dec. 12 at 2:30 p.m. at Hepplethwaite Chapel, Evanston, Ill.

With Eversman Inv.

NEW KNOXVILLE, Ohio—Donald C. Rinehart has become connected with Eversman Investment Co., Botkins Road.

RAILROAD SECURITIES

Freight Car Shortage Looms

A shortage of railroad freight cars already is affecting some industries. The nation's carriers have been scrapping freight cars at double the rate they have been putting new ones into service.

In the twelve month-period ended with October, the roads retired 82,849 cars and installed 39,870, according to the Car Service Division of the Association of American Railroads. There are 40,097 cars on order. The serviceable fleet now amounts to 1,553,000 cars, almost an 18-year low. This is 17,000 cars less than on July 1, just before the steel strike and 40,000 less than a year ago.

It is pointed out if the usual spring seasonal pattern of increased traffic occurs, there could be an acute car shortage. There already is serious shortage of hopper cars, and gondola cars also are in short supply. This is being felt by the coal and iron industry and other shippers of bulk commodities. This will particularly affect the steel industry which is trying to build up stocks of raw materials.

The present cold weather is preventing a worse shortage. During warmer temperatures open-top cars also would be moving sand and gravel for the construction industry. From a daily shortage of 3,000 open-top cars, immediately after the steel strike ended, the figure has been cut to 1,640 cars a day because of the weather. Another factor is that when the Great Lakes close down due to ice conditions, the ore that normally moves by Lake freighters from the Northern iron ore ranges, will have to be hauled by rail.

An additional squeeze is the fact that car builders, including the rails' own shops, are having difficulty in obtaining steel both for the construction of new cars and for repair work on the large number of bad order cars.

Some shippers have turned to an increasing use of trucks and if the shortage should increase additional traffic will be turned over to the truckers. This is worrying rail officials since they are afraid some of this traffic will be permanently lost. To counteract this the carriers are expected to place increasing emphasis on their piggy-back operations.

Another situation which could hurt the railroads from a traffic point of view is the possibility of a rail strike or slowdown. It is believed other forms of transportation would be quick to capitalize on this with the possibility the carriers would have to work to regain the lost business.

Buffalo Bond Club Elect Officers

BUFFALO, N. Y.—At the annual meeting Friday, Dec. 4 of the Bond Club of Buffalo, the following officers and directors were elected:

President: Edmond J. Forkin, Doolittle & Co.

Vice-President: Charles W. Dorries, Manufacturers & Traders Trust Co.

Secretary: Bertram Parsons, Stevens, Cornelius & Parsons.

Treasurer: Ralph W. Stoddard, Bank of Buffalo.

Directors: the officers and John R. Gronachan, Dominick & Dominick; Robert J. A. Irwin, Jr., Marine Trust Co. of Western New York.

Jack B. Sharpe, Blair & Co. Incorporated; Frank C. Trubee, Jr., Trubee, Collins & Co.; Charles H. Wiest, Victor, Common, Dann & Co.

Albert McGann to Be NYSE Member

SOUTH BEND, Ind.—Albert McGann Securities Company, Inc., 131 West Washington, members of the Midwest Stock Exchange, will become members of the New York Stock Exchange as of Dec. 17, with the acquisition of the New York Exchange membership by Albert McGann, President of the firm. Other officers are Elmer E. Richards, Vice-President; Richard Cleary, Treasurer; and Davies Robertson, Secretary.

Nuclear Energy's Growth in Europe's Energy Economy

By R. P. Perret,* Scientific Consultant to the O. E. E. C.
European Nuclear Energy Agency

Keeping in mind the supply conditions of various fuels for European power and the demand for cheap supply of energy there, Mr. Perrett assesses the foreseeable growth of nuclear power in Europe. Detailed are estimates of capital requirements, cost competitiveness, and effect on the terms of the balance of payments. Some of the careful conclusions about nuclear growth for the 1958-65 period are that it will: furnish 4.2% of total installed European capacity by 1965, most of which, however, will be experimental; mean a total capital investment of $3 billion which will be less than that expected to be spent for thermal and hydro power; involve imports of $160 million per year, consisting of $120 million for fuels and $40 million plant; and would not become competitively economic before 1975, except for some types in certain countries such as in United Kingdom and Italy. All in all, the author sees this kind of energy becoming vital, depending upon the country, between several to 10-15 years from now.

Before attempting to assess the importance of nuclear power in Europe's energy economy, it is worth spending a few moments on looking at her present demand for energy, her present production, and the probable future trend. Between 1948 and 1958, the overall consumption of primary energy in Europe rose by an average of some 4% per annum, although this rate of increase has been dropping in recent years compared with the period when Europe was recovering from the after-effects of the Second World War. European production of primary energy has not kept pace with the increase in consumption, and it has therefore been necessary to rely increasingly upon fuel imports. Whereas, between 1948 and 1950 Europe imported less than one-seventh of her requirements of primary fuel, the proportion since 1956 has risen to about a quarter.

R. P. Perret

Evolution of the European Energy Situation

There are many methods by which global energy requirements can be estimated. Firstly, since it is possible to relate energy requirements to the gross national product, a forecast of future energy demand can be obtained by extrapolating the evaluation of this latter. Increases in demand can be forecast by sector, for the principal industries and for domestic consumption and estimates can be also drawn up by country.

In applying these various methods one arrives at similar estimates of total primary energy demand in Europe in 1975. On this basis it can be predicted that, between now and 1975, Europe's primary energy requirements will rise by an average of about 2.3 to 3% per annum. It is evident that the rate of growth will not be absolutely constant, but that we shall see periods of slight recession alternating with periods of more rapid progress.

By way of example, Europe has very recently passed through a phase in which the rate of economic expansion was slowing down. The immediate effect of this was that the energy market, which had, for practically all types of fuel, been a seller's market, was transformed into a buyer's market. In such circumstances, the comparative cost of the various fuels becomes of paramount importance. It might, perhaps, be thought that the recent discoveries of oil and natural gas in France, the Sahara and elsewhere might help to bring production from European sources into line with demand. According to the estimates of production of gas and fuel oil in Continental Europe and the Sahara it can be predicted that these local sources will serve to reduce the fuel imports which would have been necessary by about one-third in 1965 and by a little more—say 40%—in 1975. However, despite the rapid development of these sources of energy, fuel imports from sources other than Sahara, will rise in absolute value, between 1965 and 1975, by about 40%. It should be noted that these forecasts cover Europe as a whole, and that the sources of gas and fuel oil will benefit each country in varying degrees. For example, the Sahara gas and fuel oil sources are of great importance to France. In other words, the above conclusions as to the effect of European gas and petroleum sources on the evolution of fuel imports are only valid for Europe as a whole and could be erroneous if applied to any particular country.

Under present conditions in Europe, it is clear that the major concern in shaping a long-term policy must be to assure an abundant and cheap supply of energy. The consequence may well be that fuel imports will be larger than the mere difference between potential indigenous production and total demand would warrant. Moreover, in view of the reinforcement of the financial situation in Europe, the question of payment in foreign currencies takes second place to that of relative costs.

With the growing diversity of sources of imported fuel, it seems unlikely that there will be any prolonged shortage of primary energy in Europe between now and 1975. This, however, is by no means certain, and it is therefore vital for Europe to ensure that her supplies of energy are both regular and uninterrupted. One of the most effective ways of achieving this would appear to be to give every possible encouragement to the development of each of the new sources of energy.

These matters are currently under study by the O. E. E. C. Energy Advisory Commission under the chairmanship of Professor Robinson of the United Kingdom: the Report of the Commission will be published at the end of this year. The European Nuclear Energy Agency of the O. E. E. C. (ENEA) has collaborated in dealing with the nuclear energy aspects of this work.

Estimates of Nuclear Energy Production in Europe

Let us now turn to the question as to how far nuclear energy may become a cheap source of energy. For some time past, ENEA has been engaged in forecasting the production of nuclear energy in Europe, and our main findings have been published in the Proceedings of the Conference which ENEA organized at Stresa in Italy in May of this year. The object of the Stresa Conference was to bring together industrialists, business men, financiers and power experts in order to study and discuss the rhythm of and conditions for the industrial development of nuclear energy in Europe, with particular reference to fuel requirements, special metals, moderators, equipment and instruments. The first part of this Report, entitled "The Industrial Challenge of Nuclear Energy" is now available and contains the study on nuclear energy forecasts which I have just mentioned. The remaining parts should be ready by the end of the year.

To estimate the total capacity of the nuclear power stations which are being built in Europe, calculations can be based on the plans for the individual stations. The uncertainty attaching to the various programmes and to technical developments makes it particularly hazardous to forecast a long way ahead in the nuclear field. We have therefore chosen 1965 as the deadline, a year which coincides fairly closely with the limits of the national programmes and projects.

The various nuclear power stations projected can be divided as follows: five prototype power stations already in service, with a total capacity on October 1, 1959 of just over 200MWe; 13 stations under construction, for which work has already started on the sites, with a total capacity of a little more than 2,000 MWe; seven stations the construction of which has been decided, the sites chosen and for which financing is already assured, with a total capacity of about 1,700 MWe. These 25 power stations will have a total capacity of just over 4,000 MWe. Finally, a further 18 stations are projected. For these, the type of reactor has been decided in broad outline and the preliminary work is well advanced; their total capacity will be 3,500 to 4,000 MWe.

Taking the total capacities of all these power stations it will be seen that by 1965 total nuclear capacity in Europe will be about 8,000 MWe. Using the dates announced for the putting into service of each station, a curve can be plotted which shows the increase in installed capacity in Europe over the period up to 1965 (Figure 1).

If one takes into account the national programmes officially announced by the various European countries, one arrives at a figure for the total capacity forecast for Europe in 1965, of just over, say 9,000 MWe. The basic estimate we have adopted for 1965 is 8,500 MWe (or 8.5 GWe). It seems, however, that the general economic recession may affect schedules and there may be some delay in constructing the stations and bringing them into service. It would therefore seem more prudent to regard our estimate of

TOTAL INSTALLED NUCLEAR CAPACITY IN EUROPE

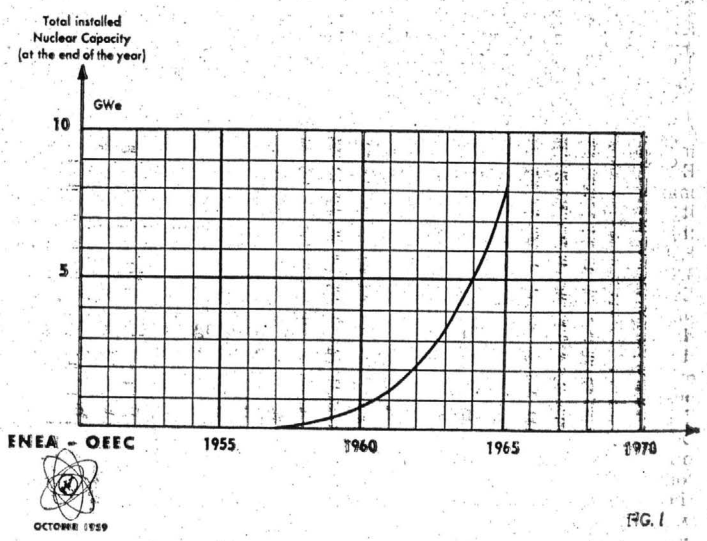

FIG. 1

TOTAL INSTALLED ELECTRICAL CAPACITY IN EUROPE

FIG. 2

DETERMINATION OF THRESHOLD OF COMPETITION BETWEEN CONVENTIONAL THERMAL POWER STATIONS AND NUCLEAR POWER STATIONS

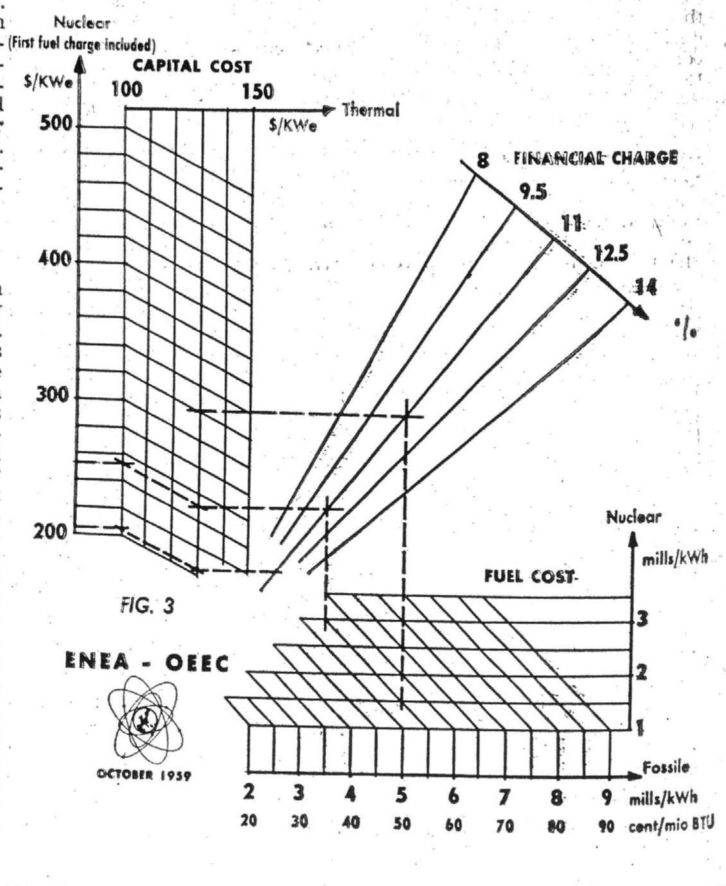

FIG. 3

)00 MWe as more valid for 1966 1967 than for 1965.

ilosophy of the Nuclear Power Stations Programme

Turning now to a qualitative ialysis of the various power ations at present under construction or projected, it can be id that most of these stations e of an experimental character. hey are, in fact, large-scale industrial experiments with the sential purpose of obtaining ita on the behaviour of plant id fuels, on real costs and on perating methods. An exception this is the United Kingdom, id to a small extent Italy.

The main object of this trial eriod, 1958-1965, will be to gain xperience leading to a reduction the construction and operating osts of nuclear power stations.

The growth of nuclear energy the short run, 1958-1965, seems ierefore to be governed rather y the desire to acquire knowledge or to gain a position in the iarket for equipment than by the nmediate necessity to produce nergy: such growth will be mited by the financial resources vailable. An exception is the Jnited Kingdom, which has taken lead in its nuclear power programme and which, with Italy, as the greatest and most pressing eed of all the European countries for new sources of energy. Their power stations will therefore produce electricity to feed ie grid.

(omparison With Total Electrical Capacity in Europe

The forecasts of the increase in installed electrical capacity in Europe (both thermal and hydro) made by the O. E. E. C. Electricity Committee show (Figure 2) that nuclear power stations (with 8,500 MWe) will provide some 4.2% of total installed capacity in Europe. From the point of view of output it is much harder to draw a comparison with that produced by conventional methods of generation. It would be hazardous to estimate a real load factor for nuclear power stations: their perfectioning during operation may call for more or less prolonged stoppages, in which event the average yearly running time will be less than that of most conventional power stations; on the other hand it may be that their design will be sufficiently advanced for them to carry the base load, and their load factor will then be higher than the conventional average. The first eventuality seems more likely, on the average for the first period, during which nuclear energy will contribute less than 4.2% of the total output of energy in Europe.

Capital Requirements

As regards the capital needed to construct nuclear power stations, information recently published shows that the cost per installed kWe will tend to fall over the period 1958-1965 from about $400 to $300 for natural uranium power stations, and from $350 per kWe to $280 per kWe for those using enriched uranium.

Assuming for this period an average capital outlay of $350 per kWe (excluding the initial fuel charge) for natural uranium, and of $315 per kWe for enriched uranium power stations, total capital investment up to 1965 would amount to $3,000 million. For the same period, 1958-1965, total capital investment in thermal power stations has been put at some $5,000 million (assuming an average cost of $140 per kWe) and for hydro power stations at $7,000 million (assuming an average cost of $300 per kWe). Capital investment in nuclear power stations from 1958 to 1965 therefore represents a quarter of the total amount invested in hydro and thermal power stations during the same period.

The figures are sufficient proof that Europe's nuclear energy development programme from now until 1965, although in the nature of an industrial experiment making only a very small contribution to the total output of energy, already constitutes a very important market for the industries concerned.

Incidence of the European Balance of Payments

Imports into Europe of equipment for nuclear power stations, and especially of enriched fuel from the U. S. A., have an impact on the European balance of payments. On the basis of current projects we have assumed that by 1965 natural uranium power stations will have a capacity of about 6,000 MWe and enriched uranium power stations a capacity of 2,500 MWe. As regards fuel, it can be reckoned that European demand for enriched uranium will be met entirely by imports from the United States but that by 1965 fuel elements may be manufactured in Europe. With regard to natural uranium, it may be assumed that the resources of countries other than the United Kingdom will be sufficient to meet their requirements, and that dollar purchases will not exceed 40 to 50% of British imports, which will be in the form of ore.

In addition, it can be assumed that natural uranium power stations will be built entirely by European firms while on the average 20% of the plant and work involved in constructing enriched uranium power stations will be paid for in dollars. Assuming that the annual rate of increase in nuclear capacity towards 1965 will be around 2,500 MWe, annual imports can be estimated at about $120 million for fuels and about $40 million for plant, making a total of some $160 million a year.

If this money were used to buy conventional fuel, between 18 and 32 TWh [c. i. f. price $15 to $25 per ton, 35% of the efficiency of thermal power stations] could be produced with imported coal, and 20 to 30 TWh [c. i. f. price $20 to $30 per ton, 8% refining loss, 35% of the efficiency of thermal power stations] with crude oil.

If, however, this money were spent on imports of nuclear fuel and equipment, allowing for European capital investment and local fuel sources, about 56 TWh of electricity, or on the average a little more than twice as much as with the corresponding imported fossil fuel, could be produced, provided that the nuclear power stations were in continuous operation. It should, however, be borne in mind that this saving of foreign exchange could only be achieved at the cost of very heavy investments drawn from Europe's internal resources.

The Production Cost of Nuclear Energy

Let us now turn to long-term forecasts. The decisive factor in the development of nuclear power stations on an industrial scale, is undoubtedly how the cost of nuclear energy compares with that of conventional energy produced at the same place and under the same conditions. It would be quite pointless to try to calculate an average nuclear cost and to compare it with an average conventional cost, particularly as at the present moment nuclear costs are often still theoretical because they cannot be based on practical experience. During the period from now until 1965 it will be possible, in the light of experience with power stations which will come into operation, to determine the cost of nuclear energy as well as the probable short-term trend of costs. It is, however, worthwhile at this stage to analyze the cost factors of nuclear energy and a study of this kind has been made by ENEA. The aim of this study was to determine the different factors, the incertitudes and the orders of magnitude, rather than to produce accurate calculations of cost.

To make a valid comparison between the costs of nuclear and conventional energy an attempt should also be made to determine the conditions which a nuclear power station would have to satisfy if the cost of its electricity were to compete with that of a new conventional power station built for the same purpose. I shall show how such a comparison can be made. The following example has been worked out by Mr. Brondel of the O. E. E. C. Electricity Committee in collaboration with ENEA. The cost factors of electricity, both nuclear and conventional are:

The financing charges (interest and amortization of capital, fiscal charges, including taxation);

Fuel costs and

Operating expenses (including insurance).

Since the object is to determine the exact point at which two power stations, one nuclear and the other conventional, become competitive when operating under identical conditions, the same load factor and period of depreciation can be assumed, and for the sake of simplicity, the same operating costs.

The variable factors are therefore the financial charges, the cost of the initial establishment (including, in the case of a nuclear power station, the initial fuel charge) and the cost of fuel. Figure 3 shows the conditions which a nuclear power station would have to fulfill if the cost of the electricity it produces is to equal that produced by a thermal power station with a running time of 6,000 hours per year.

Let us assume, for example, that the cost of the initial establishment of a new thermal power station is $130 per kWe, that the conventional fuel costs 55 cents per million B. T. U. (5.5 mills/kWh) and the financial charge is 11%. For the cost of nuclear power to be competitive there must be a specific correlation between the cost of nuclear fuel and investment. For example, if nuclear fuel costs three mills per kWh, investment must be less than $250 per kWe; if the fuel costs only 1.5 mills/kWh, investment may be as high as $320/kWe. This example is fairly representative of average European conditions. In contrast, in the United States fossil fuel costs only about 30 cents per million B. T. U. (three mills/kWh); in these circumstances the investment cost should not exceed about $200 kWe for the nuclear power plant and 1.5 mills/kWh for the nuclear fuel if the station is to be competitive. One of the advantages of such a figure is that rapid and successive approximations can be made for calculations involving five variables.

The practical possibilities of achieving either a capital cost or a fuel cost low enough to make nuclear power stations competitive can only be demonstrated by the experience acquired between now and 1965. Thus, at the present juncture, long-term forecasts, which depend primarily on the economic outlook, are difficult to establish.

Long-term Forecast

In view of the relative importance of financial charges in the retail price of nuclear energy, it seems that it would not be economic, during the first phase in the development of industrial nuclear power stations, to envisage running times of less than 6,000 hours per annum. On the supposition that certain types of nuclear stations could, from about 1965, be competitive at a running time of 6,000 hours per annum, it is possible to estimate what would be the total installed nuclear capacity in Europe towards 1975.

The form of the load diagrams, which is evolving very slowly, implies that at the most one-third of the power is used for longer than 6,000 hours per annum, and therefore this basic load represents about 60% of the total production of electricity. Run-of-river plant and thermal stations using inexpensive fuels such as mining by-products, lignite and blast-furnace gas, are by priority reserved for the basic load. In the United Kingdom the basic load will reach a maximum of 25 GWe in 1975; in view of this country's very low resources in hydraulic power, it can be taken that almost the entire total of this power will be nuclear. For the inter-connected countries of Continental Europe, basic production could reach 440 TWh, of which 275 TWh should come from conventional stations (95 TWh run-of-river plant, 180 TWh thermal cheap fuel stations). Thus, nuclear production could not exceed 165 TWh and nuclear power could not exceed 25 GWe. Since the other European countries still have abundant sources of hydraulic power, it seems unlikely that their nuclear programmes will be on a large scale.

Therefore, taking the most optimistic hypothesis, maximum installed nuclear capacity in Europe towards 1975 could be about 50 GWe.

On the most pessimistic hypothesis, namely that, in many parts of Europe, nuclear power stations will still not be competitive by 1975, one could envisage that the programme for research and perfectioning of power station types would continue at its 1958-1965 rhythm, and that in 1975 the minimum installed nuclear capacity in Europe would be in the region of 15 GWe.

These two figures, 15 GWe and 50 GWe, represent the extreme limits that can be envisaged for nuclear power in service in 1975. The higher figure has little chance of being realised, since it has been calculated solely on the basis of the load diagrams without taking into account any of the numerous other relative factors, such as the financial aspects and the different levels of nuclear experience in the European countries.

Conclusions

To some up, it would appear that, during an initial period which we have estimated in our studies as extending up till 1965, the growth of nuclear energy will be governed, for the majority of the European countries, by the desire to gain knowledge, and will depend on the financial means available — in great part, public funds. However, in certain European countries the production of nuclear electricity will not be negligible, although for Western Europe as a whole it will not exceed about 4% of the total production.

It is the experience gained during this preliminary period which will allow economic aspects to be determined with more accuracy. It is probable that prices will drop while energy requirements will increase and conventional energy resources diminish. The exact moment at which recourse to nuclear energy becomes a necessity will vary from country to country between several years and 10-15 years. At that moment the place of nuclear energy in the overall power situation in Europe will be vital.

*An address by Mr. Perret before the third meeting of the Atomic Industrial Forum, Washington, D. C.

Hayden, Stone Branch

PALOS VERDES ESTATES, Calif. —Hayden, Stone & Co. has opened a branch office at 19 Malaga Cove Plaza under the management of Mrs. Shirley R. Chilton.

The Capital Gains Tax: Some Misunderstandings

Continued from page 3

means that, to take advantage of the special provision for long-term gains, he has to be "locked in" even beyond the six-month holding period.

This same point may be illustrated for the case where there are net short-term losses. Suppose that after offsetting any short-term gains against short-term losses and also using any loss carryover from previous years, there is a net short-term loss of $1,000. This might have been offset against income with a saving of $300 in taxes. As pointed out above, by taking the long-term gain in the same year, the tax liability for the year is $300 more than it would have been, i.e. 30% of the long-term gain. There is no long-term gain deduction, because 50% of zero is still zero—and zero is the balance obtained when we combine the long-term gain of $1,000 with the net short-term loss of $1,000. It must be emphasized that the 50% long-term gain deduction is applied only after every effort has been made to offset the full long-term gain with long-term losses and net short-term losses.

Modified Taxable Income

The alternative computation, which ostensibly limits the tax to a maximum of 25%, is no help. It does not save the taxpayer from paying more than 25% on a particular long-term capital gain that he decides to realize in the year in which he has also taken long-term losses or net short-term losses or (actually included in the latter) carries over a loss from a preceding year. The theory of the alternative computation is that the taxpayer's taxable income is first computed by disregarding the long-term gains. As a convenient method of designating this particular concept of taxable income, it will be referred to as "modified" taxable income. The term "net gain" will be used to mean long-term gains minus long-term losses minus net current short-term losses minus any carryover of losses from the preceding five years. The tax liability is first computed on this "modified" taxable income. Half the "net gain" is then taxed at 50%, thus apparently making an effective maximum rate of 25%.

Thus the first step is to purify the taxable income of the capital gains element and apply the regular tax rate to that net taxable income. In originally arriving at the taxable income, 50% of the "net gain" had been deducted. The taxable income is purified further to the extent of again deducting 50% of the "net gain" (i.e. the net capital gain after allowing for all long-term capital losses and all net short-term capital losses). Thus 100% of the "net gain" is removed from the taxable income in this alternative computation, but this is a far cry from separating out the full long-term capital gain for treatment at the 25% rate.

As an example, let us suppose that a married man filing a joint return shows a taxable income of $60,000 before taking account of any capital gains transactions or loss carryovers. His tax would be $26,440. Then suppose that he has a $1,000 loss carryover from the preceding year. Since he is at the 62% bracket, this loss offset of $1,000 will save him $620 in taxes, reducing his tax liability to $25,820. Now he is considering taking a long-term capital gain of $1,000. There are no long-term capital losses in view this year. He is told that the maximum rate on a long-term capital gain for a person in his tax bracket is 25% of the long-term gain. He thus reasonably assumes that he is subject to a tax of only 25%, or $250, as a result of his decision to realize the long-term gain of $1,000 this year. He would reasonably expect a tax liability of $25,820 plus $250 or $26,070. He is doomed to disappointment.

Under the alternative computation he begins with the taxable income of $60,000. No modification is made since the balance of gains and losses is zero, and 50% of that is zero. He then computes his tax on the full $60,000. This comes to $26,440. This tax is fully $620 more than the $25,820 he would have had to pay if he had not taken the long-term capital gain of $1,000 this year. Thus he is effectively taxed at 62% of that long-term gain, alternative computation or no. The same would hold if he were in the 91% bracket: the 25% tax limitation would not save him from paying 91% on the long-term capital gain.

In the above examples, we have used loss offsets that completely wipe out the long-term capital gain. To the extent that the loss offset falls short of the long-term capital gain, the effective tax rate on the long-term gain will be less than the taxpayer's regular tax bracket. Only in the limiting case where the loss offset is zero is the effective tax rate for the long-term capital gain half the taxpayer's bracket and no more than 25% of the long-term gain. Thus what is generally stated as the rule is actually only a limiting case and applies only when there are zero offsets in the form of long-term capital losses or net short-term capital losses, including loss carryovers. The full effect of the considerations mentioned above is felt only when the loss offsets do not exceed $1,000 in any one year. That is the maximum that can be taken against current income; additional amounts must be carried over to no more than five future years and may be taken in the form of loss offsets to the extent of $1,000 in each year.

Bonds Purchased in the Market Below Par

The capital gains tax requires some correction in the yields quoted on bonds. The computation is made on a strict actuarial basis without regard to tax considerations. Thus a bond purchased at a discount yields a certain return which takes account of the coupon and the amount of the discount. However, the current coupon is generally taxable as ordinary income, whereas the difference between the purchase price and the value at redemption is taxable at capital gains tax rates. Thus the yield net of tax is not correctly computed merely by applying the tax bracket to the quoted yield. It is actually necessary to make two separate computations, one on the coupon and the other on the capital gain. The yield net of taxes is greater than would appear through the application of the tax bracket rate to the quoted yield, assuming that advantage is taken of the capital gains tax rate.

In the case of municipal bonds, the yield quoted is misleading in the opposite direction. The current return is tax-free but the capital gain is not tax-free. Thus there is not actually a tax-free yield of the amount that is quoted.

Some investment advisory services make the necessary corrections. These are based, however, on the assumption of differential treatment of the long-term gain. As pointed out in earlier sections of this paper, however, the presence of losses may have the effect of reducing the differential treatment.

Limitations of Tax Considerations

Some of the worst mistakes that are made in business decisions come from an overemphasis on tax considerations. The capital gains tax is no exception. Especially if we are dealing with a widely fluctuating stock market must we keep our eye on the main chance and not make the mistake of losing a big profit for the sake of a small tax gain. It is all right to defer an investment action for tax reasons, only if the price outlook is not substantially unfavorable. Suppose, for instance, we have taken a long-term capital gain of $1,000 this year and are contemplating the realization of a loss of $1,000. Tax considerations would generally favor deferring the loss to the second year. But if the market outlook is such that the loss is likely to be accentuated by delay, we must carefully weigh the tax advantage against the disadvantage of suffering a further loss. If there is merely uncertainty as to the future trend of the market, then the decision must rest with the degree of risk we are willing to sustain. Since the market may go either way, a delay may be to our advantage as well as our disadvantage. Where the trend is substantially in an unfavorable direction or where we cannot take any chance at all, the tax advantage of delay should not be allowed to control the decision.

Significance of the Code Provisions

The result of the practical considerations discussed above is, paradoxically enough, that the "lock-in" effect is greater, and the differential treatment accorded long-term gains is less, than appears on the surface. Where losses (long-term, net short-term or carryover) have been taken or have occurred involuntarily (as in the case of worthless stock), it is necessary to wait until the following year and sometimes even several years before taking the gains, in order to obtain the full tax advantage of the holding period.

*An address by Dr. Somers before the Sixth Annual Institute on Federal and State Taxation, University of Buffalo, New York, Dec. 4, 1959.

Firm Name to Be Woodcock, Moyer

PHILADELPHIA, Pa.—Effective Dec. 18 the firm name of Woodcock, Hess, Moyer & Co., Inc., 123 South Broad Street, members of the New York and Philadelphia-Baltimore Stock Exchanges, will be changed to Woodcock, Moyer, Fricke & French, Inc.

John E. Fricke will become President of the firm; Harry B. French, Frederick V. Devoll, Jr. and Marshall Figgatt, will become Vice-Presidents.

Auerbach, Pollak To Admit Partner

Auerbach, Pollak & Richardson, 30 Broad Street, New York City, members of the New York Stock Exchange, on Jan. 1 will admit Michael M. Rosenberg to partnership.

William J. Tierney

William J. Tierney passed away at the age of 57 following a brief illness. Mr. Tierney was a Vice-President of Albert Frank-Guenther Law, Inc., New York advertising agency.

With Kirchner, Ormsbee

(Special to The Financial Chronicle)

DENVER, Colo.—Vance P. Miller is now with Kirchner, Ormsbee & Wiesner, Inc., 818 17th Street.

NEWS ABOUT BANKS AND BANKERS

Consolidations • New Branches • New Offices, etc. • Revised Capitalizations

Stockholders of **The Chase Manhattan Bank, New York,** will be asked to approve the issue of 263,340 new shares of capital stock to be used in payment of a 2% stock dividend on the 13,167,000 shares now outstanding, it was announced Dec. 2 by John J. McCloy, Chairman, following a board meeting of the bank's directors.

Consideration of the proposal at a special meeting will follow the bank's annual meeting on Jan. 26 and if approved the new issue of stock will represent a dividend of one share for each 50 shares held by stockholders on or about Feb. 5, tentatively set by Chase Manhattan directors as the day of record.

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Appointment of Russell H. Dorr as representative in Washington, D. C., of **The Chase Manhattan Bank, New York,** was announced Dec. 3 by George Champion, President. The appointment is effective Jan. 1.

Since September, 1958, Mr. Dorr has been a Vice-President of Chase International Investment Corporation, wholly-owned foreign financing subsidiary of the bank.

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As of Dec. 5, the **First National City Bank of New York** opened a branch office in Belo Horizonte, Brazil. The new Branch Office will be the bank's 82nd in Brazil. Belo Horizonte, the fifth largest city in Brazil, is the Capital of the state of Minas Geraes.

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Mr. Horace C. Flanigan, Chairman of the Board, of **Manufacturers Trust Company, New York,** announced on Dec. 7, the appointment of Mr. Philip H. Milner, Vice-President, to the post of officer in charge of Manufacturers Trust Company's new banking office in Rockefeller's Center's Time and Life Building, which will open for business Dec. 14. Mr. Milner, who has been in charge of the bank's office in the Empire State Building, since January, 1956, will be succeeded in that post by John J. Cunningham, Vice-President. Mr. Cunningham is being transferred from Manufacturers Trust's Fifth Avenue Office, at Fifth Avenue and 43rd Street, where he has been assigned for the past seven months.

Mr. Milner started with **Manufacturers Trust Company** in 1934 as a page in its Central Credit Department and two years later was assigned to its Bowery Office as a Credit Clerk. In 1942 he was appointed Assistant Manager of the bank's Fourth Avenue (now Park Avenue South) Office, where he was advanced to Assistant Secretary in 1946 and to Assistant Vice-President in 1949. In 1951 he was appointed a Vice-President and transferred to the National Department where he remained until 1956. Mr. Cunningham, from 1952 to April, 1959, was officer in charge of the bank's 18th Street Office, Fifth Avenue at 18th Street. He began his banking career June 1, 1922 with the **United Capitol National Bank and Trust Company, New York,** which merged with **Manufacturers Trust** in 1928. He was appointed Assistant Manager in 1933; an Assistant Secretary in 1941; and Assistant Vice-President in 1945, and a Vice-President in 1952.

Appointment of Mandel R. Weiss, to the East Brooklyn Advisory Board of Manufacturers Trust Company was also announced by Mr. Flanigan.

The Board of Directors of **Bankers Trust Company, New York** has declared a 100% stock dividend contingent upon approval of the stockholders at the annual meeting in January and of the Superintendent of Banks, William H. Moore, Chairman, announced on Dec. 7.

The stock dividend was declared payable March 1, 1960 to the stockholders of record at the close of business Feb. 1, 1960 in the ratio of one new share for each share held. The stock increase would be effected by an increase of capital from $40,299,500 to $80,599,000, the increase to be transferred from undivided profits.

The Board also voted a quarterly dividend of 86 cents per share on the present stock payable on Jan. 15, to stockholders of record at the close of business on Dec. 18.

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The promotion of seven officers to new official positions and the election of four staff members to official status at **The Marine Midland Trust Company of New York** has been announced by George C. Textor, President.

Elected as Vice-Presidents from Assistant Vice-Presidents were Crocker Nevin, Frank F. Stetson, and Walter A. Stoecker.

Assistant Vice-Presidents' posts went to Vernon E. Collins, Eugene J. Mahoney, Robert T. Schneider and Anthony Spero, all former Assistant Treasurers.

Staff members advanced to Assistant Treasurer were Robert G. Braunlich, George M. Fiske, Paul Fowle and Robert E. Smith.

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Mr. Albert C. Simmonds Jr., Chairman of the **Bank of New York,** on Dec. 2, announced the appointment of Arthur Austin, Ernest R. Dickson, Edgar C. Geiger, Kenneth A. Southworth, and Richard B. Tuttle Jr. as Vice-Presidents. At the same time Mr. Simmonds said James J. Clinch, and William J. Kenney were named Assistant Vice-Presidents, and Robert N. Kay was appointed Trust Officer.

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Fred E. Hilgeman, has been named Vice-President of the **U. S. Trust Company, New York** in charge of operations. At the same time, Elmer Witting and Robert E. Powers were named Assistant Secretaries.

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The plans of **Brown Brothers Harriman & Company, New York,** to add Mr. Frank W. Hoch, Mr. R. L. Ireland 3rd and Mr. Lester J. Newquist, as partners on Jan. 1 has been proposed. Applications were filed for approval of the New York State Banking Department and the New York Stock Exchange. Mr. Hoch has been with **Brown Brothers Harriman and Company** since 1947, and a Manager since 1956. Mr. Hoch has been active principally in foreign investment business. Mr. Ireland, formerly a Vice-President of the **Chemical Bank New York Trust Company, New York** since it was formed by the merger of the **New York Trust Company, New York** and the **Chemical Corn Exchange Bank.** Previously, he had been a Vice-President of **New York Trust.** Mr. Newquist joined **Brown Brothers Harriman** in 1936 and has been in charge of the Investment Research Department since 1947 and a Manager since 1953.

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Mr. J. Marc Gardner, Vice-President of **J. Henry Schroder** ianking **Corporation, New York** nd **Schroder Trust Company,** lew York, died on Dec. 1. Mr. iardner joined the Schroder or-ranization in 1927 and had been esponsible for the bank's Far lastern business for several years.

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Theodore P. Tsolainos has been lected to the Board of Directors of the **Atlantic Bank of New York** ifter the first of the year.

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Retiring at the close of the year, Mr. A. Edward Scherr, Jr., Senior Vice-President and trustee of the **Dime Savings Bank of Brooklyn, New York,** was the guest of honor, on Dec. 7, at a dinner. Mr. Scherr, n his post as Senior Vice-President of the Dime Savings Bank of Brooklyn, New York, with as-sets of one billion dollars directly supervised the substantial investment portfolio of the institution. Mr. Scherr was named Assistant Cashier of the **Bank of America** in charge of the Loan Department in 1926. In 1932, Mr. Scherr moved to the Dime Savings Bank of Brooklyn in charge of bond investments, and was named Assistant Treasurer of The Dime in April, 1932, appointed Vice-President and Treasurer in June, 1946, and elected to the bank's Board of Trustees in Dec. 1946.

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L. O. Ivey, Chairman of the Board of **Citizens National Bank, Los Angeles, Calif.,** has announced plans to retire in January after 57 years of service with the Bank. Mr. Ivey indicated his willingness to continue as a Director.

Mr. Ivey was elected Vice-President in 1923 and became a member of the Board in 1924. In 1936 he was elected Executive Vice-President and a member of the Executive Committee. He served as Vice-Chairman of the Board continuously from 1953 to January 1959 when he became Chairman.

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The Security National Bank of Long Island, Amityville, N. Y., announced the appointment of Mr. Peter J. Murray, to the Board, succeeding Mr. John J. Ryan who resigned.

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Bank Item THREE 3 3
Herman H. Maass, President of **Security National Bank, Huntington, N. Y.,** announced that the bank has received approval from the Comptroller of Currency to open a new branch in Commack, Suffolk County.

The new office will be Security National's twenty-sixth on Long Island. The bank presently has eighteen offices in Suffolk County and seven in Nassau County.

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The consolidation of the **Lake Champlain National Bank of Westport, New York** with common stock of $25,000, with and into **The Essex County National Bank of Willsboro, New York,** with common stock of $25,000. Effective as of Nov. 20. Under the charter of the Lake Champlain National Bank of Westport, and under the title of Essex County-Champlain National Bank, Willsboro. (Number of shares outstanding 4,750, par value $40 each.)

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Manufacturers National Bank of Troy, N. Y., opened its newest branch last weekend at the North Country Shopping Center, Route 9, Plattsburgh, N. Y., just 18 miles from the Canadian border.

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New modern drive-in bank and office building of **Elizabethport Banking Co., Elizabeth, N. J.** has just opened, at 135 Jefferson Ave., Elizabeth, N. J.

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Three ranking Vice-Presidents of **The Bank of Virginia, Richmond, Va.,** on Dec. 4 were advanced to the position of Senior Vice-Presidents, Herbert C. Moseley, bank President, announced.

They are J. Joseph May, who heads the bank's commercial development department; John S. McClure, chief credit officer, and Frederick Deane, Jr., central office administrative officer for a number of divisions.

Mr. May has been with The Bank of Virginia since Oct. 5, 1942.

Mr. McClure joined The Bank of Virginia on July 7, 1941. He was elected Assistant Cashier on June 8, 1945; Assistant Vice-President on Dec. 12, 1949; Vice-President on Oct. 10, 1952, and Chief Credit Officer on April 1, 1957.

Mr. Deane joined The Bank of Virginia on Aug. 3, 1953, as assistant to the President. He was elected Vice-President on Dec. 7, 1956.

Mr. Moseley also announced that William L. Tiller, Vice-President and Cashier, becomes Vice-President and Comptroller. Robert J. Quarles, Assistant Vice-President, is advanced to Cashier. William H. Flowers is elected Assistant Cashier.

On Dec. 7, 1937, Mr. Tiller joined The Bank of Virginia and served in numerous assignments, including that of senior accountant, until entering military service in October, 1942. On March 1, 1946, he returned to the bank and became supervisor of the loan discount department. He was elected Assistant Cashier in Dec. 1949, and Assistant Vice-President on June 6, 1952. On Dec. 12, 1955, he was named Cashier and was made Vice-President and Cashier on Dec. 6, 1957.

Mr. Quarles has been with the bank since July 24, 1949.

Coming to The Bank of Virginia's Roanoke office as teller, Mr. Quarles served in numerous departments in that city and on Feb. 10, 1953, he was elected Assistant Cashier. On Jan. 1, 1958, he was transferred to Richmond. He was promoted to Assistant Vice-President on Dec. 5, 1958.

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By a stock dividend the **Security National Bank of Enid, Oklahoma,** increased its common capital stock from $100,000 to $500,000. Effective as of Nov. 24. (Number of shares outstanding 5,000 par value $100.)

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Albert Wagenfuehr, Senior Vice-President of **First National Bank in St. Louis, Missouri,** will retire on Dec. 31, it was announced by William A. McDonnell, Chairman of the Board.

Mr. Wagenfuehr was elected Vice-President of First National Bank in St. Louis on May 1, 1954, following his resignation as Chairman of the Executive Committee and Director of Boatman's National Bank of St. Louis, Mo. He was named Senior Vice-President of First National in January, 1958.

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The Fidelity National Bank of Fort Lauderdale, Florida, by the sale of new stock increased its common capital stock from $300,000 to $400,000. Effective Nov. 24. (Number of shares outstanding 40,000 par value $10.)

Do Rising Int. Rates Cause Inflation or Deflation?

Continued from page 15

planning to build or to buy a rental property might well decide to build a new property when the prevailing yield on existing properties is 5% and the construction cost is less than $100,000. A net income of $5,000 on, say, $94,340, would produce a yield of 5.3% compared with 5% on the purchasable property. The investor's decision might be quite different, however, in face of a rise of prevailing yields to 6%. Then he could buy the existing property for $83,333 compared with the cost of $94,340 of building a similar new structure.

From the foregoing analysis it may be concluded that tight money conditions constitute a powerful restraining influence on investment expenditures. Planned projects tend to be deferred or abandoned as a consequence of the higher cost of credit, the reduced availability of credit, and the lower valuation of existing income-bearing properties. Consumer expenditures for automobiles, and other durables are likewise restrained, although to a lesser degree. The curtailment of expenditures, in turn, gives rise to lower levels of employment, wage payments, production, business profits, and Gross National Product. Patently, these are not conducive conditions for commodity price inflation which thrives when money expenditures exceed the capacity of the economy to produce goods and services at existing prices.

It has become fashionable in recent years to disparage tight money conditions as a method of controlling threatened price inflation. Emphasis has been placed on the unimportance of interest as a cost, especially when over half of it is borne by Uncle Sam through the corporate income tax. This viewpoint is erroneous for two reasons. As already shown, a high rate in itself curtails loan demands for marginal borrowers both because of cost and because of declining prices of existing capital assets. But the principal weakness in this argument is its narrow conception of "tight money conditions" as being identical with high money rates. A far more powerful element of tight money is the **reduced availability of loan money.** In one way or another banks and other lending institutions cut back the supply of credit. They raise their standards of credit-worthiness in general, refuse the least desirable loan applications, reduce the credit lines of other borrowers, and increase pressure for loan payments—especially on the riskiest loans and types of loan. The intensity of this contractive pressure may be varied by the monetary authorities according to current policies. Pressure may be so mild that only the rate of loan expansion is reduced; it may be firm enough to prevent further increase in the amount of loans; or it may be so stringent that the money supply is actually reduced. This conscious rationing process is of course assisted by the rising cost of credit which is produced by curtailment of supply in the face of strong loan demand.

Thus, in brief, rising interest rates develop quite naturally during the prosperity phase of the business cycle as a consequence of increased demands for loans by businesses, consumers, and governments. Rising and high rates are also an integral part of a program of monetary restraint to contain commodity price inflation as a consequence of restriction on bank reserves and the general availability of loan money. One method to avoid high rates would therefore be encouragement of depression and unemployment; surely no one would seriously advocate this. Another method of preventing high rates is for the Federal Reserve to provide abundant bank reserves at all times. But this necessarily means abandonment of Federal Reserve restraints when price inflation threatens. Low rates can then be enjoyed only at the expense of a sound dollar—a price that comes much too high. Just as a thermometer registers rising temperature, so rising interest rates register the underlying conditions of large loan demand and restricted supply of loanable funds. A heat wave cannot be broken by merely resetting the thermometer.

Federal Reserve Control

There are real dangers that healthy business expansion may develop into a spiral of price inflation. Over-optimism of both businesses and consumers leads to rapidly growing expenditures, financed by monetary expansion and increasing velocity of money. As production approaches capacity, scarcities of labor, materials, and services emerge. Buyers then bid prices up. Higher prices in turn generate still greater demand for loans to finance the same (or even higher) physical volume of investment and of consumer purchases of durable goods. Moreover, if loanable funds are available, banks and other lenders can make the additional loans without lowering their usual credit standards. Growing business profits and consumer incomes validate the larger loan requests. All this is re-enforced and stimulated by a rising disposition to spend.

A check-rein on such an inflationary development is clearly needed. Otherwise, we would have to endure the inequitable maladjustments that arise from a depreciating dollar, including a subsequent depression. This is where the Federal Reserve should enter to contain spending within the limits of productive capacity. Fiscal policy—an even more powerful control—and Treasury debt management should also be directed to the same end.

The question here arises: How can the Federal Reserve apply its powers of monetary restraint? The focus of their actions is to exert pressure on the legal reserve position of member banks. The principal method utilized is "open market operations." By selling United States securities to non-bank investors they reduce both legal reserves and demand deposits dollar-for-dollar. The Federal Reserve Board may also raise the percentage of deposits that must be held as legal reserve. This step is like a double-edged sword. It transfers excess legal reserves to required reserves, and it reduces the multiple of expansion which the banking system can build on the basis of a dollar of legal reserve. If, as is more likely in such a period, excess reserves are at a minimum and member banks are in debt to the Reserve Banks, the additional required reserve forces the banks to borrow more heavily. At the same time, the Federal Reserve usually raises the cost of such borrowing; that is, the discount rate. Now most member banks are reluctant to be in debt to the Reserve Banks even at a low discount rate. They are more reluctant if the cost is high. Moreover, member bank borrowing is viewed by the Federal Reserve as a privilege; not as a right. Hence, the Reserve Banks at times ration reserve credit to member banks. Thus, the Reserve authorities have the power to put on the brakes with varying degrees of intensity. When they are applied firmly, commercial banks have no alternative but to contract loans, investments, and thereby deposits.

In fact, during the postwar periods of credit restraint — 1952-1953, 1956-1957, and 1959 — the Federal Reserve has applied the brakes with considerable caution—a policy aptly labelled by Chairman Martin as "leaning against the wind." In general, they have relied on increased credit and currency demands, and the outflow of gold to tighten the money market. They have seldom reduced bank reserves absolutely by their actions, but rather have refrained from permitting reserves to rise beyond the amount needed to finance normal growth. Thus, while the Federal Reserve has engineered relatively tight money at times, an even tighter market would have developed had they not permitted **some** increase in reserves. In other words, an inflexible limit on the amount of reserves, as in pre-Federal Reserve days, would have made loan money less available at much higher rates.

The point should be underscored that the powerful attack on the Federal Reserve during the past summer represented a real threat to effective monetary restraints against price inflation. The Metcalf amendment to the bill removing the 4¼% rate restriction read in part as follows: "It is the sense of Congress that the Federal Reserve System, . . . where practicable, should bring about future needed monetary expansion by purchasing United States securities, of varying maturities." Also, Congressman Reuss proposed a resolution in June which urged the Federal Reserve to purchase or retain United States securities, and to explore ways of raising legal reserve requirements as a possible offset to such purchases.

These proposals were opposed vehemently by Chairman Martin and Secretary Anderson — and rightly so. While they were not rigid directives, they represented a first step backward to the 1942-1951 era when the Federal Reserve was committed to support the price of United States securities at par or above. This pegging operation negated all the traditional monetary management powers of the Federal Reserve which became a sort of slot machine. All holders of United States securities—both bank and non-bank — could at will put a security in the slot and get back legal reserve money. The Federal Reserve lost control of both the amount and composition of its securities. Also, changes in the discount rate and in reserve requirements—the other two major instruments of control — became empty gestures. There is no doubt that the ready availability of reserve money at low cost was one of the factors responsible for the rise of two-thirds in commodity prices between 1945 and 1951.

The Treasury-Federal Reserve Accord in the spring of 1951 marked the return of monetary powers, and discretion in their use, to the Federal Reserve. Since that time these powers have, in general, been used wisely and effectively to foster business stability and a sound dollar. It will be a national tragedy if this bulwark against price inflation is, by ignorance or design, destroyed.

Relation to Fiscal Policy and Debt Management

In addition to Federal Reserve actions, fiscal policy and Treasury debt management must also be carefully coordinated if a high degree of business and price stability is to be realized. When price inflation threatens, the Federal budget should show a surplus. That is, tax receipts should exceed expenditures so that Treasury obligations can be retired. This is the responsibility of Congress and of the President in planning expenditure programs and taxation programs. Heaven help us if we can't show budget surpluses in prosperous years! Turning to debt management, when inflation threatens, the Treasury should use a budget surplus to retire debt held by commercial banks and Reserve Banks. This step, if supported by Federal Reserve action, reduces the money supply, and is therefore deflationary. If a budget deficit, instead of a surplus, confronts the Treasury, borrowing should be from non-bank sources — individuals, pension funds, life insurance companies, and so on. In this way savings are borrowed by transfer of existing money; no new money is created. By contrast, Treasury borrowing at the banks creates brand new dollars, and is therefore an inflationary influence.

Unfortunately, under existing laws and institutions we are not organized to realize close coordination of monetary, fiscal, and debt management policies with a view to curbing price inflation. The taxation and expenditure programs of Congress, being subject to political pressures and quite inflexible, cannot at present be changed readily to combat either over-expansion or recession. Also, the Treasury has traditionally been preoccupied with borrowing at the lowest cost, rather than with making a positive contribution to price and business stability.

At times, instead of assisting the Federal Reserve to prevent price inflation, fiscal and debt management policies have actually been perverse. They have fanned the inflationary fires that the monetary authorities were trying to smother. For example, the Federal budget ran a $9.4 billion deficit in fiscal 1953 when the Federal Reserve was attempting to prevent over-expansion. Again in the current boom, a huge deficit of over $12 billion is in process during calendar 1959; and while an approximate balance is forecast for fiscal 1960, this is not enough. Instead, there should be a very substantial surplus. Perverse debt management policy is well illustrated during the boom of 1956 and the first half of 1957. As an anti-inflationary measure, the Treasury should have made every effort to place its securities in the hands of non-bank interests, and it should have offered some intermediate and long-term issues to absorb part of the funds flowing to the capital market. But instead Treasury offerings were almost entirely in the short-term area — near - money securities which were appropriate for banks and which in general contributed to asset liquidity. Now during 1959, debt management is again tending to nullify the anti-inflation policies of the Federal Reserve. This time part of the difficulty can be pinned to a law passed in 1918 which limited the coupon rate on bonds to no higher than 4¼%.

The Ways and Means Committee recommended no change, and Congress took no action on the matter before adjournment in September. Many Congressmen were doubtless influenced by the misconception that a rise in interest rates would be inflationary. Until this rate ceiling is raised or removed, the Treasury cannot offer intermediate- and long-term issues as long as market yields exceed 4¼% — which has been the case since the second quarter of 1959. This situation forces debt management into a positively inflationary role. Only short-term bills, certificates, and notes can be offered to raise new money and to refund maturing issues. This not only contributes to the amount of money and other highly liquid assets, but also prevents the Treasury from absorbing part of the funds in the long-term capital market.

The task of the Federal Reserve to foster stable business and a sound dollar would be a prodigious one even with full assistance from fiscal and debt management operations. But when these operations are negative, and particularly when they are perverse, the task assumes Herculean proportions. In fact, Federal Reserve powers are grossly inadequate to cope with it. Yet in the public eye responsibility for achieving stability rests largely with the Federal Reserve. The practical result is that the Reserve authorities feel impelled to accomplish more by monetary controls than would be necessary or desirable in a well-coordinated program of monetary-fiscal control. By trying to accomplish too much, they call forth more vigorous attacks by pressure groups and politicians that abhor high interest rates and tight credit. Also during recessions they are censured, though less vehemently, for creating a glut of loanable funds and driving yields too low.

This uncomfortable, and almost untenable, position of the Federal Reserve points up one of the greatest economic challenges of our time: namely, to develop a well-integrated program of monetary-fiscal-debt management control. We now have the technical knowledge and power to produce a high degree of price-level and business stability. This in turn could usher in a new era of economic strength and welfare. But the tragedy is that a lack of coordination among Congress, the Executive Branch, and the Federal Reserve prevents realization of these basic goals. Perhaps the coming generation will solve this great problem of moving along the narrow path between price inflation on one side and depression on the other, and without sacrificing political and economic freedom. Only time can tell.

Summary and Conclusions

In conclusion, let me summarize as follows:

(1) A gross economic fallacy is currently being propagated by men in high places, namely, that a rise of interest rates causes commodity price inflation.

(2) This fallacy is dangerously insidious since its acceptance would destroy the traditional Federal Reserve monetary controls which have been our chief bulwark against erosion of the dollar and against business instability.

(3) While the arguments supporting this fallacy have a disarming plausibility, they are almost completely erroneous.

(4) The truth is that high interest rates are an integral part of the prosperity phase of the business cycle, and more importantly, a part of an effective program of control of price inflation by the Federal Reserve. Just as a thermometer registers rising temperature, so rising interest rates register the underlying conditions of large loan demand and restricted supply of loanable funds. A heat wave cannot be broken by merely resetting the thermometer.

(5) The crux of the confusion lies in viewing high interest rates as identical with "tight money conditions." In truth, tight money is a much broader conception, embracing not only high rates but also—and more importantly—the reduced availability of loanable funds.

(6) The Federal Reserve applies its restraints on inflation principally on the supply side by limiting the amount of member bank legal reserves, thereby restricting the amount of loanable funds.

(7) The Federal budget—whether in balance, registering a surplus, or recording a deficit—represents an even more powerful influence on the price level and business conditions than Federal Reserve operations.

(8) Treasury debt management is a third potent influence, of at least equal importance with Federal Reserve actions. At present, under the 4¼% bond rate ceiling,

this influence is actively inflationary.

(9) In the past, fiscal and debt management policies have not always assisted the Federal Reserve in its efforts to contain inflation and to avoid depression. In fact, at times these policies have worked at cross purposes, and have enormously magnified the task of the Federal Reserve.

(10) One of the great financial challenges of our time is development of a well-coordinated program of monetary - fiscal - debt management control. Such a program could usher in a new era of economic strength and welfare. More specifically, it could materially raise the standard of living by assuring greater business stability at a high level, more rapid growth, and a sounder dollar.

*An address by Professor Woodworth before the Annual Illinois Bank Management Conference, held at University of Illinois, Urbana, Ill.

Kennedy Pres. of Aberdeen Inc.

The election of Donald S. Kennedy as President of Aberdeen Investor Programs, Inc., has been announced by Charles L. Bailey, Chairman of the exclusive distributor of Aberdeen Fund Contractual Plans. In addition, Mr. Kennedy was elected to the Board of Directors of the David L. Babson Management Corporation, sponsor of Aberdeen Fund, following his resignation as Vice-President of Burnham Securities Corporation, the mutual fund affiliate of Burnham & Company, New York Stock Exchange member firm.

Donald S. Kennedy

Starting in the mutual fund department of Kidder, Peabody & Co. in 1950, Mr. Kennedy became a general partner of Stetson & Co. in 1955, moving to Winslow, Cohu & Stetson with the merger in 1956 where he served as a partner in charge of underwriting and sales.

Scott, Stringfellow To Admit S. Scott

RICHMOND, Va.—On Jan. 1 S. Buford Scott will become a partner in Scott & Stringfellow, Mutual Building, members of the New York and Richmond Stock Exchanges.

Shearson, Hammill To Admit Partners

Shearson, Hammill & Co., 14 Wall Street, New York City, members of the New York Stock Exchange, on Jan. 1 will admit John S. R. Shad and William I. La Tourette to partnership.

Van Alstyne, Noel Branch in Pittsburgh

PITTSBURGH, Pa.—Van Alstyne, Noel & Co. has opened a branch office in the Law & Finance Bldg. under the management of Theodore R. Buczkowski.

Sprayregen Partner

On Jan. 1 Sprayregen & Co., 26 Broadway, New York City, members of the New York Stock Exchange, will admit Bernie Bernstein to general partnership and Robert England to limited partnership in the firm.

Morgan Stanley, Lazard Freres, Offer French Bds.

A nationwide underwriting group of 78 investment firms managed jointly by Morgan Stanley & Co. and Lazard Freres & Co. offered for public sale on Dec. 9 an issue of $50,000,000 Credit Froncier de France 5½% guaranteed external loan bonds due 1979. The bonds, which are unconditionally guaranteed as to payment of principal and interest by the Republic of France, are priced at 95½% and accrued interest to yield about 5.89% to maturity. Principal and interest are payable in U. S. currency.

The French franc equivalent of the proceeds from the sale of the bonds will be used to finance loans for the construction of medium and low cost housing under the Republic's Special Housing Construction Program.

The bonds are not redeemable prior to Dec. 15, 1969, except by operation of the sinking fund. They are redeemable on and after that date at 100% of the principal amount plus accrued interest. The sinking fund redemption price is 100%. Semi-annual sinking fund payments of $1,600,000 from Dec. 15, 1964, to June 15, 1979, together with a payment of $2,000,000 on Dec. 15, 1979, are calculated to retire the entire issue.

Blyth & Co. Heads Group on Ford Common Stk.

A group of 317 underwriters headed by Blyth & Co., Inc., The First Boston Corp., Goldman, Sachs & Co., Kuhn, Loeb & Co., Lehman Bros., Merrill Lynch, Pierce, Fenner & Smith Inc., and White, Weld & Co. are making a public offering of 2,000,000 shares of Ford Motor Co. common stock at $82 per share net. The concession to selected dealers is $1.55 per share and reallowance to NASD members is 25 cents per share. The shares are being purchased from The Ford Foundation by the underwriters. The offering does not represent financing by the Ford Motor Co.

Now With Black Co.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg. — Laurie R. Miller has become affiliated with Black & Company, Inc., American Bank Building. He was previously with Merrill Lynch, Pierce, Fenner & Smith Incorporated.

Joins First Pacific

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg. — Thomas E. Pillette has become connected with First Pacific Equities Corp., 621 Southwest Morrison Street. He was formerly with Zilka, Smither & Co., Inc.

BANK AND INSURANCE STOCKS

BY LEO I. BURRINGTON

This Week — Bank Stocks

Bank stocks continue to be worthy of investment portfolio consideration as a complementary factor to the bond and volatile equity categories. Devoid of the obsolescence hazard a bank's vital raw material money is at work around the clock in profitable channels. Knowledgeable owners long have enjoyed the healthy growth achievements of their soundly selected bank holdings.

Lack of Uniformity in Reporting Earnings

Although industrial corporations hold a sizable lead over banks in lucidly reporting earnings to shareholders, an improving trend toward revising outmoded bank accounting principles can be detected, especially by the larger U. S. banks. Acknowledgement is made to closely supervised operations by governmental authorities. Nonetheless, such agencies primarily are concerned with the protection of depositors. As more bank managements move toward acknowledging their obligation to report adequately earnings to stockholders and the public they will mitigate existing self-injury.

Until bankers standardize their method of reporting earnings, the operating earnings now reported can continue to provide the basis for sound appraisals since distortions from non-recurring income and outflow are omitted. Many people probably have been confused by the custom of reporting "indicated earnings" along with net operating earnings figures. Before attempts are made to reconcile the two amounts, analysts quickly have settled for net operating earnings, as the more reliable guide in following a bank's progress. For persistent students who desire mental exercise, "indicated earnings" can be described as the total net income and gains, after charge-offs, as shown by amounts added to capital funds from earnings, plus dividends declared. The crucial point to keep in mind is the diverse treatment given by bankers in reporting earnings. Although reporting is obscure, much can be gleaned from the inherent nature of bank earnings plus characteristics acquired.

With two main earning assets, commercial banks are in business primarily to make **loans** to customers. **Investments,** especially those disproportionate to customers' requirements, are secondary. Investors look for the best earnings performance over a period of time. Loans which produce more deposits, cost less to administer and result in less risk of loss, as well as those which have the highest rates, meet this test. The key to earnings growth is a bank's ability to supply such loanable funds.

Apart from the status of the economy, bank stocks are in a favored position to produce steadfast earnings from the inherent nature of banking. Earnings can rise in periods of recesison due to stimulating governmental policies which increase loanable funds for banks. In periods of prosperity earnings can grow from higher rates received on loans and investments. Service income from other sources also tend to be recession resistant.

To the uninitiated it must be somewhat puzzling to learn that 1959 has developed into a banner year for bank earnings while observing the sizable losses taken by banks in selling securities from their bond accounts. To dispel the mistaken belief that commercial banks are caught in a squeeze from buying their investments at high prices and selling them at low prices, which of course does not lead to profits, one needs to recognize again the difference between net operating earnings which reflect coupon income only and "indicated net earnings." The former are at record highs in 1959 in many cases but the latter are lagging. "Indicated earnings" of course reflect the bond losses. Less obvious is the point that the taking of losses in the bond portfolio can be profitable for banks.

Strength from Tax Easement

Opportunity arises for directing attention to one of the acquired characteristics affecting bank earnings. Commercial banks are aided by tax laws which enable them to come out ahead, in time, even by breaking even on their bond market investments when they maximize tax savings by concentrating gains in one year and losses in another. For most banks 1957 and 1959 were bond loss years, while 1958 was one of bond profit.

With the ability to sell securities in times of monetary stringency, as in 1959, banks sustain profitable lending power. Managements able to absorb temporary losses have been selling bonds with low coupon rates. Part of the funds have gone toward purchasing existing higher coupon securities at deep discounts. They have seized the opportunity to realize future capital gains for building up earning power. Banks sacrificing this opportunity often reveal week managements.

For a commercial bank, the net loss on securities transactions is deductible from taxable income as an ordinary business expense. With approximately half of the loss recovered by the tax deduction, the balance generally is charged against a reserve. In a gain year when bond prices are rising profits are realized through sale or redemption of securities purchased previously at discounts. Taxable only at the capital gains rate, realized profits are added to capital funds or reserves. A 52% tax saving is obtained from bond losses charged against income. Later the gain from cost price to stated value at maturity is taxed at the 25% capital gains rate. Thus a mathematical advantage results. Every $100 securities loss effects in time a net $27 tax saving.

This tax treatment provides the climate for banks to hold more government securities than otherwise desired for liquidity and pledging purposes. If banks were not aided in overcoming risks of fluctuating interest returns characterizing marketable securities, through inducement to hold a sizable portion of the Federal debt resulting limitations could well be detrimental to U. S. Treasury financing.

Another tax aid is being widely discussed these days. In 1947 a tax ruling permitting banks to accumulate limited amounts of tax-free reserves for bad debt losses on loans served to stimulate the practice of making additions to reserves and to encourage the immediate write off of doubtful items. The controversial Mason Bill proposal, which has separated the banking fraternity into factions, is obtaining strong support from commercial banks since it includes a provision to raise the bad debt reserve to 5% of loans, compared with a tax free average of under 3% today. Thus these applicable tax laws have assisted in strengthening the asset position of banks and reinforced their earnings growth.

Thomson & McKinnon Will Admit H. Uihlein

MILWAUKEE, Wis.—Thomson & McKinnon, members of the New York Stock Exchange, on Jan. 1 will admit Herman A. Uihlein to partnership. Mr. Uihlein is manager of the firm's office at 735 North Water Street.

Tucker, Anthony Admit J. Menges

BOSTON, Mass.—Tucker, Anthony & R. L. Day, members of the New York Stock Exchange, on Jan. 1 will admit Joseph W. Menges to partnership. Mr. Menges will make his headquarters in the firm's Boston office, 74 State Street.

Warner, Jennings To Admit New Partner

PHILADELPHIA, Pa.—On Jan. 1, Warner, Jennings, Mandel & Longstretch, 121 South Broad Street, members of the New York and Philadelphia-Baltimore Stock Exchanges, will admit Willard M. P. Wong of Honolulu to partnership.

Chicago Analysts Hear

CHICAGO, Ill.—John F. Lebor, Vice-President of Federated Department Stores, Inc. will be guest speaker at the luncheon meeting of the Investment Analysts Society of Chicago to be held Dec. 10 at the Midland Hotel.

Evans Officers

On Dec. 1 John Mejlaender, Secretary of Evans & Co., Incorporated, 300 Park Avenue, New York City, members of the New York Stock Exchange, also became Treasurer. As of the same date Ernest L. Loar became Assistant Secretary and Assistant Treasurer.

Copper Strikes Bring Silver Issues to the Fore Again

Continued from page 1

over the world would rise. The resolution asks that this step be taken to preserve "the Treasury's dwindling supply of free silver for future subsidiary coinage requirements."

But the very next sentence in the AMC resolution asks Congress to monetize all presently held "free silver," which means freezing it by issuing silver certificates against it and putting them into circulation. If that were done, the silver would not be used for making subsidiary coins. That is the miners' purpose: to freeze the silver.

At the September meeting an officer of the New Park Mining Co. proposed that the government pay western miners $1.29 an ounce "to encourage production of additional needed silver" and simultaneously "eliminate a special sales price to selected buyers" in industry. Sales of free silver, he added, "artificially affect the world market price, penalizing the miner." No mention was made of the fact that the world price of silver has been artificially affected for years, due to silver purchase legislation, to the benefit of silver miners and other silver sellers everywhere.

Naturally, the silver users object to any steps which would increase the price of silver. Any increase in the return or price received by U. S. mine producers of silver, they say, would cause the world price of the metal to rise as well. A 10 cent an ounce increase, while putting $3,500,000 into the pockets of a few big copper-lead-zinc-silver mining companies, would cost U. S. industrial users $10,000,000 a year. Of the latter sum, $6,500,000 would go to foreign suppliers, including the U. S. S. R. At a time when the Administration is exerting itself to restore balance in our international payments, an unnecessary increase in the price paid for foreign silver makes no sense.

With silver bullion increased 10¢ an ounce, consumers of silverware and other products using silver would find themselves paying still more, allowing for markups. Thus, a proposal which would curtail market supplies and add to the money supply — as the American Mining Congress wants to do—would be doubly inflationary.

Normally, when the price of a commodity is increased, there is a tendency for production of that commodity to increase. But a higher price for silver would not exert a corresponding stimulus to mine production for the simple reason that the bulk of our silver comes as a byproduct of other non-ferrous metals. In most such mines the prices of copper, lead or zinc are much more important than the price of silver.

Industrial Uses Growing

As one close observer puts it, the industrial demand for Treasury silver has been running wild this year. The copper strikes have not only shut off domestic newly-minded supplies, but also foreign supplies, since customarily foreign ores and concentrates containing silver are treated in plants in this country.

Several times in recent years the Treasury has felt it desirable to use its legal power to sell surplus silver to industry, but never heretofore on the current scale. Demand for Treasury silver started in March, when nearly 3,000,000 ounces were required. The next five months demand fluctuated between 1.6 and 3 million ounces. In September the Treasury authorized sale of 4,500,000 ounces to industry; and in October 6,300,000 ounces.

Time was when the chief uses of silver were for coins, tableware and jewelry. The fast development of photography, including motion pictures, has resulted in an annual consumption of about 30,000,000 ounces of silver by that industry alone. Overall consumption in U. S. arts and industries during recent years has run in the neighborhood of 90,000,000 to 100,000,000 ounces a year, but the proportion going into silverware has been declining, thanks in part to the popularity of stainless steel, while that used by industry has been growing.

Today not a missile goes aloft from Cape Canaveral, not a jet plane from Idlewild that does not contain some silver. A good 25,000,000 or more ounces of silver are used each year in the U. S. in the form of solders and brazing alloys in refrigerators and air conditioners, electric appliances, aircraft and rockets. About 19,000,000 ounces are estimated to go into electric contacts in appliances and electronic equipment. More than 1,000,000 ounces are said to be consumed in ceramic colors and pigments. About 1,500,000 ounces are used in making silver-zinc batteries for jet aircraft, missiles and portable TVs; and silver-cadmium batteries for portable equipment. Also, silver goes into such miscellaneous products as mirrors, pharmaceuticals, dental alloys, plating of fine copper wires, medical and scientific instruments.

In certain high-temperature applications, as in space vehicles, silver is ideal. The importance of the Treasury's surplus, or "free silver" stocks is thus apparent at a time when regular sources are inaccessible.

About two-thirds of silver consumed by U. S. arts and industries today goes into industrial products. Research is finding new uses every year. During World War II new brazing alloys of silver were developed by Handy & Harman. The automobile, the airplane and the telephone, for example, all call for the use of silver in their structure. And the demand for silver in high-temperature applications in guided missiles, jet and rocket aircraft has soared.

Silver is a noble and versatile metal. It resists corrosion and so is ideal for chemical vessels and the lining of metal cans. Silver nitrate is used in hair dyeing and making indelible inks. Extremely ductile, a gram of silver may be drawn out into a wire 180 meters long. Malleable, silver may be beaten into a leaf 0.00025 millimeters thin. In making phonograph records a thin deposit of silver is employed in making the matrix.

Steady Demand for Coins

The quantity of silver consumed in U. S. coinage is large and the need grows both as the population and business increases, but also as coins are worn through circulation or lost. Actual consumption of silver in Mint coinage operations varies in accordance with both public needs and the convenience of the Mint Bureau. From time to time the mints make silver coins for stockpile, as it were, anticipating future needs. During the last 10 fiscal years 383 million ounces of silver have been consumed in the production of U. S. subsidiary silver coins. While this gives an average of 38.3 million ounces a year, the actual figures range from less han 11 million ounces in fiscal ear 1950 to 60.4 million in 1954.

ilver Used in the Manufacture f U. S. Subsidiary Coins (Dimes, Quarters and Half Dollars)

(in millions of fine ounces)

1950	10.8
1951	30.9
1952	56.3
1953	56.1
1954	60.4
1955	16.8
1956	17.2
1957	48.0
1958	49.4
1959	36.5
Total	382.6

For many years the Treasury as been able to meet its coinage eeds by drawing on free silver n its General Fund. It has not ad to go out into the open maret to buy silver.

Ups and Downs of Treasury's Free Silver

The free silver held by the reasury, that is, the silver bulion not required as backing for utstanding silver certificates, has luctuated considerably over the ostwar years. If the supply of ree silver ever should be exausted and the Treasury should ave no way of replenishing the upply, future coinage needs of he U. S. mints would have to be upplied by purchases on the siler market.

In mid-1945 the stock of free ilver in the Treasury was about 96 million ounces. The lendeasing of silver to allied governnents was not yet completed. In uly 1946, when the free-silver tock was down to about 216 milion ounces, Congress passed the econd Green Act, authorizing the reasury to sell silver bullion to ndustry. Substantial industry urchases of Treasury free silver ave occurred on four main occaions, when market supplies were educed by strikes or by heavy urchases for coinage by Saudi rabia and France.

The Treasury provides an unimited market for newly-mined omestic silver and the part hereof which represents seignorge (profit to the Treasury) is dded to the free silver stock. However, by the end of 1954 the ree silver was down to only 13.7 million ounces. Since then, owing o the return of silver by governnents to which it had been lendeased during the war for coinage urposes, the Treasury's freeilver supply was 194 million unces on Oct. 22, 1959. Some 24 million ounces of returned lendease silver still being processed n Sept. 30 had not yet entered he free silver account.

ree Silver in the Treasury on Selected Dates

(in millions of fine ozs.)

June 30 1945	696
June 30 1946	219
June 30 1950	170
June 30 1954	16
Dec. 31 1954	14
June 30 1956	55
June 30 1957	98
June 30 1958	173
June 30 1959	212
Oct. 22 1959	194

low the Treasury May Replenish Its Free Silver

The additions to the Treasury's ree silver stocks arising from the eignorage on newly-mined doestic silver turned over to the nints are of course limited. Whenever the price of silver is bove the statutory price which he miners may demand of the reasury, newly-mined silver is old on the open market. The reasury receives domestic new-mined silver only when the rice is not above the statutory rice. Small amounts of "silver ullion ordinary," obtained hrough the refining of newlyined gold, also are added to the ree silver account.

There is another way by which he Treasury may add several hundred million ounces of silver to the stock available to it for the coinage of subsidiary cash or for sale to industry. It may tap the huge hoard of silver bullion and standard silver dollars now being held as security for silver certificates. This may be done without new legislation.

More than $2 billion of currency in the form of silver certificates are in circulation, forced on the public by the strategic power of the western silver bloc in the Congress, particularly in the Senate, under the silver legislation of 1878, 1890, 1918, 1933 (Executive Proclamation), 1934, 1939, 1946, etc. Earmarked as special security for these silver certificates are 1,741,000,000 ounces of silver. Of this, about 515 million ounces represents silver certificates of $5 and $10 denominations. If all these 5s and 10s were replaced by Federal Reserve notes, the 515 million ounces of silver would be released for transfer into the free silver account. Unfortunately, the Federal Reserve System may not issue Federal Reserve notes in $1 and $2 denominations. It would take only a simple act of Congress to similarly release for use the other 1,227 million ounces of certificate-reserve silver which today lies idle in government vaults because no one wants to handle it.

There is nothing in the law to prevent the Treasury from withdrawing silver certificates from circulation. The reserve silver released by such withdrawal of course was monetized when the certificates were first issued. On the Treasury books, therefore, it would be entered in the free-silver account at its "monetary value" of $1.29 an ounce. Were the Treasury to sell any such silver to industry at any price less than $1.29 it would be incurring a loss. But the Treasury's subsidiary coinage needs are another matter. The subsidiary coins have a lower silver content than standard silver dollars. The "monetary value" of silver in subsidiary coins is $1.38 an ounce. If the Treasury withdrew silver certificates from circulation and used their silver backing in making 10¢, 25¢ and 50¢ coins, it would chalk up a profit, the difference between $1.29 and $1.38 an ounce.

An Unsuspected Windfall Coming

Thirty years ago last July the government began substituting the present size banknotes for larger-size ones. Now, a full generation later, more than $31,000,000 of large-size silver certificates and Treasury notes of 1890 have failed to turn up. Most of them may be considered lost. Yet by law the Treasury is holding for the redemption of these notes some 31,000,000 standard silver dollars containing in the aggregate over 24,000,000 ounces of silver. Legislation has been introduced for the Administration which would authorize the Treasury to write off, in effect, the certificates believed to be permanently lost.[1] The Treasury would then be free to issue new certificates against the silver thus freed. If the new certificates are issued in $5 and $10 denominations, the procedure mentioned in the above paragraph would be open to the Treasury.

Wartime Lend-Leased Silver Returns

As authorized by the Congress, the U. S. lend-leased nearly 411 million ounces of silver to eight foreign governments for coinage purposes during the fiscal years 1943-1946. Having in mind the experience with the Pittman Act of 1918, under which monetary silver was sold to India with the proviso that the U. S. would replace every ounce of the metal after the war by purchases on the open market, the silver Senators of World War II days insisted that the silver lend-leased be replaced by the recipient countries. Apparently the Senators believed that those countries would have to buy substantial amounts of silver on the market, thus boosting the postwar price of silver.

1 S.1177, HR5691 and HR6678.

But it did not work out that way. Rather than buy silver in the market, lend-lease debtor countries decided to call in coins from domestic circulation and thereby accumulate the silver they were obliged to return to the U. S. In place of the silver coins so withdrawn those countries issued either silver coins of lower fineness or other types of coins. The return of the lend-lease silver moreover rescued the Treasury from a corner into which the silver mining interests saw the Treasury being driven.

As shown in the table of free-silver stocks accompanying this article, these had shrunk from 219 million ounces in mid-1946 to only 14 million by the end of 1954. With the Mint Bureau consuming silver for coinage at an average annual rate of 38 million ounces, it would have been only a question of time before the Treasury would have had to go into the open market and buy silver for coinage; or so it seemed to some. With the return of lend-lease silver, by June 1959, the free silver was again up to 212 million ounces. This source of replenishment of Treasury free silver is, however, drawing to an end. Of the 411 million ounces lend-leased, 375 million had been returned by Sept. 30, 1959. Still due are only about 14 million ounces from Pakistan, which, created after the war, assumed part of India's silver debt, and Saudi Arabia, which owes some 21 million ounces. The 35 million ounces still due to be returned by these two countries will be enough to keep us in dimes, quarters and half dollars for about one year.

Lend-Lease Silver Shipments, by Countries

(in millions of ounces)

Australia	11.8
Belgium	.3
Ethiopia	5.4
Fiji	.2
India	†226.0
Netherlands	56.7
Saudi Arabia	‡22.3
United Kingdom	88.1
Total	410.8

(†) Original loan to India divided for return as follows: India 172.5 million ounces; Pakistan 53.5 million ounces. India's portion has all been returned.

(‡) Slightly over 1 million ounces of this were lost in shipment and hence are not due for return. No lend-lease silver has yet been replaced by Saudi Arabia.

Data Show Subsidy to Mining Industry

At times of shortage in the silver market, when the Treasury feels it necessary to sell silver to industrial users, the domestic mines are able to sell their product in the open market at better than the Treasury's statutory price for newly-mined domestic silver, which is 90½¢. Whenever the market price is less than that, it is to the mines' advantage to sell to the Treasury. To the extent that the market price is less than the Treasury's buying price, the mines are subsidized. That they have availed themselves of the subsidy is indicated by the figures for Treasury purchases of newly-mined silver. Industrial users also are subsidized when the Treasury sells them silver unobtainable otherwise, or unobtainable at as good a price.

Following are the figures since fiscal year 1950. For convenience of reference, sales by the Treasury to industry are shown in a parallel column. Some of the sales were made to other government agencies for experimental purposes, the manufacture of medals, etc.

Domestic newly-mined silver purchases and sales by the Treasury to industry and others (Act of July 31, 1946)

(in millions of fine ounces)

Fiscal year	Purchases	Sales
1950	38.2	---
1951	38.1	1.6
1952	38.8	*
1953	35.7	---
1954	33.7	†
1955	34.7	‡
1956	15.5	10.3
1957	6.6	7.4
1958	26.2	¶
1959	20.4	11.2
Total	287.7	30.7

* 8,513 ounces.
† 2,326 ounces.
‡ 2,513 ounces.
¶ 36,155 ounces.

Under the 1946 Act almost 10 times as much silver has been bought from domestic mines as has been sold by the Treasury to industrial users and other government agencies.

Miners complain that Treasury sales to industry "compete with newly-mined domestic silver." So they do. It is ironical to hear the miners complain over the subsidizing of silver users with silver the Treasury acquired in subsidizing the mines. Silver which the mines were unwilling to sell to industry because, by a law they had put on the books, they could get a higher price for it from the Treasury they now (later) object to the Treasury's selling to industry at the same price. Silver mining, which has been benefiting from subsidies since 1878, has the nerve to complain that "Treasury sales of silver are interfering with the operation of the laws of supply and demand."

Treasury Sales to Industry

From mid-1954 through October 1959 industrial users of silver have bought about 13.4 million ounces from the Treasury. Monthly sales have ranged from as little as 2,000 ounces to as much as 5.8 million ounces. The latter figure was recorded in the first 23 days of October 1959 and is attributable to the closing of mines, smelters and refineries by strikes. Sales by fiscal years have been as follows in millions of fine ounces:

1954-55	*
1955-56	10.3
1956-57	7.5
1957-58	0
1958-59	9.9
1959-60‡	13.4

* 2,028 ounces.
‡ Through October 23.

Copper strikes caused heavy demand for free silver sales by the Treasury in the summer of 1955 as well as recently. Large demands also occurred in the fall of 1956, due to the delay in the arrival in London of Australian silver because of the closing of the Suez Canal as well as due to strikes.

Silver in Five Cent Pieces May Be Worth Extracting Sometime

The ordinary "nickel" coin is made 75% of copper and 25% of nickel. The wartime shortage of those metals caused the government to issue 5¢ pieces composed 35% of silver, 56% of copper and 9% of manganese. Nearly 49 million fine ounces of silver were used in making such 5¢ coins from 1943 to 1946. Such coins were issued to a total face value of over $43 million and most of them are still outstanding. These silver-bearing "nickels" are a potential source of new supply for the market. Those now outstanding contain more than 48 million ounces of silver.

Theoretically, when the market price of silver is 88.9¢ an ounce, 20 of the wartime 5¢ pieces contain $1 worth of silver. The price of silver now is about 91⅜¢ an ounce. This means that 20 of the wartime 5¢ pieces contain about $1.15 worth of silver, plus copper and manganese. Why are the coins then not being withdrawn from circulation and melted down for their metallic content? There is nothing illegal about it. The answer lies in the cost which would be entailed in culling the silver-bearing 5¢ pieces from circulation and shipping them to a processor for refining. It probably would cost more than 15¢ to get the $11.5 worth of silver out of 20 wartime "nickels." The refining cost alone might be 3¢ per ounce of silver recovered, according to one estimate.

But suppose the market price of silver rises a few more cents? The higher the price goes, the closer comes the time when melting the coins will be profitable. The silver-bearing 5¢ pieces are identifiable by a large letter P shown on one side. Machines exist which will separate silver and nickel 5¢ pieces. Several are in use at the mints to help the government withdraw worn silver "nickels" from circulation. If the price of silver rises enough, we may see schoolboys prospecting for silver in their piggy banks.

Burke Exec. V. P. Of Waddell & Reed

KANSAS CITY, Mo. — Paulen E. Burke has recently been appointed Executive Vice-President of Waddell & Reed, Inc., 20 West Ninth Street, underwriters of United Funds, Inc. Mr. Burke, a member of the Midwest Stock Exchange, was formerly President of Burke & MacDonald, Inc.

Paulen E. Burke

Exchange Firms Govs. Meetings

The Board of Governors of the Association of Stock Exchange Firms has scheduled the following meetings in 1960:

Feb. 1-2—Dallas, Texas, at the Sheraton Dallas Hotel.

May 9-10—Atlanta, Ga., at the Atlanta Biltmore Hotel.

Sept. 12-13 — Fisher's Island, N. Y., at the Fisher's Island Club.

Wood, Struthers to Admit Partner

Wood, Struthers & Co., 30 Wall Street, New York City, members of the New York Stock Exchange, on Jan. 1 will admit J. William Middendorf II to partnership.

Corbus to Be V. P. Of Illinois Co.

CHICAGO, Ill. — As of Jan. 1, Josephus R. Corbus will be elected Vice-President of the Illinois Company, Incorporated, 231 South La Salle Street, members of the New York and Midwest Stock Exchanges.

With Dempsey-Tegeler

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Patrick J. Shanahan, Jr., Homer R. Trowbridge and Cecile Winters have become affiliated with Dempsey-Tegeler & Co., 255 California Street.

Now Capital Securities

SAN ANTONIO, Tex. — Capital Securities Co., N. B. C. Building, is continuing the investment business of Andrick-Goodnight Investment Company, Inc.

MUTUAL FUNDS

BY ROBERT E. RICH

In these first days of December—the month of the bull—there has been much talk in investment circles of the coming rotation of market leadership. As far as the general public is concerned, it is scarcely a murmur. The people who latched onto the space age and electronics issues—the glamour stocks—and rode them up have tasted blood. Their talk, frequently backed up with hard cash, is of the glamour stocks that have yet to double and triple in price (or so they think).

But investment managers and the brokerage fraternity are talking quite audibly about the so-called bread-and-butter stocks—the oils, which have found some slight support in recent days; the steels, which have shown considerable bounce at every emergence of the prospect of labor peace, and the railroads, which figure to benefit immeasurably not only from steel labor peace but an accord with employees of the carriers.

By now it is no secret, of course, that fund managers have shown a fondness for the high-flying glamour stocks—issues such as Texas Instruments, Polaroid, General Tire & Rubber (Aerojet), Radio Corporation of America, Westinghouse Electric and Phillips' Lamp Works, even as they were displaying an increasing aversion toward extending commitments in the general market. That aversion has been most emphatic in the matter of oils, aircrafts and airlines.

Yet the most favored stock of the 1,600-odd investment companies, trust funds and insurance companies continues to be Standard Oil Co. (New Jersey), followed by such other bread-and-butter producers as General Motors, General Electric, American Telephone & Telegraph, Du Pont and of the next four favorites, three are oils—Texaco, Socony Mobil and Phillips Petroleum.

And not only is Standard of New Jersey holding top favor as it did last year and two years ago, but Texaco has moved up to sixth from seventh, Socony to eighth from ninth and Phillips in the ninth slot has held its own from a year ago, although yielding the eighth spot of two years ago to Socony.

It is not until you get down to the fifteenth most favored stock of the institutions that a real blown-in-the-bottle glamour equity turns up and then it turns out to be Blue Chip International Business Machines, which has risen to No. 15 from No. 17 last year and No. 30 two years ago.

Probably even more striking evidence of the high esteem in which the fundamental stocks continue to be held is the rising popularity of the kingpins of the steel industry—U. S. Steel and Bethlehem. Back before the days when mutual funds got out and sold a half billion dollars worth of shares at quarterly intervals, the steels were viewed as cyclical stocks. The rule of thumb was something like eight to ten times earnings in appraising their market value and U. S. Steel was priced to yield about 9% as recently as 1953. As recently as 1957, U. S. Steel was no better than 26th in rank as an institutional favorite. Today it is tenth. Over the same span, Bethlehem has gone from 53rd to 34th. And as a measure of the investment status of the steel kingpins, U. S. Steel now is priced to yield around 3% and sells at 20 times earnings (based on the latest nine-month earnings).

Portfolio management isn't likely to turn its back on the prospects opened up by the oncoming space age and the Golden Sixties, but even a trustee with nerves of iron can take just so much of a stock that sells at 90 times earnings and yields the merest fraction of 1%. And sensitive as he must be to the tastes of the small investor, he can hardly banish the specter of people rushing to withdraw their savings to buy U. S. Government obligations that yielded 5%.

The Funds Report

Graham-Paige Corp., a closed-end investment company, announced common stockholders' equity at Sept. 30 totaled 13,066,692, or $2.16 a share. This compares with a year-earlier figure of $11,448,410, equal to $1.89 a share. Madison Square Garden, a majority-owned subsidiary, report net profit for the fiscal year ended Aug. 31 of $404,259, equal to 83 cents a share, against $432,292 and 77 cents a share the year previous.

* * *

A secondary offering of 440,000 shares ($11,660,000) of **Vance-Sanders & Co., Inc.** common stock was oversubscribed and the books closed after being placed on the market through an underwriting group headed by Paine, Webber, Jackson & Curtis. The price was $26.50 per share. The shares were sold for selling stockholders and none of the proceeds goes to the company, which distributes exclusively the shares of five open-end investment firms.

* * *

Energy Fund reports total assets at Nov. 30 of $9,181,367, or $21.29 a share. This compares with $5,498,570 and $17.74 a share a year earlier.

* * *

T. Rowe Price Growth Stock Fund declared a dividend of 13 cents a share from undistributed ordinary net income and 50 cents a share from net profit on sale of securities, both payable Dec. 28.

* * *

General Public Service, Corp. declared a dividend of 10 cents a share from net investment income for 1959, payable in cash, and a distribution of 26 cents a share from realized net gain on investments for the year, payable in additional shares of common stock of General Public Service or, at the election of the stockholder in cash. Both distributions are payable Jan. 11, to stockholders of record Dec. 11. This is the first time stockholders have had the opportunity of receiving, in stock, the distribution from realized net gain on investments.

* * *

Colonial Fund reports that at the close of the Oct. 31 fiscal year net asset value per share was $10.30, a gain of 7.5% from the $9.95 of a year ago, after adding back this year's distribution from realized gains of 40 cents a share. Major changes in investments during the quarter ended Oct. 31 included these new commitments: 6,000 shares of Idaho Power, 8,000 shares of James Talcott, 5¼% convertible preferred, 4,300 shares of Texas Gas Transmission 5¼% convertible preferred and $100,000 of Olin Mathieson convertible subordinated debentures 5½% 1983. Colonial Fund eliminated during the three months 3,500 shares of El Paso Natural Gas, 2,000 Hercules Powder, 8,000 Puget Sound Power & Light, 1,900 United Carbon and 3,000 Youngstown Sheet & Tube.

* * *

Fundamental Investors, Inc. has acquired the assets of the Uncasville Manufacturing Co., a personal holding company. In exchange for these assets, totaling more than $1.9 million, Fundamental issued 194,232 shares of its capital stock. From the time of its incorporation until 1923 Uncasville was engaged in manufacture of cotton textiles. After World War I the company gradually withdrew from manufacturing and by 1923 had liquidated the last of its mills. At the end of 1924 Uncasville amended its charter to enable it to operate as a private investment company.

* * *

Commonwealth Stock Fund net assets rose from $8,493,508 to $13,300,770 in the fiscal year ended Oct. 31, Cairman S. Waldo Coleman and President Robert L. Cody told stockholders in the annual report. The increase reflected the investment of additional money by new and old shareholders, as well as the rise in the market value of the fund's investments, the report said. Net assets rose from $13.93 per share to $15.18, after adjustment for a capital gains distribution of 26 cents a share.

* * *

Puritan Fund, Inc., reports net assets rose from $54,018,406 on Oct. 31, 1958, to $71,181,437 on Oct. 31, 1959, an increase of 32%. Shareholders increased from 18,000 in October, 1958, to 21,000 in October, 1959, an increase of 17%; shares outstanding increased 16% from 7,736,124 to 8,945,485. On Oct. 31, 1959, 25.5% of net assets was invested in bonds, preferred stocks, net cash and receivables, compared with 18.5% a year ago; balance was represented by common stocks amounting to 74.5% currently, and 81.5% a year ago.

* * *

Most of the $86 million **Delaware Fund's** recent buying activity has been directed to taking advantage of tax selling pressure on securities priced considerably higher during the past year or two and consists largely of additions to present holdings, reports D. Moreau Barringer of Delaware Management Co., Inc., the Fund's national distributor and investment adviser, in its latest semi-monthly Directors' "Letter."

On the selling side, the fund eliminated a minor position in Philadelphia Electric and the last of its Merritt-Chapman & Scott. Barringer comments that despite continuing huge backlogs and some degree of recovery from the 1958 recession, the latter seems unable to regain any market popularity.

Noting that sales of both Delaware Fund and Delaware Income Fund have been particularly good in recent months, Barringer says October's combined total of some $2,350,000 represented the best month in history. November, though the results are not yet complete, he goes on, has already eclipsed October by quite a margin.

* * *

Whitehall Fund, Inc., the balanced fund of the Broad Street Group of Mutual Funds, declared a fourth quarter dividend of 17 cents a share from net investment income, payable Dec. 24. Payment will bring the year's total to 47 cents, the same as for 1958. This will mean an increase of 4.5% in income in 1959 for shareholders who took the 1958 distribution from gain on investments in additional shares. A distribution of 25 cents a share from gain realized on investments also has been declared payable Dec. 24.

* * *

A fourth quarter dividend of six cents per share, payable Dec. 24, has been declared by **National Investors Corporation**, the growth stock fund of the Broad Street Group of Mutual Funds. This will bring total dividends for the year to 24 cents, compared with 23 cents paid in 1958. Income from National Investors will be 1.2% higher in 1959 than in 1958, however, for those shareholders who took the 1958 distribution from gain realized on investments in additional shares. A distribution of 30 cents from gain realized on investments also has been declared for payment Dec. 24.

Benj. Bartlett to Admit Friedlander

CINCINNATI, Ohio — Benj. D. Bartlett & Co., 313 Vine Street, members of the New York and Cincinnati Stock Exchanges, on Jan. 1 will admit William A. Friedlander to partnership. Mr. Friedlander has been an associate of the firm for some time.

Blunt Ellis Will Admit G. Hendrick

CHICAGO, Ill. — Blunt Ellis & Simmons, 208 South La Salle Street, members of the New York and Midwest Stock Exchange, on Jan. 1 will admit George K. Hendrick, Jr. to partnership.

With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

ZANESVILLE, Ohio—Rod P. Lee is with Merrill Lynch, Pierce, Fenner & Smith Incorporated, 41 North Fourth Street.

Municipal Bonds' Immunity —Some Current Problems

Continued from page 13

York. The reasoning of these two judges reflected their strong and continued adherence to the doctrine of state immunity, including expressly the immunity of municipal "securities." They would even have abolished the distinction between "governmental" functions and "proprietary" activities, exempting all activities which a state has embarked upon in the exercise of its reserved powers of government to promote the public welfare. In discussing the significance of the Saratoga Springs decision before this Forum in 1946 Dave Wood said:

" . . . the Court has demolished the argument upon which the Treasury Department and the Department of Justice have been relying in their efforts to sustain the constitutionality of a tax upon State and municipal securities. The majority of the Court take the position that any tax, even though non-discriminatory, which interferes with the performance of the States' function of government, is barred by the Constitution. Even the Treasury Department admits that the taxation of income derived from State and municipal bonds would impose a material burden upon the States and their agencies."

I might also note, as I have indicated before, that the present Chief Justice, when he was Attorney General of California, was one of the organizers of the Conference on State Defense and continued on its Board for many years, even after he became Governor of California. I do not believe that his basic political philosophy changed when he became Chief Justice of the United States.

Another one of the basic issues which we researched in 1938 was the Treasury's argument that state and municipal bond exemption is primarily a vehicle of tax avoidance. We found that that argument was not supported even then by the Treasury's own figures of the distribution of municipals. And most recent distribution figures today, 20 years later, confirm the fact that only about 40% of municipals are held by individuals, the balance being held by institutional investors who are for the most part not subject to taxation at progressive rates. We know today also that municipals compose only about 15% of the assets held in personal trust accounts, as contrasted with holdings therein of 60% in common stocks and that state and municipal bonds amounted to no more than 2.8% of the investments in all of the estates of individuals reported in 1950, 3.2% of those reported in 1954 and 2.7% of those reported in 1955. The average of holdings of municipals in the estates of millionaires has only amounted to about 10% of their assets. This has not changed from the 1930s through the 1950s. And these same millionaire estates, on the returns filed in 1955, the latest available, reflected average holdings of 64.8% of their assets in corporate stock.

Finally, when we measured the fiscal effects of the proposed tax we found that the gain which the Federal Government might make was exactly offset by the loss to be suffered by state and local government. The real change, therefore, would not reflect any fiscal advantage to American government as a whole but rather a shift of powers and functions from local government to the central government.

These are some of the highlights of the type of argument which persuaded the United States Senate in 1940, when the matter finally came to a floor vote, to accept our position and to give a stunning defeat to an Administration which was not used to such defeats. And in the House, the Ways and Means Committee never even reported the Treasury bill to the floor.

The legislative fight was resumed by Secretary of the Treasury Morganthau in 1942, who then recommended repeal of the statutory exemption not only as to future issues, but even as to outstanding issues of municipal bonds. This time the Treasury was even more resoundingly defeated on the floor of the Senate by a vote of 52 to 34 and once again the Ways and Means Committee refused to report the bill.

Port Authority's Exemption

Defeated in the Congress, the Department of Justice turned to the judicial front, trying to break through the constitutional barrier by arguing that although the Port Authority was clearly a corporate agency of the States of New York and New Jersey, it was not "a state or political subdivision" within the language of the statutory exemption. That many of its functions, such as the rental of space to industrial corporations in the Port Authority Building and the operation, in which we were then engaged, of a bus line over the Goethals Bridge, were proprietary. But both the Tax Court and the Circuit Court of Appeals held on the contrary that the Port Authority was a political subdivision of the two States and so within even the statutory exemption. And in 1944 the Supreme Court of the United States turned down the government's request for a review of the Circuit Court's Decision.

Despite their defeats before the Ways and Means Committee and on the floor of the Senate in 1940 and 1942 and their defeats before the Supreme Court the Treasury returned to the attack in 1951. In that year the Treasury attempted to obtain the repeal of the section of the Revenue Act that, by way of implementing the constitutional immunity of municipals, expressly exempts them from Federal taxation. Once again we had extensive hearings before the Ways and Means Committee, at the conclusion of which we were given reason to believe that at least 20 of the 25 members of that Committee opposed the Treasury's recommendation. In the Senate a Treasury effort to obtain an amendment to the Revenue Act striking the exemption failed to find a single sponsor, so that that year we were denied the satisfaction of beating them on the floor of the Senate as we had in 1940 and 1942.

Early in 1954 our opponents moved in rather quickly and obtained an announcement, before the states and cities had had an opportunity to be heard, that the Ways and Means Committee had voted to tax the interest on municipal housing bonds and on industrial revenue bonds. Almost immediately this action was protested to the Committee by high state and municipal officials from all over the country and within a couple of weeks the Committee announced that it had withdrawn its recommendation to attempt to tax housing bonds. With regard to industrial revenue bonds, the Committee adopted a substitute with which many are familiar and under which a tenant in a plant financed by such bonds would not be allowed to take the normal business deduction for the rental he paid to his municipal landlord. This latter bill failed to pass the Senate.

And only last May, the House again defeated, by a vote of 199 to 70, a proposed amendment to the Housing Act which would have provided for taxation of interest on certain future issues of local Housing Authority bonds.

The Underlying Reason for the Tax Drive?

In reviewing this history of persistent and recurrent efforts to destroy the immunity of state and municipal bonds one cannot but wonder about the underlying reason for this drive to undermine state and local government. It has been shown time and again that the proposal is economically unsound, that it is unconstitutional, that it is based on a theory of tax evasion not supported by the facts and that it directly threatens the borrowing power of local government. It has been demonstrated time and again that any financial gain which the Treasury might make would be more than offset by the financial losses of state and local government.

What then was the real objective of those who pressed these drives from 1938 to 1951? What was it that gave these persistent attacks the quality of a warped and twisted crusade? I can only conclude, that we were facing the attacks of centralists—as sharply distinguished from federalists — who believed that the states had outlived their usefulness and that we should be governed by the departments of an omnipotent central government. This, I believe, was the political philosophy that was storming the gates of Congress in those attempts to gain Federal control of local financing.

The states and cities met these advocates of an omnipotent central government with a political philosophy of our own. It is this:

(1) If Congress has the statutory power to tax state and municipal bonds, it has inevitably the power to control state and municipal financing, and whether or not the power to tax is the power to destroy, it is very positively the power to control;

(2) Without independent control of its own financing, no government, Federal, state or local, can continue as a free and independent state.

It was in the spirit of this political philosophy that Senator Borah said at that time "I do not think that Congress would have the power to tax these securities and . . . as a matter of policy . . . it is unsound and would be a disaster to the states."

It was in the spirit of this political philosophy that Justices Douglas and Black said in their opinion in the Saratoga case that:

"The notion that the sovereign position of the States must find its protection in the will of a transient majority of Congress is foreign to and a negation of our constitutional system. * * * The Constitution was designed to keep the balance between the States and the nation outside the field of legislative controversy.

". . . The power of one sovereign to tax another is an innovation so startling as to require explicit authority if it is to be allowed. If the power of the Federal Government to tax the States is conceded, the reserved power of the States guaranteed by the Tenth Amendment does not give them the independence which they have always been assumed to have. They are relegated to a more servile status. They become subject to interference and control both in the functions which they exercise and the methods which they employ. They must pay the Federal Government for the privilege of exercising the powers of sovereignty guaranteed them by the Constitution, whether, as here, they are disposing of their natural resources, *or tomorrow they issue securities* or perform any other acts within the scope of their police power."[3]

So much for the background of this persistent issue.

Sums Up Renewed Attack

Today the attack on the immunity of state and local bonds is renewed in three areas:

(1) The Ways and Means Committee of the House has decided to open up the whole question of municipal bond tax exemption once again at hearings scheduled for this fall.

(2) The Treasury Department has been reluctant to implement the specific statutory exception in favor of municipal bond interest in the Life Insurance Company Income Tax Act of 1959. This exception in the Act is not self-executing and therefore will not be effective, that is without protracted litigation, unless it is followed by the promulgation of Treasury regulations which respect and carry out the language and intent of Congress.

(3) Legislation has been introduced again in an attempt to whittle down state and local tax immunity by singling out for taxation the interest on industrial development and local housing authority bonds.

With regard to the first item, we had been hopeful that the members of the Ways and Means Committee would have been persuaded that a fundamental constitutional issue of such magnitude and consequence as the immunity of state and municipal securities should not be lumped into agenda expressly put together to consider such tax "loopholes" as excessive expense accounts and the like.

The inclusion of a subject of such overwhelming political consequence as the power of the Federal Government to tax local financing would appear to be calculated to denigrate the constitutional importance of this real issue and to minimize its consequences to the states and cities. Furthermore, the staff of the Committee, who organized the hearings, invited only "tax experts" appearing in an individual and not a representative capacity. They have specifically excluded the testimony and refused to hear the views and opinions of our Governors, our Mayors, and other public officials who live closely with the problems of state and local financing and who are best qualified to discuss the impact of such a tax on the program, work and responsibilities of their states and cities. A member of the staff of the Ways and Means Committee has been brutally frank about the exclusion of the states and cities of the United States from these hearings, asserting that the object of this extraordinary procedure was frankly to avoid "a parade of Mayors and Governors designed to impress the Committee." I am reminded of Mayor La Guardia's comment before the Senate Committee back in 1939:

"This is a most deceptive proposition, and one which the uninitiated and inexperienced legislator might readily fall for. I had the benefit of a term as a city official in-between my first service in Congress and the time this came up, and had it not been for that experience, I can readily see how I might have been deceived by it."

Fortunately, for the record at least, a most distinguished member and former President of the Municipal Forum, Mr. Cushman McGee, was invited to present his views at these so-called hearings so that the municipal market at least, if not the sovereign states and their cities, will have one voice—and a very able one—to challenge the chosen spokesmen who will be repeating the arguments which the theoreticians and centralists have been warming over for the past 20 years.

At any rate, we are apparently faced with the prospect of still another bill attempting to tax state and municipal bonds. Despite the exclusion of state and municipal officials from the present hearings, I am confident that if the Ways and Means Committee moves toward formal consideration of what Fiorello La Guardia called this "deceptive proposal" they will, as they have always done in the past, give every opportunity to our Governors and Mayors—even what the Committee's representative has described as a "parade of Governors and Mayors"—to be heard. I am confident also that the members of the Committee, who are practical men and who understand the workings of our democracy, will feel that it is altogether proper for the Governors and Mayors to try "to impress the Committee," by exposing once again the hokum and bunkum of this chestnut and its disastrous consequences to the states and the cities. The Mayor of New York "impressed" the Committee along these lines 20 years ago. I quote him again:

"Now, gentlemen, this proposition is not new. It has been kicking around Congress for the past 20 years. Fifteen years ago today, Feb. 7, (1924) it was up in the House of Representatives and we voted on it on Feb. 8. At that time the House was privileged to count among its members the following gentlemen who are now in the Senate: Senators Barkley, Byrnes, Connally, Hayden, Hill of Alabama, Thomas of Oklahoma, Tydings, and every one of them voted against it. That is why they are in the Senate today, I guess."

Finds Municipals Are Taxed

The second area of renewed attacks on municipal bonds by the Treasury arises out of the Life Insurance Company Income Tax Act of 1959. When the bill emerged from the House, we tried to analyze its extremely intricate and complex language to determine whether it respected the full tax exemption which the Constitution requires for municipal bond interest, whether received by life insurance companies or anyone else. We finally came to realize that the House bill as originally written did not respect the full immunity to which the Constitution entitles municipal securities. Two simple tests brought the matter home to us. First, we discovered that under the House bill the tax liability of a life insurance company would be increased merely by shifting uninvested idle cash into interest-bearing municipal bonds even though the interest is supposed to be "wholly tax exempt." Secondly, we ascertained that under the House bill the tax liability of a life insurance company would be increased merely by switching from lower yielding to higher yielding municipal bonds.

We knew that the attempt in the House bill to limit municipal bonds to partial exemption would precipitate a new Constitutional test case in which the Constitutional basis of state immunity would be attacked and that in the process and in the years during which the case was before the Courts, the whole municipal bond market will be upset and disorganized.

State and municipal officials brought this serious prospect to the attention of the Senate Finance Committee. There the Treasury representatives dodged behind the complexities of the Act, sticking to the sophistry that the House bill did not on its face tax state and municipal bond interest earned by life insurance companies but merely reduced the most important deduction allowed by the bill. The Supreme Court has already held that such treatment is a tax on the municipal bond interest and is unconstitutional.[4] The Treasury representative reasoned that the Suprem

[3] 326 U. S. at 594, 595

[4] National Life Insurance Company v United States, 277 U. S. 508 (1928)

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Municipal Bonds' Immunity —Some Current Problems

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Court *should* adopt a brand new test of what "taxes" and what "does not tax" state and municipal bond interest and that under his new test the House bill was acceptable. This reasoning, however, was not openly disclosed, and yet based on it the Treasury representative repeatedly said and says today that he is not trying to tax state and municipal bond interest under the insurance tax law. We, on the other hand, insist that in this field "taxation" and "tax exemption" must keep their established meaning. And it is just as much "taxation" to increase the tax bill of a life insurance company by juggling state and municipal bond interest in the tax formula as to accomplish the same result by frankly including the interest in the tax base.

The Treasury representative's new definition of "taxation" and "tax exemption" has to do with the new theory of "proration." It is argued that a taxpayer which has allowable deductions actually pays them in part from its tax exempt as well as its taxable interest and that therefore it should not receive the full deduction from taxable income. In other words, that a portion of the tax exempt income should be "added back" in determining net taxable income. In the case of a commercial bank's savings department, the parallel argument would be that all of the interest paid to depositors should not be deducted if the bank received tax exempt income.

The Senate Finance Committee was clear that it did not want taxation of state and municipal bond interest, but may well have been confused by the conflicting arguments of both sides as to whether the House Bill in fact encompassed such taxation. In the belief that they were meeting our problem all the way, the Senate Finance Committee proposed an amendment to the House Bill, labled an "exception" which declared that "If it is established in any case that the application of the definition of taxable investment income . . . results in the imposition of tax on any interest which under §103 is excluded from tax income [i. e. municipal bond interest] adjustment shall be made to the extent necessary to prevent such imposition."

This seemed like a complete answer to our problem. However, we are having trouble in getting the Treasury to promulgate regulations implementing this exception. We are concerned lest the Treasury persists in claiming that the basic formula does not "tax" municipal bond interest.

Housing and Industrial Development Bonds

The third area recalls the crisis of 1954, when, as I have noted the Ways and Means Committee announced that it proposed to withdraw the exemption of bonds issued for local housing or industrial development purposes. The tactics of this attack on local financing was then, and is again today, to confuse and divide. Housing and industrial development bonds are in controversial areas. But controversy within a sovereign state, or even between the sovereign states, as to the social or fiscal wisdom of a policy is no invitation to the Federal Government to attempt to step in and decide for the states, through the exercise of the Federal taxing power, what is or is not a wise social or fiscal course. As Judges Douglas and Black wrote in the Saratoga case:

"A tax is a powerful, regulatory instrument. Local government in this free land does not exist for itself. The fact that local government may enter the domain of private enterprise and operate a project for profit does not put it in the class of private enterprise for tax purposes. Local government exists to provide for the welfare of its people, not for a limited group of stockholders. If the Federal Government would place the local government on its tax collector's list, the capacity to serve the needs of their citizens is at once hampered or curtailed. The field of Federal excise taxation alone is practically without limits. Many state activities are in marginal enterprises where private capital refuses to venture. Add to the cost of these projects a Federal tax and the social program may be destroyed before it can be launched. In any case, the repercussions of such a fundamental change on the credit of the States and on their programs to take care of the needy and to build for the future would be considerable. . . . the power to tax lightly is the power to tax severely. The power to tax is indeed one of the most effective forms of regulation. And no more powerful instrument for centralization of government could be devised."[5]

In evaluating the power to tax as the power to control, let us remember that in the 1930s Secretray Morganthau proposed that the immunity of local securities be ended for all *except* public housing bonds; I assume that this was because he and his associates had a warm spot in their hearts for housing. Yet in 1954, for contrary reasons of unenthusiasm for public housing, we were confronted with a proposal to continue the *exemption* of all municipal bonds *except* housing bonds.

This illustrates the force of what I have considered the strongest constitutional reason for retaining the immunity of local financing from Federal taxation. The power to tax, as was emphasized in the foregoing quotation of Justices Douglas and Black, unquestionably — I might even say magnetically — involves the power to control. If the Federal Government ever had the power to tax municipal bonds, it would obviously have the power to classify the purposes for which such bonds are issued, taxing some as a penalty for going counter to the Federal policy of the moment and exempting others as a reward for compliance with Federal policy. I can imagine no greater blow to local self-government in this country. A political system of sovereign states within a Federal Government involves the constitutional right to have a diversity of local policy just as freedom of speech requires the right to have a diversity of opinions.

Which brings me to the question of industrial development financing. From the standpoint of fiscal wisdom I do not agree with the policy of some states of giving away their tax exemption to private industry for industrial developments. But I believe in local self-government just as I believe in freedom of speech. And the time and the place for me to prove my belief is when one state or another is proposing a policy, legal in that state and clearly within its reserved powers, which I would, nevertheless, have opposed if I were a citizen of that state. Being cast in the role of defender of the immunity of municipal bonds I simply cannot, in good conscience, defend immunity only for bonds issued for purposes which meet my approval. The constitutional principle of governmental immunity protects all of the reserved powers of the states or it protects none of them. If the Federal Government can take it apart piece by piece as it may approve or disapprove state policy, then the doctrine doesn't exist at all.

That is why we fought in 1954 to retain the exemption of *all* state and municipal bonds either for industrial development purposes or otherwise. We even had to oppose the attempt to skin the cat in another way by disallowing as a business deduction the rental paid by an industrial tenant to its municipal landlord. This proposal was equally an attempt to abridge the doctrine of local self-government upon which our basic immunity rests. This becomes clear when you consider that it proposed classification of tenants solely on the basis of whether or not their landlords were municipalities.

This brings me to a fundamental distinction to be made between law and public policy in this debate about industrial development bonds. While I must defend to the end the constitutional immunity of state and local activities from Federal taxation, nevertheless, I believe it is contrary to sound public policy to pass on municipal bond tax exemption to private industry.

But many people jump to the conclusion that just because we have a public landlord and a private tenant in a particular case, the public landlord has abused its privilege and given away the benefits of its tax exemption.

Denies "Pass Through" at Port Authority

I know, of course, that that is frequently the case. But I want to assert as strongly as I possibly can that in the case of the Port Authority there is absolutely no "pass through" of any of our tax exemptions to any private tenant carrying on a business, as on an airport, which is only incidental to and not a part of the prime public service performed by the airport itself.

The Port Authority does not purchase property for, not does it finance an industrial development, simply for the purpose and objective of industrial development itself. It is, however, fully authorized to undertake such a development as an incident to the financing of a public airport or terminal and for the purpose of providing such a public facility with incidental revenues necessary to its operation as a self-supporting public enterprise. Our power to develop such incidental revenues from the air rights over the Inland Railroad Terminal (known as the Port Authority Building) was upheld by the highest court of New York and our practice in that respect was reviewed by the courts when the exemption of the interest on our bonds from Federal income taxes was upheld in 1943 and 1944. Similarly, in the development of the metropolitan airports large areas within airport boundaries must be held and controlled by the airport operator. They can be used for industrial tenancies which do not conflict with the basic airport use and their revenues help to make these facilities self-supporting, despite the fact that airports generally are deficit operations.

The legislation authorizing the Port Authority to finance air terminals in the Port District was preceded by comprehensive studies of airport financing. These studies indicated that the airports could not be financed on a self-supporting basis on aviation revenues alone. Among other revenue sources, they recommended the industrial development of the peripheral areas which must be held and controlled within the airport boundaries, but which otherwise would lie fallow. Our proposals to the cities of New York and Newark included these recommendations.

All of this material was before the legislatures of both states when, in 1947, they adopted the legislation enabling the Port Authority to acquire and operate air terminals within the Port District.

In administering this revenue development program, particularly as it applies to industrial development, the Port Authority has adopted several basic ground rules. And I may say that these ground rules or standards of administration for our industrial development at the airports were formally submitted to the real estate associations in New York and New Jersey.

First, such industrial project cannot in any way interfere with the basic purpose of the airport or its future development for such purpose. This standard alone dictates stringent area and height limitations and the retention of an absolute right in the Port Authority to repossess the property, on short notice, for aviation purposes.

Second, the Port Authority will not, in computing rentals applicable to industrial projects, pass on its tax exemption to a tenant. In the case of every such proposed tenancy an increment is included in the rental which represents a tax equivalent that the tenant would bear if renting from a private landlord. This is not only dictated by the basic policy against passing on our tax exemption, but by simple economics as well. You will recall that in our airports we are not only a landlord but also furnish many of the services normally furnished by a municipality, i. e., police and fire service, road construction and maintenance, the installation and maintenance of utility lines.

Third, in any case, the rental must be reasonably equivalent to the "going" rents in the area for similar facilities.

This last is a cardinal rule which our Commissioners have imposed and which I administer with an iron hand. No proposed tenancy will pass my desk unless it can be demonstrated by our line department that the proposed rental is *at least* the full fair rental value which a wholly taxable landlord would charge for a comparable building. In other words, there is no passing on of our real estate tax exemption and there is no passing on of our bond tax exemption. In our philosophy, they are created for and must serve only the Port Authority's public purposes. By charging the full measure of fair rental value which a private landlord would charge, we obtain the benefit of the exemption for the Port Authority alone.

This, we believe, is the proper way to adjust the requirements of the public in this field with sound financial policy and, if you will, with the properties of tax exemption. At the Port Authority we can discipline ourselves in this way and follow such an administrative policy, but I must emphasize once again that no one who understands the political philosophy of reciprocal immunity from taxation in our Federal system can logically support the use of the Federal taxing power to break up the industrial development projects of a sovereign state, no matter how much one may disagree with that policy or with its administration.

I know that industrial development bonds are a tempting target for the opponents of immunity. This I know was the reasoning back of the IBA resolution cautioning its members against the underwriting of industrial development bonds and the very commendable restraint of municipal underwriters in cooperating with the purpose of this resolution. It is natural to wish that we, who must defend the immunity, did not have the burden of defending bonds issued for an unpopular purpose. Over the past 20 years the Conference on State Defense has effectively coordinated the opposition of state and municipal officers and of state and municipal associations in opposition to persistent and zealous campaigns to undermine and destroy the whole doctrine of state immunity from Federal taxation. I believe that we can still man a stone wall defense. But we cannot do so if we fall into the trap of dividing and embittering our forces by joining those who would try to enforce Federal tax sanctions on the exercise of their sovereign powers by the States of Tennessee, of Alabama, of Mississippi, Rhode Island, or of any other state in the union.

*An address by Mr. Tobin before the Municipal Forum of New York, New York City.

[5] 326 U. S. at 593

Brown Bros. Harriman Partners

The banking firm of Brown Brothers Harriman & Co. has announced the filing of applications with the New York State Banking Department and with the New York Stock Exchange for approval of the admission of three new partners on Jan. 1, 1960: Frank W. Hoch, R. L. Ireland, III and Lester J. Newquist.

Mr. Hoch has been associated with Brown Brothers Harriman & Co. since 1947 and has been a Manager of the firm since 1956. His principal activities have been in connection with the firm's foreign investment business.


Frank W. Hoch


R. L. Ireland III


L. J. Newquist

Mr. Ireland was formerly associated with The New York Trust Company and a Vice-President of that bank from 1952 until its merger with the Chemical Corn Exchange Bank. Since the merger, Mr. Ireland has been a Vice-President of the Chemical Bank New York Trust Company.

Mr. Newquist joined Brown Brothers & Co. in 1936. He has been in charge of the Investment Research Department since 1947 and a Manager of the firm since 1953.

Timpson to Admit

Robert Timpson & Co., 63 Wall Street, New York City, members of the New York Stock Exchange, on Jan. 1 will admit Luis F. V. Browne to partnership.

AS WE SEE IT *(Continued from page 1)*

to do all that he can to keep the parties negotiating on an around-the-clock basis."

The President was no sooner off the air than Mr. McDonald, head of the Steel Workers Union, always ready to do battle on the forum of popular feeling, had this proposal to make to the President:

"The union . . . proposes, Mr. President, that you direct the Board of Inquiry headed by Dr. Taylor to reconvene immediately. The union is willing to agree that this board should make a recommendation to the parties as to the terms of settlement of all issues in dispute. The union agrees and pledges that it will negotiate a settlement within the framework of the board's recommendations."

Obviously, this tactic on the part of the labor leader is not altogether free of guile. It would shift to government the responsibility for determining what is a fair and reasonable settlement of the dispute—fair to employers, fair to the workers and fair to the public. The record shows, of course, that government rarely if ever fails to deal gently with labor, and once any organ of the Federal Government formulated a "fair" settlement it would be difficult for the steel industry to refuse to agree to it. As a move in a sort of chess game, the proposal of Mr. McDonald may well be regarded as clever. Whether anything more can be said in its favor is open to question.

Weakness Exposed

The fact is, though, that the labor leader has in a very real sense exposed the basic weakness of the President's position. A lamentable weakness it unquestionably has no matter how much all of us may agree with him that it is time—long past time, really—that this controversy had been settled. That weakness is precisely that it appears to assume that a settlement of the sort he describes could easily be formulated by any intelligent man or group of men of good will. The fact, of course, is quite to the contrary.

It is obvious, of course, that labor monopoly in this country has made excessive and harmful use of its power for a good many years. There is no difficulty in reaching the conclusion that what has taken place is not in the interest of the public—not even in the interest of the wage earner in our estimation. It is, however, one thing to recognize excess when it is repeatedly seen, and quite another to say precisely what should have been done and what should not be done. Equal difficulty is encountered when the problem arises of gaining acceptance of any judgment that might be rendered. The gentlemen who Mr. McDonald would like to draw up a "fair" agreement are no more able than the rest of us to do anything of the kind. It could without doubt formulate an agreement which would fit into the pattern that has been set of recent years, and which would perhaps meet with the approval of this or that group of the general public, possibly of the public in general. That would, however, not make it the "right" solution.

One All-Wise Arbiter

The only all-wise arbiter of such matters as these—as well as a myriad of others constantly up for decision in the economy—is the market place, and that market place must be one from which monopoly is wholly absent. It is precisely because no such market place has been permitted to function in the labor relations field for the better part of a half century that matters have come to the present pass, and until such a market place is restored, we shall not progress as we could and should. It is the failure of the President to show any understanding of this essential fact, either in his latest statement or in any of the others, that constitutes the basic weakness of his position.

This weakness is, of course, not confined to the President and his immediate advisers, but is all but universal in Washington, and for that matter in the various state capitals and other places where politicians foregather. The situation has its roots in a long period of our history—when so-called liberals evolved the notion that somehow the wage earner must be given special status. And worst of all there is no evidence today despite all the difficulties we have been having and are now having that the politicians — and we must suppose the voters — have even begun to awaken to the true inwardness of this situation. The rather long series of statutes and court rulings which assure wage earners a position of monopoly are all but sacrosanct in the minds of all too many of us.

We shall, of course, muddle through this steel situation, and sooner or later reach some sort of arrangement which will enable the steel mills to function continuously again—and any errors which may be committed will, of course, be charged to the general public in the form of higher prices for many, many of the things we want and use. For the moment at all events the momentum under which the economy is moving would appear strong enough to withstand such strains. Naturally, the fiddler will demand his fee at one time or another—but the unfortunate fact is that the general philosophy now ruling us requires that steps be taken to prevent hard times from doing its normal work of readjusting such things.

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capacity, up 2.5 points from the previous week. Output was about 2,619,000 ingot tons.

"Steel's" price composite on heavy melting steel scrap slipped 83 cents a gross ton to $42.67 last week. Mill buying activity is still sluggish despite the rapid rise in production. A year ago, the price of heavy melting steel scrap was $39.67 a gross ton.

Labor peace in the copper industry, which has been plagued by strikes since mid-August, seems close at hand. Kennecott Copper Corp.'s settlement with its United Steelworkers of America locals should set the pace. Practically all of the contracts in the industry should be signed by Christmas.

Industrial building will bounce 25% in 1960 and be the No. 1 element of strength in the nation's construction activity next year, "Steel" reported.

Construction over-all is expected to chalk up a record—between $55 billion and $56 billion, vs. 1959's $54 billion volume. Structural steel fabricators report they expect industry and public utilities to order 45% more fabricated steel in 1960 than they did this year.

Housing is the major weak spot in the construction outlook for next year. Tight money in the mortgage market is being blamed for the anticipated cutback from this year's 1.35 million housing starts to 1.2 million in 1960.

Steel Output Based on 94.3% of Jan. 1, 1959 Capacity

The American Iron and Steel Institute announced that the operating rate of the steel companies will average *166.3% of steel capacity for the week beginning Dec. 7, equivalent to 2,671,000 tons of ingot and steel castings (based on average weekly production of 1947-49) as compared with an actual rate of *165.0% of capacity and 2,650,000 tons a week ago. [ED. NOTE: The strike in the steel industry which began July 15 was ended via a court injunction on Nov. 7.]

Actual output for the week beginning Nov. 30 was equal to 93.6% of the utilization of the Jan. 1, 1959 annual capacity of 147,633,670 net tons. Estimated percentage for this week's forecast is 94.3%.

A month ago the operating rate (based on 1947-49 weekly production) was *80.4% and production 1,291,000 tons. A year ago the actual weekly production was placed at 1,985,000 tons, or *123.6%.

*Index of production is based on average weekly production for 1947-49.

Auto Output Climbing To Volume Levels

"Ward's Automotive Reports" said that auto output has reached the bottom of its severe steel-strike decline and has begun the slow return to volume levels.

The statistical service described U. S. production in week ended Dec. 5 of 53,915 cars—15% above previous week—as the first in a series of weekly increases which will see the industry boast its December assemblies 75% above November.

Scheduled for this month are 447,300 car completions compared with 254,418 in November. December of last year netted 593,920.

In recapping the production setback "Ward's" said auto building reached a model changeover weekly low of 18,335 units in early September, posted a peak of 133,420 six weeks later, then settled into a six-week and 65% decline that ended with 46,740 competions last week.

The statistical agency said Ford Motor Co., American Motors, and Studebaker - Packard were the only producers to schedule normal assembly operations in the recent week. Ford operated all but three Ford car plants on a five-day basis and maintained six-day operations at its Lincoln-Thunderbird and Falcon facilities. Studebaker - Packard worked a five-day schedule, and American Motors returned to Saturday car assembly.

Depleted parts inventories forced Chrysler Corp. to revert to two- and three-day scheduling at the Detroit Plymouth and Jefferson plants and at St. Louis; all other Chrysler assembly sites have been closed by steel shortages.

"Ward's" said the production picture would brighten somewhat next week when General Motors plants get back into action after a steel-shortage layoff of more than six weeks.

Chevrolet plants at Willow Run, Mich., Janesville, Wis., Norwood, O., and Flint, Mich., began assembling cars on Monday, Dec. 7, as did the Cadillac Plant at Detroit. Buick, Oldsmobile and Pontiac divisions resumed production on Wednesday, Dec. 9.

Chrysler Corp's Imperial division and the Hamtramck Valiant plant also are planned to return to work on Dec. 9.

Electric Output 6.8% Above 1958 Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Dec. 5, was estimated at 13,907,000,000 kwh., according to the Edison Electric Institute. Output was 734,000,000 kwh. above that of the previous week's total of 13,173,000,000 kwh. and showed a gain of 890,000,000 kwh., or 6.8% above that of the comparable 1958 week.

Car Loadings 6.4% Above 1958 Week

Loading of revenue freight for the week ended Nov. 28, 1959, totaled 574,126 cars, the Association of American Railroads announced. This was an increase of 34,637 cars or 6.4% above the corresponding week in 1958, and an increase of 20,404 cars or 3.7% above the corresponding week in 1957.

Loading in the week of Nov. 28 which included the Thanksgiving Day Holiday were 55,236 cars or 8.8% below the preceding week.

Lumber Shipments 15.3% Below 1958 Week

Lumber shipments of 461 mills reporting to the National Lumber Trade Barometer were 14.3% below production for the holiday week ended Nov. 28, 1959. In the same week new orders of these mills were 6.0% below production. Unfilled orders of reporting mills amounted to 33% of gross stocks. For reporting softwood mills, unfilled orders were equivalent to 16 days' production at the current rate, and gross stocks were equivalent to 45 days' production.

For the year-to-date, shipments of reporting identical mills were 0.4% below production; new orders were 1.4% below production.

Compared with the previous week ended Nov. 21, 1959, production of reporting mills was 16.4% below; shipments were 23.0% below; new orders were 7.9% below. Compared with the corresponding week in 1958, production of reporting mills was 4.5% above; shipments were 15.3% below; and new orders were 7.8% below.

Drop in Business Failures for Week Ended Dec. 3

Commercial and industrial failures dipped to 261 in the week ended Dce. 3 from 268 in the preceding week, reported Dun & Bradstreet, Inc. At a six-week low, casualties fell noticeably from the 294 occurring in the similar week of last year and the 287 occurring in 1957. Some 12% fewer businesses failed than in prewar 1939 when the toll was 297.

Liabilities of $5,000 or more were involved in 230 of the week's casualties as against 236 in the previous week and 254 a year ago. Declines also prevailed among small failures, those with liabilities under $5,000, which dipped to 31 from 32 a week earlier and 40 last year. Thirty of the failing concerns had liabilities in excess of $100,000, edging up from 29 of this size in the preceding week.

Construction casualties, down to 31 from 55, and wholesaling, off to 30 from 35, accounted for the downturn in the post-holiday week. In contrast, the toll among manufactures climbed to 67 from 49, among commercial service enterprises to 23 from 19, while the toll among retailers held steady at 110. Casualties equalled or exceeded their year-ago levels in all lines except retailing and construction. The sharpest rise from 1958 appeared in manufacturing.

Five regions reported declines during the week. Middle Atlantic failures fell to 86 from 107 and South Atlantic dipped to 19 from 22. On the other hand, marked increases occurred in the Pacific States, up to 74 from 61, in the West South Central, up to 21 from 10, and in the Mountain, up to 10 from 4. There was no change in the East North Central States where the toll remained at 31. Year-to-year trends were also mixed: five regions suffered fewer casualties, three had heavier tolls, and one equalled its 1958 level.

Intercity Truck Tonnage 2.8% Above 1958 Week

Intercity truck tonnage in the week ended Nov. 28, was 2.8% ahead of that of the corresponding week of 1958, the American Trucking Associations, Inc., announced. Truck tonnage was 14.9% below the previous week of this year; the tonnage decrease reflects the effect of the Thanksgiving Day Holiday, Nov. 25.

These findings are based on the weekly survey of 34 metropolitan areas conducted at the ATA Research Department. The report reflects tonnage handled at more than 400 truck terminals of common carriers of general freight throughout the country.

Wholesale Food Price Index Unchanged in Latest Week

The Wholesale Food Price Index, compiled by Dun & Bradstreet, Inc., was unchanged this week from the prior period. It stood at $5.92 on Dec. 1, down 7.4% from the $6.39 of the corresponding date a year ago.

Up in wholesale price this week were wheat, corn, barley, hams, lard, butter, cheese, sugar, cocoa and eggs. Lower in cost were rye, bellies, milk, cottonseed oil, peanuts, raisins and hogs.

The Index represents the sum total of the price per pound of 31 raw food stuffs and meat in general use. It is not a cost-of-

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living index. Its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Dips Slightly From Prior Week

Lower prices on most grains, sugar, steers, lambs, rubber, and steel scrap offset slight increases on hogs, butter, and flour this week, holding the general commodity price level slightly below the prior week. The Daily Wholesale Commodity Price Index, compiled by Dun & Bradstreet, Inc., stood at 276.06 (1930-32=100) on Dec. 7, compared with 276.77 a week earlier and 275.41 on the corresponding date a year ago.

Wheat prices were down appreciably as trading lagged. Over-all export demand fell, despite a sizable purchase by India. Pakistan is expected to be in the market next week. Although offerings of rye were light, prices were down moderately as transactions fell.

There was a slight decline in corn prices and trading was dull. Oats prices remained close to the preceding week and buying was unchanged. Although the call for soybeans expanded somewhat, prices showed little change.

Although flour trading was sluggish throughout most of the week, prices climbed slightly at the end of the period. A marked decline in export interest in flour occurred during the week. With the settlement of the dock strike issue, interest in rice moved up appreciably for both domestic and export use. Countries showing the most interest in the export market were Indonesia, India, Pakistan, Ceylon, and Peru. Despite this rise in demand, rice prices remained unchanged from a week earlier.

While volume in sugar was sustained at a high level, prices dipped appreciably. The buying of coffee dipped noticeably, but prices were steady. There was a moderate decline in cocoa prices as trading slipped.

Increased buying at the end of the week helped hog prices move slightly higher. Trading in steers lagged and prices were down moderately. Volume in lambs was sluggish and prices slipped from the prior week. Despite the slight rise in hog prices, lard prices showed no change from a week earlier.

Prices on the New York Cotton Exchange showed little change during the week. Influenced by favorable reports from textile centers, trading moved up somewhat. United States exports of lint cotton came to about 73,000 bales in the week ended last Tuesday, compared with 142,000 a week earlier and 61,000 in the comparable week a year ago.

Christmas Shopping Slightly Exceeds Year Ago

There was a post-Thanksgiving upsurge in Christmas shopping this week, and over-all retail trade slightly exceeded that of a year ago. Shoppers were primarily interested in men's furnishings, women's fashion accessories, juvenile furniture, toys, lighting fixtures and liens. Sales of new passenger cars were down again this week and fell below a year ago, due to limited dealer inventories, according to scattered reports.

The total dollar volume of retail trade in the week ended Dec. 2 was unchanged to 4% higher than a year ago, according to spot estimates collected by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1958 levels by the following percentages: East North Central +4 to +8; Mountain +3 to +7; South Atlantic +1 to +5; West North Central and West South Central 0 to +4; Middle Atlantic —1 to +3; New England, East South Central and Pacific Coast —2 to +2.

Women shoppers stepped up their buying of gloves, jewelry, scarfs and other accessories this week, and volume was well over a year ago; more modest year-to-year gains occurred in cloth coats, suits and dresses, and interest in sportswear remained close to the similar 1958 week. Although substantial gains over last year prevailed in men's furnishings, sales of overcoats and suits were down moderately holding over-all volume in men's apparel slightly below a year ago. Retailers again reported significant gains over last year in boys' and girls' clothing.

There were marked gains from the similar 1958 week purchases of housewares, glassware and gifts during the week and the buying of floor coverings and draperies was up appreciably. An upsurge occurred in interest in linens and moderate year-to-year gains were registered. Increased sales of dining room sets and upholstered chairs helped boost total furniture volume moderately over a year ago. Volume in appliances remained close to a year ago, despite gains in lamps and lighting fixtures.

Although the usual post-Thanksgiving decline occurred in sales of poultry, fresh meat, canned gods and baked goods, over-all food volume remained somewhat higher than a year ago.

There was noticeable rise this week in the wholesale buying of women's fashion accessories, jewelry, sportswear, and other merchandise suitable as Christmas gifts. Reorders for women's cruisewear and resortwear were sustained at a high level as was volume in winter coats and dresses. A moderate decline from the prior week occurred in purchases of women's spring and summer clothing, but volume in men's lightweight suits moved up in most markets over both the prior week and a year ago. The call for men's furnishings, sportswear, and shoes expanded appreciably from a week earlier.

Most furniture wholesalers reported marked gains this week in volume in case goods, upholstered chairs, and bedroom sets; sales of case goods in Southern markets were at record levels. Although supplies were limited in some areas due to the steel strike, volume in major appliances moved up appreciably during the week, especially lighting fixtures, lamps, television sets, and refrigerators Buyers stepped up their purchases of floor coverings, draperies, and towels, and the call for linens remained at a high level.

Trading in cotton print cloths expanded noticeably this week, and supplies in some markets were low; in contrast volume in other cotton gray goods lagged. While the buying of carpet wool moved up in Philadelphia, it lagged in Boston. Over-all trading in woolens and worsteds showed no change from the prior week. Wholesalers of industrial fabrics and man-made fibers reported a slight rise in new orders. Incoming orders at New England dyeing and finishing plants edged up slightly in the latest week.

Food buyers stepped up their purchases of frozen foods this week, especially vegetables and juice concentrates. There was a slight rise in trading in canned goods, sugar, candy, and shelled nuts, but interest in poultry, fresh produce, and fresh meat lagged. Volume in eggs, butter, and cheese was steady.

Nationwide Department Store Sales Up 3% for Nov. 28 Week

Department store sales on a country-wide basis as taken from the Federal Reserve Board's Index for the week ended Nov. 28 increased 3% above the like period last year. In the preceding week, for Nov. 21, an increase of 8% was reported. For the four weeks ended Nov. 28 a 5% increase was registered and for Jan. 1 to Nov. 28 a 7% increase was noted.

According to the Federal Reserve System department store sales in New York City for the week ended Nov. 28 increased 4% over the like period last year. In the preceding week ended Nov. 21 an 8% increase was shown. For the four weeks ended Nov. 28 a 5% increase was reported over the 1958 period. Jan. 1 to Nov. 28 showed a 7% increase.

Eaton & Howard 35th Anniversary

BOSTON, Mass.—Eaton & Howard, Incorporated, Boston investment management firm, today (Dec. 10) observes the 35th anniversary of its founding by Charles F. Eaton, Jr., President, and the late John G. Howard.

Charles A. Eaton, Jr.

The organization was a pioneer in investment counsel and in the development of mutual investment funds and has grown to be one of the country's leading investment management and counsel firms.

Headquarters are in Boston and other offices located in New York, Chicago, Minneapolis, Los Angeles and San Francisco.

Eaton & Howard provides investment management to individual and institutional clients, as well as to the two mutual investment funds which bear its name, Eaton & Howard Balanced Fund and Eaton & Howard Stock Fund.

J. & W. Seligman Co. Quarter Century Club

The Quarter Century Club of J. & W. Seligman & Co. and Union Service Corporation admitted two new members at the Club's annual luncheon meeting at the Lawyers' Club here. The new members were Joseph B. Malick, assistant head of the Purchase and Sales Department of Seligman, and Frank Wardy, who handles the firm's clearing house work.

J. & W. Seligman & Co., organized in 1864, is one of the oldest member firms of the New York Stock Exchange. Union Service Corporation is the organization that provides investment research and administrative services to Tri-Continental Corporation, the nation's largest diversified closed-end investment company and the Broad Street Group of Mutual Funds — Broad Street Investing Corporation, National Investors Corporation and Whitehall Fund, Inc.

Of the 226 employees of the two organizations, 50 are 25-year veterans and still active. Employees of Broad Street Sales Corporation, a subsidiary, are also included in the Club membership.

With DeHaven, Townsend

PHILADELPHIA, Pa. — DeHaven & Townsend, Crouter & Bodine, members of the New York Stock Exchange and other leading Exchanges, announce that Jean B. Hecht has become associated with them as a registered representative in their Jenkintown office in The Benson-East, 100 York Road.

Dempsey-Tegeler Branch

WESTWOOD, Calif. — Dempsey-Tegeler & Co has opened a branch office at 10.. Broxton Avenue under the management of Peter C. Olmstead.

SECURITY SALESMAN'S CORNER

BY JOHN DUTTON

Some Suggestions for Handling Stock "Switches"

Whenever you make a recommendation to buy or sell a security you must go out on a limb. This happens to be the way it is in the investment management and sales end of the securities business. People who ask for advice and who follow it, whether they are doing business with a broker or if they have an adviser whom they employ on a free basis, naturally expect performance. If they are doing reasonably well and profits are substantially greater than losses there is not too much of a problem in keeping the account satisfied. However, there are certain pitfalls that the investment salesman particularly should try to avoid. It can be stated categorically that the mistake of timing, or of judgment, when moving a customer out of one security into another, is very likely to irritate a client more than anything else that might prove to be unprofitable in the account. It is a truism that when you make a "switch" you have to be right twice. This is a most difficult operation to achieve successfully with any degree of regularity.

Never Move Out of Volatility Into Stability

Even where an account may (over the longer term) be placed in a stronger position, it is very doubtful if a "switch" from a more volatile speculative security into one that is of sounder quality (but slower moving) is psychologically indicated. Here I would like to be more specific. I am not referring to the investor who is very heavy in highly speculative stocks and who should consider a complete revision of his portfolio in the light of his investment needs. Nor am I discussing the building of reserves if a study reveals that this would be a sound move.

Here is a case in point. Recently one of my customers asked me if I thought she should sell a depressed drug stock in order to buy a well managed closed-end mutual fund which I offered to her. If I would have said "yes" she would have made the "switch" and she would have very likely strengthened her account on several counts. She would have had a very much sounder investment of high quality but she would also have had a much slower moving investment. In fact, considering her loss, I could not conscientiously recommend that she buy the closed-end fund and sell the drug stock. If any "switch" was justified it was into something that had a better prospect of large price appreciation. In considering stocks in the drug industry you never know what is coming up tomorrow, especially if a company has an active research division. Fortunately I did not recommend the "switch" because two days later the drug company announced a new compound and her depressed stock turned right around and started to climb up again.

If you are going to "switch" stocks try and match the stock you are buying with the stock you are selling as far as an anticipated market action is concerned. There is nothing that can irritate a client more than to sell a stock and take a loss in it, in order to buy another stock and then see the stock he has sold turn around and recover while he is left at the post with a good investment that doesn't move. There are turtles and there are hares in the securities markets. If you trade, swap your hares for hares, never into turtles. (Or at least, try to do it.)

Watch Your Tax Position

Some people do not realize that their tax situation may not be such that tax swapping is desirable. Without going into details, the other day I spoke to an investor at my desk who showed me a letter that he had received from his broker in another city. This letter stated that if he sold $30,000 par value of speculative railroad bonds and bought $30,000 of similar grade bonds that he would maintain his investment position and establish a long-term tax loss of about $1,200. In fairness to the other broker this man asked for suggestions and he obtained them —he did not show his entire tax picture to them for comment.

After explaining to him that he should check up his entire tax liability for the year, we made an estimate of his situation. After deducting his exemptions and his state taxes, charities, and some rather substantial medical bills (both he and his wife were over 65) we came to the conclusion that the sale of the bonds and the reinvestment was hardly justified. The commission involved in the purchase and sale on 60 bonds would have been $150. Besides, since they were income bonds and traded flat the "switch" would have entailed the loss of several months of income since the payment dates on the bonds he would have bought was not identical with those he was considering selling.

In this instance although a sale was not made it is quite possible that we have made a friend. Since this man is now living in the area he should become a client someday. And even if this is not the case—the goodwill generated and the service rendered over the longer term is significant.

One final reminder—if you do make some tax swaps be certain that funds are set aside for next April when pay day arrives. Profits taken in 1959 are taxed in 1960. Unless you can offset profits Uncle Sam must also be provided for—you should always set aside funds for taxes when considering a reinvestment.

I. M. Simon Will Admit W. Schmidt

ST. LOUIS, Mo.—On Jan. 1, I. M. Simon & Co., 315 North Fourth Street, members of the New York and Midwest Stock Exchanges, will admit Wilfred F. Schmidt to partnership.

Two Partners for F. S. Smithers Co.

F. S. Smithers & Co., 45 Wall Street, New York City, members of the New York Stock Exchange, on Jan. 1, will admit James A. Flechlin and Norman W. Stewart to partnership. Mr. Flechlin will make his headquarters in the firm's office in the Russ Building.

Form Trustors Corp.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Trustors' Corporation is engaging in a securities business from offices at 5400 Wilshire Boulevard. Officers are Manuel Felix, President; Jack P. Marsh, Vice-President; and Samuel J. Puma, Secretary-Treasurer.

PUBLIC UTILITY SECURITIES

BY OWEN ELY

New England Electric System

New England Electric System, with annual revenues of over $167 million, is the largest electric and gas utility system in New England, and constitutes one of the nine large holding company systems still remaining in the U. S. The 23 subsidiaries render electric and gas service to a population of over 2,330,000. Larger cities served include Providence in Rhode Island and Worcester, Lowell, Lawrence, Quincy, Medford, Malden, Everett and Gloucester in Massachusetts. Principal industries in the area include metal products, textiles and allied lines, electronics, chemicals, paper and printing, food and similar products, and rubber goods.

Electric sales contribute 86% of revenues and gas most of the remainder. Residential sales are high, contributing about 40% of electric revenues; the balance is 24% commercial, 25% industrial and 8% wholesale to other utilities.

Last year system output of electricity was about 23% hydro, 57% steam and 20% purchased power. Hydro output in 1958 hit an all-time high of 1,478 million kwh, a gain of 13% over 1957; the 190,000 kw Samuel C. Moore hydro plant (added in 1956) doubtless was a factor in the increase. The new 150,000 kw Salem Harbor Steam unit increased total system capability to nearly 1,500,000 kw, compared with a peak load in 1958 of 1,360,000. As a result of the postwar expansion program most of electric generation is now supplied by hydro plants and modern high-pressure steam units. Fuel consumption per kwh was reduced 6% last year; it took only 0.81 pounds of fuel to produce one kwh compared with 1.21 pounds in 1949.

The company is planning for an initial 225,000 kw unit in a new station at Brayton Point in Summerset, Mass. near Fall River, to be completed by 1961. The 225 acre site is capable of eventually supporting a 1,000,000 kw plant. The company has also purchased a power site on the Connecticut River in Gill, Mass. and may acquire two other locations.

The system has almost doubled its gas revenues since the change to natural gas was made in 1952; last year output was over 10 billion cf. However, the parent company has been under some pressure from the SEC to dispose of gas properties; at one time a sale of all units was under negotiation but the plans for public financing were not consummated. In 1958 Narragansett Electric sold its gas in Westerly, Rhode Island, and the parent sold its investment in Pequot Gas in Connecticut. Negotiations have been pending for the sale of remaining gas properties of Narragansett. If successful, the company feels that it will be in the sound position of having all gas properties concentrated in one state and it believes they will then constitute a single integrated system, which might satisfy SEC requirements.

New England Electric System has also been trying to reduce or eliminate publicly-held minority interests in the common stocks of five electric subsidiaries, and a plan toward this end was approved by the SEC and the Appellate Court, becoming effective June 30 this year.

New England Electric System has been actively interested in the construction of an atomic power reactor in New England and has a 30% stock interest (through a subsidiary) in Yankee Atomic Electric Company. A 134,000 kw plant is being constructed in Rowe, Mass. and is scheduled for operation late in 1960.

New England Electric System has not earned a very high rate of return during the past decade. However, earnings on invested capital increased from 4.5% in 1951 to 5% in 1954, and with the help of a modest rate increase to 5.6% for the 12 months ended Sept. 30, 1959. In 1958 the Massachusetts Department of Public Utilities allowed two rate increases totaling $1,475,000, and applications were pending for $375,000 for other subsidiaries. The amounts received were equivalent to about six cents a share. The company was disappointed in failing to obtain an increase of $2.6 million in Rhode Island which would have been equivalent to about 10c a share.

The share earnings record has been irregular: earnings rose from $1.08 in 1948 to $1.43 in 1950 (as reported by Standard & Poor's) but declined to $1.16 in 1954 and $1.24 the following year. Declining again to $1.19 in 1957, they recovered to $1.26 in 1958 and are estimated at about $1.30 this year. Last year's sales were handicapped by the recession in the first half, but this was more than offset by good hydro output, lower fuel costs, colder weather and the moderate increase in rates mentioned above.

In the first nine months of 1959 share earnings were 93c compared with 90c in the previous corresponding period and 86c in the 1957 period. This gain was accomplished despite subnormal water conditions during earlier 1959.

New England Electric System has been selling recently on the New York Stock Exchange around 19⅝. Based on the increased dividend rate of $1.08, the yield approximates 5.5%. The stock has traded in a relatively narrow range this year of 21¼-19⅝, compared with the 1958 range of 19-14½. At the recent price the price-earnings ratio approximates 15, based on estimated earnings of $1.30 for this year.

Peter Morgan & Co. Offers BarChris Co. Common Stock

An offering of 280,000 shares of Bar Chris Construction Corporation common stock at $6 per share has been made through the underwriting firm of Peter Morgan & Company. Proceeds of the issue will be used for working capital and expansion purposes. The company's principal activity is the design and construction of bowling alleys.

A subsidiary, B & C Bowling Supplies Inc., is a supplier of bowling equipment in New York City, Nassau and Suffolk Counties.

With Walston Co.

(Special to THE FINANCIAL CHRONICLE)

LOUISVILLE, Ky. — Russell Broaddus Jr. is now connected with Walston & Co., Inc., 321 South Fifth Street.

Joins Townsend, Dabney

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Maine — Carole B. Nelson has joined the staff of Townsend, Dabney & Tyson, 184 Middle Street.

Alan Pike Joins Blyth on Coast

SAN FRANCISCO, Calif. — Alan F. Pike has joined the Institutional Division of the Sales Department of Blyth & Co., Inc., Russ Building.

Alan F. Pike

Mr. Pike has been active in the securities business in various cities in the United States since 1938. In 1953 he joined the San Francisco office of Kidder, Peabody & Co. where he was in charge of the Municipal Department and worked in the development of institutional sales, from which position he recently resigned. He is a member of the San Francisco Municipal Club and the San Francisco Bond Club.

Ira Haupt & Co. Offers Dilbert's Debentures

Ira Haupt & Co. is manager of an underwriting group which is offering in units $2,500,000 of twenty year 5¾% convertible debentures due Dec. 1, 1979 and 600,000 shares of common stock of Dilbert's Leasing and Development Corp. Each unit, consisting of $50 principal amount of debentures and 12 shares of common stock, is priced at $51.20, plus accrued interest from Dec. 8, 1959. The common shares and the debentures in the unit will not be separately transferable until Jan. 10, 1960.

The debentures are convertible, unless previously redeemed, into common stock at an initial conversion price of $3.75 per share. The debentures are redeemable at optional redemption prices ranging from 105.50% to par, and through the sinking fund at a redemption price of par, plus accrued interest in each case.

Dilbert's Leasing & Development Corp. was formed for the purpose of engaging in the business of investing in, acquiring, constructing, financing, managing, operating and developing shopping centers, supermarkets and other types of retail stores. It may also engage in the business of investing in, developing and improving other types of real estate. The company also intends to lease equipment, machinery and fixtures for use in supermarkets and self-service stores. The company's debentures now being offered are guaranteed unconditionally as to principal, interest and sinking fund payments by Dilbert's Quality Supermarkets Inc. Upon the sale of the securities being offered, the shares held by Dilbert's Quality Supermarkets Inc. will constitute about 45.2% of the common shares of Dilbert's Leasing & Development then outstanding.

Giving effect to the current financing, outstanding capitalization of the company will consist of $2,500,000 of the debentures now being offered; $427,602 of mortgages payable, and 1,239,250 shares of common stock.

Joins Newhard, Cook

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Leo J. Conaty has become affiliated with Newhard, Cook & Co., Fourth and Olive Streets, members of the New York and Midwest Stock Exchanges. Mr. Conaty was previously with A. G. Edwards & Sons.

Our Reporter on GOVERNMENTS

BY JOHN T. CHIPPENDALE, JR.

The demand for money and credit is strong and this is the usual pattern at this time of the year. In addition, there is a brisk demand for funds for the refilling of the pipelines with goods which have not been available because of the long steel strike. Also, the monetary authorities are showing no signs of making changes in the policy of active credit restraint. All of these forces taken together mean a tight money market and that is what is happening at the present time.

The short-term securities that are available to liquidity investors have been going up in yield because there is competition from legitimate business financial needs. This has taken buyers away from the Treasury offerings. The middle and distant areas of the government market are feeling some of this rivalry for funds, but the main competition here is coming from better yielding corporates and tax exempt bonds.

Money Market Still Tight

The money market is still in a restricted vein in spite of some year-end help in the form of purchases of Treasury bills by the Federal Reserve Banks and the permission that has been given to the member banks to use vault cash in excess of stated percentages as part of their reserves. Both of these measures have the effect of easing money and credit conditions.

However, the demand for funds is very sizable and despite the modest easing of conditions by the powers that be the restrictive credit policies of the monetary authorities are still very much in evidence. The fact that vault cash can be counted as part of the reserves of the deposit institutions of the Federal Reserve System does not mean that there is a change in the restraint which has been on the money market. The smaller banks are the ones that will get the greater benefit from this rule change since these institutions by necessity have to carry much larger sums of cash than do the banks in the principal money centers of the country.

Short-Terms Under Pressure

The need for funds to take care of income tax payments as well as dividend disbursements has led to selling of government securities, mainly the short-term ones, by corporations. In addition, the rebuilding of inventories which is now taking place and will most likely continue for an extended period of time unless the steel strike is renewed is also taking funds out of Treasury obligations with the result that rates on near-term government issues have been moving up to all-time high levels. The competition for available funds in the short-term market has been very keen and is quite likely to continue that way for a while, although a moderate easing in these conditions could come after the turn of the year. The monetary authorities, to be sure, could make things less restrictive but such a development is not expected as long as the economy is in an upsurge as is the case now.

On the other hand, high short-term rates are attractive to those who have funds and in time money will find its way into these obligations. For the present, the return which is available in Treasury bills is bringing foreign funds into these issues, as well as a limited amount of money which has come out of the equity market.

Other Market Sectors Mixed

The intermediate and long-term sectors of the government market have also been feeling the competition for funds since corporate and tax free bonds are giving yields that still make them more attractive than the Federal obligations. However, certain of the recently offered government intermediate-term issues have been at prices which have again made them attractive to those investors who are looking for a return which is better than that which is available in the savings banks and government savings bonds.

The Fannie May Exchange Offer

Just over $188,000,000 of the 2¾s of 1975-80 (non-marketable) were turned in for Federal National Mortgage Association mortgages at an average price of 102.03, which gives a yield to maturity of 3.71%. These mortgages usually mature in 15 years and they should aid the marketability of the new owners portfolios. Another exchange offer is expected in the not too distant future.

R. A. Pauli With A. G. Edwards Sons

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Robert A. Pauli has become associated with A. G. Edwards & Sons, 409 North Eighth Street, members of the New York and Midwest Stock Exchanges. Mr. Pauli was formerly in the trading department of Scherck, Richter Company, with which he had been associated for many years.

With Fusz-Schmelzle

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Milton J. H. Gehrs has been added to the staff of Fusz-Schmelzle & Co., Inc., Boatmen's Bank Building, members of the New York and Midwest Stock Exchanges.

Measures to Sustain Banks' Profit Position

Continued from page 14

ness of these institutions in the public interest. Is it not also in the public interest to safeguard the soundness of savings and loan associations in the same manner?

Can Banks Compete More Effectively?

Nevertheless, even if this and other unsound practices of some savings and loan associations were to be corrected — which hardly appears imminent—the ability of commercial banks to attract savings will depend, in the long run, upon whether they can earn enough to pay rates that will enable them to compete effectively. For many banks, this raises the question of whether they will be able to improve appreciably their earnings in their savings departments.

This problem deserves careful analysis. First, however, let us consider whether commercial banks' relatively poor showing in competing for savings has been due entirely to their handicaps.

To begin with—let's face it—some bankers are not devotedly enthusiastic about competing for this business. Some do not even try, while others try in only a halfhearted way. For example, some banks are content to let their savings departments grow slowly and to subsidize their commercial departments with earnings really attributable to the investment of savings deposits.

Some bankers might challenge this statement. Yet the fact is that many banks do not analyze the profitability of their savings business. If they were to do so on a realistic basis, including a proper allocation of their assets to these deposits, they might be surprised at the results.

It should also be recognized that banks have advantages as well as disadvantages in competing for personal savings. Their two chief ones are that they are financial department stores rather than specialty shops and that they have the enormous prestige of being banks. By making the most of these advantages and by other promotional policies, many banks have enjoyed considerable success in attracting savings.

Nevertheless, the basic question of earning capacity is still the key to the future growth of commercial bank savings deposits. So, what will happen to bank earnings?

The Coming Squeeze on Bank Profits

On the basis of certain trends, one could paint a gloomy picture of the future of bank profits. In fact, I propose to do just that and then to suggest some policies that bankers might follow to avoid such an unhappy fate.

Over the past decade, gross earnings of commercial banks have risen substantially but so have their operating expenses. As a result, there has been no improvement whatever in the rate of profits earned on bank capital accounts. It has remained around 8% throughout this period, surely a modest level.

This record is far from reassuring when you consider the extraordinarily favorable circumstances under which the banks have been operating. The outstanding fact is that banks' gross earnings per dollar of deposits have more than doubled. This has reflected the strong upward trend of interest rates from very low to relatively high levels and the quadrupling of bank loans.

This period has witnessed a rapid decline in bank liquidity. At the end of World War II, almost all banks had superabundant liquidity. Since then, the average ratio of loans to deposits has risen from less than 20% to over 50%. Many banks now feel that they are approaching a fully loaned position.

At the same time, despite substantial additions to their capital accounts, banks' capital ratios have declined substantially. The average ratio of capital to risk assets has dropped from 25% to less than 15%.

Given these trends, banks should have been able to earn really good profits if ever they could. Since the best they were able to do under these conditions was barely to maintain a meager 8% profit ratio, what will happen to their earnings when these trends come to an end?

For it is clear that they cannot continue indefinitely. Interest rates might go somewhat higher but certainly they cannot rise at the pace they have risen since 1946. Indeed, they could easily recede from present levels. No matter how you figure, gross earnings per dollar of bank deposits are not going to double again over the next decade.

Similarly, loan-deposit ratios cannot rise from 50% to 80% and the ratio of capital to risk assets cannot be permitted to decline from 15% to 5%.

It is obvious, therefore, that these trends which have been so favorable to bank earnings are bound to slow down and tend to level off over the years ahead. As they do, it seems clear that, somewhere along the line, profit ratios will tend to be squeezed.

Some Silver Linings

That is the gloomy side of the picture and one that cannot be laughed away. Fortunately, however, it is not the complete story. Over the years, the banking industry has exhibited remarkable adaptability to changing conditions. Its fate has seldom been as bad as the figures indicated it should be.

For one thing, it should be remembered that the average profit ratio of 8% includes many banks which have been earning more than this and also many which have been doing relatively poorly. Generally speaking, the banks which have already shifted substantially into higher-yielding risk assets are in a reasonably good earnings position. Banks with poorer earnings still could do a considerable amount of further shifting in this direction.

In other words, the banks likely to be faced with the most serious earnings problems, have by no means exhausted their ability to do something about them.

There is also the possibility that many banks may be able to reduce their operating expenses per deposit dollar. As mentioned earlier, deposit turnover has been rising rapidly over the past decade. From the standpoint of banking operations, this means that checking account activity and the cost of handling these accounts have increased more rapidly than the volume of deposits.

This is another trend that cannot continue indefinitely, at least not at the same pace, but this one is on the plus side of the earnings ledger. If the rise in deposit velocity slows down over the coming decade, as seems highly probable, this rising trend of bank costs per deposit dollar should slacken too.

Nevertheless, despite these silver linings, it seems clear that adequate profits are going to be much harder for banks to come by than in recent years. Good earnings at the moment are no cause for complacency. Sooner or later, the profit margins of many banks will in all likelihood tend to be pinched between rising expenses and a slower growth in gross revenues.

What can bankers do about it?

Can Banks Become More Efficient?

In some respects, of course, banking is a backward industry. Output per manhour has not increased as much in banks as in many other industries. To some extent, this backwardness is inherent in the nature of the business—though perhaps not to the extent, that some bankers assume.

For one thing—though they are by no means alone in this—banks spend considerable sums simply competing with one another—expenditures, for example, on entertainment, travel and various free services. Looked at, say from Saturn—or from Moscow University—this doubtless seems very wasteful. However, some expenditures of this kind are inevitable if we wish to maintain keen competition in the banking business. Even so, banks may be able to achieve some economies in this area.

But the great bulk of banks' operating expenses, of course, go for providing financial services desired by the public and for retaining and attracting savings deposits. Despite considerable progress in the way of increased mechanization, these expenses have been rising inexorably year in and year out. They have more than tripled since 1946.

Can this trend be curbed? Some bankers are confident that electronic equipment can produce substantial economies. Perhaps it can. It remains to be seen, however, whether this will appreciably slow the rise in operating expenses for the industry as a whole.

Some banks have done an outstanding job of improving the efficiency of their operations. Looked at the other way around, this means that others have not. They will be under increasing pressure to do so over the years ahead.

But increased efficiency, while important, will not suffice. To maintain decent profits, banks are going to need far more in the way of gross earnings. How can they get them?

Problems of Bank Liquidity

Generally speaking, the easiest way for banks to acquire more earnings is by acquiring more high-yielding assets. In other words, the main answer lies in bank lending policies—using this term in a broad sense to include bank policies with respect to asset management and competing with other lenders.

This opens up several basic questions. One is whether liquidity standards of commercial banks should be further revised under present-day conditions. Taking into account the development of Federal Reserve policy, Federal insurance of bank deposits and other changes which have made the total volume of bank deposits far less vulnerable to deflation than formerly, should bankers generally be less concerned about liquidity than they are? Are some bankers perhaps making a fetish of overliquidity?

This question applies particularly to the investment of savings deposits. Most banks, of course, do not allocate particular assets to these deposits. If they were to do so, simply as a matter of internal control, many might find that they are investing these funds far more conservatively than they really need to—especially by comparison with their mutual competitors.

For example, mortgage loans held by commercial banks amount to less than 40% of their total time deposits. This suggests that there may be many banks which could safely and profitably augment their mortgage portfolios. Banks whose local credit demands are small might consider investing some funds in out-of-state mortgages.

While some banks may still be more liquid than they need to be, others may be in danger of going too far in the other direction. If they do—as Reserve Board Governor Mills recently pointed out—they may impair their capacity to fulfill their short-term community lending duties. [*Ed. Note* — The reader may wish to read A. L. Mills, Jr.'s article on this in the Nov. 12, 1959, *Chronicle*, p. 3.]

It is clear that individual banks have been following very different policies with respect to liquidity. In the past, this has not been too serious because most banks have had more than adequate liquidity and have nevertheless been able to earn reasonably good profits. Over the years ahead, however, with liquidity substantially reduced and with a squeeze in prospect on bank earnings positions, the formulation of appropriate policies with respect to liquidity will constitute a problem of increasing importance to bank management.

Reserve Requirements Still Too High

The Federal Reserve authorities themselves, of course, have important responsibilities in connection with this liquidity problem both in their supervisory capacity and also through their power to alter member bank reserve requirements. If some member banks are less liquid than they should be, one reason is because they are required to sterilize so large a portion of their assets in the form of legally required cash reserves.

From the standpoint of bank management, these high required reserves constitute the most unproductive and frozen asset the bank owns. Also, they obviously add to the pressure on banks to employ more of their investible funds in non-liquid assets than might otherwise be necessary to maintain passable earnings.

To those who understand the banking business, it is clear that the overall level of member bank reserve requirements is considerably higher than it needs to be and that this constitutes a discriminatory handicap to commercial banks. Unless rectified, this may be a more serious matter in the future than in the past.

Fortunately, the Reserve authorities are not unaware of this problem and have been making some progress toward achieving a more sensible reserves structure. It is certainly to be hoped that they will be alert to their opportunities to make further progress in this direction over the years ahead.

The Problem of Pledged Securities

Another handicap is the fact that more than $23 billion of the assets of commercial banks are pledged, mostly to secure public deposits. For practical purposes, this seals off a substantial portion of banks' investible funds, keeps them locked up in relatively low-yielding securities, and makes them unavailable for general liquidity purposes.

With the decline in bank liquidity, this situation now constitutes a serious problem for commercial banks. It clearly may become more acute over the years ahead.

Is this system of pledging securities really necessary under present-day conditions? Should it not be possible to work out some alternative arrangements which would enable banks to improve their lending capacity and to earn a better return on these funds?

Profitable Lending Opportunities

Now, what about bank lending policies generally? Are they more conservative than they need to be?

My answer would be: In some ways, yes; in other ways, no. Let me explain.

In passing on loan applications, bankers are generally conservative in appraising the creditworthiness of would-be borrowers, and this, I believe, is just as it should be. On the other hand, some bankers are more resourceful than others in developing profitable and sound types of lending.

For example, some banks have been outstandingly successful in developing their consumer instalment loan business. Others have not.

Some have built up a good volume of term loans to small business. Others have not.

Some have acquired substantial portfolios of conventional mortgages. Others are content to hold mostly Government - guaranteed mortgages with lower yields.

Some have successfully pushed their own plans for home improvement loans. Others take Title I loans when applicants happen to apply.

Some have developed various types of interim real estate financing on a sound, profitable basis. Others have paid no attention to the new opportunities in this field.

Some have met credit union competition by taking banking services to workers in their plants. Others deplore this competition but have done nothing about it.

And so we could go on. Many individual banks, of course, cannot develop all of these types of lending. It seems clear, however, that some banks may be able to do more than they have done to date.

And the same comment applies to other sources of income. In rapidly growing areas, for example, some banks have taken advantage of opportunities for originating and servicing mortgages placed with other investors.

And in the same way, as already mentioned, some banks have been competing effectively for savings deposits, while others have not. Banks can get a goodly share of this business if they really go after it. But they won't if they don't.

Would more vigorous bank lending policies be inflationary? Would they perhaps accentuate a boom and contribute to bringing on a bust?

Well, they might — if every bank in the United States were suddenly to pull out all the stops and leave them out. But that obviously is not going to happen. The worst that may happen—or the best — is that banks may gradually continue to shift toward more enterprising policies.

Would this be bad for the economy? The answer would clearly seem to be "definitely no." It is the responsibility of the Federal Reserve authorities, not of the banks, to determine how much bank credit the economy should have at a given time. Within the limits permitted by Federal Reserve policy, there is no reason why banks should not compete vigorously for profitable types of loans of good quality.

This does not absolve banks from all responsibility in connection with credit conditions, of course. Banks do have an obligation to adhere to sound credit standards. When business is booming, it is particularly important to avoid loans that may lead to losses, bankruptcies and credit liquidation when business turns downword. Indeed, this is probably the chief way whereby banks can contribute to economic stability.

But this does not mean that banks should sit back and permit other lenders to help themselves to most of the profitable lending business. In short banks should avoid laxity but should compete actively for sound loans.

It should also be emphasized

that banks can and should couple more aggressive lending policies with equally strong competition for personal savings. In essence, this would mean that commercial banks would be performing more of the savings-investment function that would otherwise be performed by other institutions. Indeed, if banks fail to maintain an important role in this area, the effectiveness of monetary policy will be further reduced.

Bank Capital Problems

It goes without saying that bankers will have to be careful to maintain adequate capital and reserves. By and large, they have been doing a good job in this respect. However, with liquidity and capital ratios now substantially reduced, many banks may be confronted with more difficult capital problems than in recent years, especially if their earnings positions are squeezed.

This is another area in which traditional maxims and rules-of-thumb may require further revision. Bankers and supervisors alike will need to give more attention to the realistic appraisal of capital adequacy.

As with liquidity, the problem here is a matter of appropriate balance for the individual bank. While adequacy of capital must be the prime consideration, the banker must also remember that if his capital ratio is unnecessarily high, this tends to put pressure on his liquidity position to maintain an adequate rate of profits.

In competing for capital, banks are at a marked disadvantage relative to most industries because they do not issue bonds or preferred stock. In view of the prospective squeeze on bank earnings, perhaps the time has now come to reconsider the validity under modern conditions of the ancient taboo against raising some portion of bank capital on a regular basis by means of preferred stock or capital debentures.

A Challenging Future

These, then, are some—though by no means all — of the major problems and opportunities with which banks will be confronted. Clearly, the years ahead will demand imagination and skill on the part of bank management. Banks which fail to adapt to changing conditions will have a rough time.

Being part educator by trade, I cannot resist emphasizing the important role that banking education can play in this connection. No other industry can boast the widespread educational programs that banking has developed for training and educating its employees and executives, ranging from A.I.B. courses to the regional banking schools, The Stonier Graduate School of Banking, and seminars for senior bankers such as this one here at Arden House. Banks which take full advantage of these educational facilities will have an important edge, I believe, over those which do not.

So, to sum up, the competition has been getting tough and is going to get tougher. The art of maintaining a proper balance in a bank's safety, liquidity and earnings positions will become increasingly difficult. Some of the factors which have helped to sustain bank profits in recent years will become less favorable, and many banks are likely to encounter difficult earnings problems.

In most cases, however, these problems can be solved by alert managerial policies. With such policies, there is no reason why commercial banks cannot survive and thrive over the years ahead.

*An address by Dr. Adams before the Commercial Bank Management Program of the Graduate School of Business, Columbia University, at Arden House, Harriman, New York, Nov. 9, 1959.

Complete Puerto Rico Bond Sale

A banking group headed by the First National City Bank of New York and including Banco Popular de Puerto Rico was high bidder Dec. 8 for an issue of $20,000,000 Commonwealth of Puerto Rico Public Improvement bonds, bidding for a combination of 5% 4½% and 4% bonds, due 1961-1980. Interest cost was 4.0432%. Jose R. Noguera, Secretary of the Treasury of Puerto Rico, presided at the bond sale held in the New York office of the Government Development Bank for Puerto Rico, fiscal agent for the Commonwealth. Photo shows left to right: Francis Bowen, Senior Vice-President of the Government Development Bank; Jose R. Noguera, Secretary of the Treasury; Dana B. Scudder, Assistant Vice-President, The First National City Bank; and Abner Kalisch, Jr., Executive Vice-President, Banco Popular de Puerto Rico.

Netherlands Sells Faradyne Issue

On Dec. 7 200,000 shares of common stock of Faradyne Electronics Corp. were offered to quick oversubscription at $5 per share. The offering was made on an "all-or-nothing best efforts" basis by an underwriting group headed by Netherlands Securities Co., Inc., which handled the books, and four other firms.

The company was organized under New Jersey law on June 8, 1959, by Manny Brucker, President, Sol Feldman, Bernard P. Birnbaum, Board Chairman, and Saul I. Birbaum. It proposes to engage in the business of serving the electronic equipment industry with electronic components such as dielectric and electrolytic capacitors and precision tungsten wire forms. It has outstanding 300,000 shares of class A common stock, issued to the four promoters in exchange for all the outstanding stock which was owned by them of Micro-Wire Corp. for an investment of $20,000, Micro-Wire thus becoming a subsidiary. The company plans to design, test, develop, manufacture and sell a variety of electronic components, with special emphasis on the development and production of dielectric and electrolytic capacitors, and precision tungsten wire forms. It will be operated on a divisional basis consisting of the Capacitor Division and the Micro-Wire Division; the former plans to initiate its line of dielectric capacitors with the production of plastic dielectric capacitors and the latter to design, develop and manufacture precision tungsten wire forms. Of the net proceeds of stock sale, $250,500 will be applied to various purposes (equipment, etc.) related to the capacitor division, and $75,000 for furnaces and winding equipment for the Micro-Wire Division. An additional expenditure of $50,000 for plant expansion and improvements is contemplated, the $430,500 balance of the proceeds to be used for appropriate corporate purposes, including salaries.

F. Eberstadt-White, Weld Sell Talcott Notes

An underwriting group headed by F. Eberstadt & Co. and White, Weld & Co. offered for public sale on Dec. 8 $15,000,000 of James Talcott, Inc. 5½% senior notes at 99¾% and $7,500,000 of 5% capital notes at 100%. Both issues are due Dec. 1, 1979.

The capital notes are convertible into common stock at $49 per share until Dec. 1, 1964 and at $56.75 per share until Dec. 1, 1969.

Proceeds of the offering of senior notes and capital notes will be used for general corporate purposes.

James Talcott, Inc., founded in 1854, is engaged in all phases of industrial finance: accounts receivable and inventory financing, mortgage, equipment and special loans, factoring, industrial time sales financing and rediscounting.

In the nine months ended Sept. 30, 1959, the amount of receivables processed by the company amounted to $748,331,000, compared to $606,709,000 in the same period of 1958. Net income was $2,461,770, equal to $2.41 per share on 955,557 common shares outstanding, compared with $1,631,271, or $1.91 per share based on the same number of outstanding shares. On Nov. 10 the quarterly dividend was raised from 33 cents to 40 cents.

New Bache Sales Office

VINELAND, N. J.—Opening of a new sales office in the East Landis Hotel, 829 Landis Avenue, under the management of Daniel S. Brecker, has been announced by the investment firm of Bache & Co., members of the New York Stock Exchange.

Mr. Brecker was formerly associate manager of the Bache branch office in the Walt Whitman Hotel, Camden, N. J.

Registered representatives at the new Vineland sales office are Arthur Lambert and David Feldman. Mrs. Ruth B. Fluman is in charge of mutual fund sales.

New Capital Spending Seen Going Up Substantially in 1960

Industry plans 10% rise in 1960's capital investments over 1959, with encouragement provided by prospects of higher sales, according to McGraw-Hill survey. However, the bulk of corporate financing is expected to be achieved from internal sources with less than 20% to be tapped from the market.

Industry now plans to spend $37.3 billion for new plants and equipment in 1960 — a 10% increase over that estimated for 1959—as American business continues to step up its pace of capital spending.

Dexter M. Keezer

In announcing the results of the McGraw-Hill Publishing Company Fall survey, Dexter M. Keezer, Vice-President and Director of the Department of Economics, said business, as a whole, already has plans to spend $34.6 billion in 1961, a preliminary figure that probably will be revised upward as final budgets are completed.

Some of the expected 10% rise in 1960 spending is attributed by the survey to the effects of the steel strike which has caused sharp changes in business' plans for capital outlay. Spending estimates for 1959 have been reduced sharply in industries directly affected by the strike—steel and railroads—and in the strike-ridden nonferrous metals industry.

Some of the 1959 expenditures will be carried over to 1960, and with 1961 plans already at high levels, it appears that the strike has stretched the capital spending boom over a longer period.

Other Major Findings

Other major findings of the survey are:

Manufacturing companies plan to increase spending by 19% in 1960—to a total of $12 billion. These companies already have plans to spend $11.2 billion in 1961.

Companies in every major manufacturing industry expect their sales to be higher in 1960 than in 1959. The average increase expected is 9% in physical volume.

Business now plans to raise over $6 billion in the money market to finance 1960 capital expenditures. But over 80% of the financing — as planned by the reporting companies — will come from retained earnings and depreciation. Manufacturing companies expect to finance nearly all their planned expenditures from these internal sources.

In manufacturing, the chemical industry, which will spend $1.2 billion in 1959, plans to increase expenditures 24% in 1960 and already has plans for an additional 2% increase in 1961. The machinery industry now plans to spend $1.2 billion in 1960 and nearly the same amount in 1961.

Many See 20% Gain

Electrical machinery companies, the auto, trucks and parts industry, the paper and pulp and rubber manufacturing industries all plan gains of more than 20% in expenditures in 1960, compared with this year.

The 1960 plans for most non-manufacturing industries are up from 1959 in varying amounts, but in most cases, the planned increases are smaller than in manufacturing. The petroleum industry plans to spend slightly less than in 1959. Production expenditures show a planned decline of 4% in 1960, while refining is up 9% and marketing, up 7%.

Mining companies, on the average, also indicate a decline in expenditures next year. In this group, only iron ore companies plan to increase spending in 1960.

Transportation, Communication To Grow

The other transportation (airlines, shipping, buses and trucking) and communications industries plan an increase of 14% in spending next year. Commercial companies report a record amount planned for 1960 — $8.6 billion compared with $7.9 billion in 1959 and $8.2 billion in 1956, the previous peak.

Electric and gas utilities indicate they plan to spend $6.1 billion in 1960—3% more than this year, and only slightly below the record amount spent in 1957.

Business plans for higher capital expenditures in 1960 are supported by optimistic sales estimates—9% higher than 1959, for unit sales in manufacturing as a whole. Every major industry within manufacturing anticipates higher sales next year.

The largest increase in sales volume is predicted by the steel industry—up 25% from 1959. The gain presumably reflects a large inventory build-up in 1960, as steel users replenish stocks down in 1959.

The auto, trucks and parts industry expects sales to increase 15% in physical volume next year.

Both the machinery and electrical machinery industries expect an above average increase in sales volume. Gains of 11% are expected in both industries.

S. L. Johnson With Paine, Webber

SAN FRANCISCO, Calif.—Sandra L. Johnson, one of the few women stock brokers in San Francisco, has joined the office of Paine, Webber, Jackson & Curtis, 369 Pine St., as a registered representative. She formerly was associated with the San Francisco investment firm of Stewart, Eubanks, Meyerson & Co.

Sandra L. Johnson

Miss Johnson entered the securities business four years ago, after graduating from the University of California at Berkeley.

Finding a job in a profession still predominantly male was not easy, especially for a young woman in her early twenties. It was only by dogged persistance she got her first job—as a board marker. It was not long before she absorbed enough to qualify as a registered representative. Miss Johnson says most of her clients are women. She believes a woman investor is more inclined to divulge her financial status and goals to another woman than to a man.

Joins Smith, Moore

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Robert E. Smith has joined the staff of Smith, Moore & Co., 509 Olive Street, members of the New York and Midwest Stock Exchanges.

The Depletion Issue Today

Continued from page 16

our percentage depletion provisions provide incentives to use 1.95 times as much capital to produce a given income stream in oil exploration as in the rest of the economy. The corresponding figure for sulfur is 2.12, for iron 2.13, for copper 1.96, for lead and zinc, 2.27, and for coal 2.30."

But now in the new hearings one panelist, a professor of economics who represents the thinking of many students of the subject, will disagree with the extent of such conclusions, and has devoted almost his entire paper to pointing out the error of such calculations.

Back in the old hearings an opponent added: "The depletion allowance diverts economic resources into the domestic extractive industries when in the interests of conservation, reducing costs, and overall economic efficiency such resources might better be employed in expanding overseas production."

We could go on and on, but there you have agreement by the depletion opponents. They say the law encourages too much exploration and development of oil and gas, but the situation is even worse in the case of our basic chemical, sulfur, and worse for iron, for copper, for lead and zinc, and coal.

To avoid this alleged misallocation of capital—they don't claim we're making too much money, just spending too much—they propose the reduction and final elimination of percentage depletion, to make us use our capital in other ways.

This was their basic argument. These conclusions of the opponents are just what the oil and mining industries have been saying for many years. A reduction in depletion will mean less exploration, less development, less oil, higher prices.

As this affects the public interest, how could we have a broader area of agreement? These are the points that really count. Any other arguments they develop can only be technical in nature, or involve situations which are not representative of the industry —marginal analysis as the economists say.

How the opponents will phrase their attack, we do not know. But the members of the Committee can bring the debate back down to earth by starting where the last hearings left off.

Rounding out this agreement, the eminent panelist from the coal industry will say: "I am convinced that if we did not have the percentage method of computing depletion allowances now, we would have to invent it."

And he adds: "This brief review of the history of percentage depletion shows quite clearly that it is not a tax gimmick or loophole or indirect subsidy, as has frequently been charged, but rather is a simplified and equitable method of computation to permit a taxpayer to recover from earnings the amount of capital used up when exhaustible natural resources are extracted from the ground. It puts all producers of the same mineral on terms of equality with reference to the deduction for depletion."

With the evidence which will be before the Committee on Ways and Means, how can it be analyzed?

For exploration costs we may expect agreement among the panelists. Mine exploration costs permitted as current deductions are limited to $100,000 per year for four years. The balance must be capitalized for possible future write-off or amortization. This seems an unfair, unrealistic and extremely harmful restriction on the mining industry. We also have harmful restrictions for oil. The President's Materials Policy Commission in its 1952 report said:

"Exploration and development costs for minerals should be fully expendable for tax purposes because of the direct incentive this arrangement gives for capital to take risks in highly uncertain fields. Such expending would be likely to be particularly important for the petroleum industry whose annual exploration and development costs are measured in billions of dollars."

Finds Conclusive Evidence

Regarding intangible drilling costs, the evidence is conclusive that the principle of current write-off is not only equitable, but necessary and in the public interest. It has been so treated under Internal Revenue regulations since the beginning of the income tax. If drilling costs, sometimes mistakenly referred to as a double deduction, were disallowed, then oil and gas would be the only resource industry where the cash out-of-pocket cost of getting the mineral out of the ground would not be recognized for what it is, a production cost.

Oil industry financial statistics show that the deductions for depletion and for intangible costs do not cover the same expenditures. The depletion allowance was created to recognize the capital nature of the income from extraction from the property, and to provide funds for the replacement of the value of depleted oil reserves in the ground. Since the allowance is not large enough to accomplish even this purpose, it could not possibly be applied to the recovery of other expenditures.

Furthermore, the disallowance of intangible costs for productive wells would mean that with taxes we would immediately be faced with about double the present cash outlay for drilling costs. I can think of few things which would have a more sudden impact on the industry. The simple lack of money, as well as the cheerless outlook, would drastically curtail activity.

And so we find no responsible advocacy of a change in the tax law regarding drilling. It is interesting to note that on this subject Senator Douglas of Illinois wrote a constituent, "the oil industry is permitted by our tax laws to write off as tax-free against net income: (a) All developmental, drilling and operating costs. This is of course, proper."

Finally, about percentage depletion. Because even the critics agree that its elimination or reduction means less exploration, less development, less oil, higher prices, greater dependence on foreign supply—all matters of greatest concern to the public—they have begun to approach the subject with uncertainty.

Critics' Uncertainty

Some suggest a graduated rate, and they have hoped that independent producers would be attracted to this proposal. But there is little attraction in being a member of a sick industry, where our only future is to remain small, or to sell out our properties. Besides, this violates our sense of fair play, because taxes are levied only on people, and the firms which would suffer under such graduated rates are owned mostly by people with moderate investment and income from oil, and whose receipts, coming as dividends, already are subject to a double tax, at graduated rates, without recognition of the depletion they suffer.

When an operator finally succeeds in completing a successful well, he immediately begins to deplete his property by production. He is engaged in selling his capital assets on an installment basis. His receipts above current operating expense represent a complex mixture of capital, capital gains, and ordinary operating income. *And with percentage depletion, that is just the way they are taxed.*

Critics' New Agreement

With the broad area of agreement regarding depletion and the public interest, those who still advocate a change have now directed their criticism around a theory of neutral tax treatment, and the use or allocation of capital. Note the word is neutral, not equitable. They advocate elimination of the present provisions, and tell us that everything would all somehow be taken care of by price changes.

They claim oil misallocates resources, but even greater misallocation exists for sulfur, iron, copper, lead, zinc, and even coal. The subject is too complicated to cover briefly. Let me ask what kind of an economy, what kind of a country, we would have if we deliberately arranged through tax laws for a great cut-back in these resource industries.

There is a difference between oil and the manufacturing industries and even mines and mineral deposits. It is the very nature of the business that there can be an apparent over-supply of oil even though the reserves may be less than desirable or less than adequate. Our critics point to apparent or temporary over-supply, and jump to the wrong conclusions. This difference occurs because of the physical nature of oil, which is liquid, subject to being produced at rates out of proportion to the reserves it represents. We do not say that we have too much development in water resources and dams, just because we could open the valves and let all the water out of the reservoirs. No, the vital thing is how much water there is to draw on, how much in the developed reservoirs. And so with oil.

However, this subject of free play of the market in allocating resources is important. It is one of the five guide lines set up by the Committee. But in testing the theory as it has been presented, may I humbly suggest that we ask two simple questions?

Relative to demand, domestic oil reserves have been remaining static or show a decline. Can we say then that the industry misallocates resources to production?

And another simple question. When an operator purchases a property, percentage depletion seldom applies. His cost depletion exceeds that allowed under the percentage formula. Under the theory, then, no misallocation of capital results. But if the same amount of money is spent in the search for and development of new production, creating jobs and adding to the resources which ultimately serve all our people, then because percentage depletion is a factor, do our critics mean to tell us that the expenditure of the same amount of money in this way results in a misuse of the nation's capital?

Something has gone wrong in this line of reasoning, this intellectual mischief, and it reminds me of the situation at Cape Canaveral on a crisp and clear night. To send a missile to the moon, a novice might take sight up the barrel, place it on target, count down, and let fly. That is the simple and obvious way, like letting the price mechanism take care of everything. But that is the one sure way to miss the moon target. No, the scientists, the computer men, the astronomers, have to take into account all factors, seen and unseen, and a course is charted out into a sky where no moon appears.

And when claims are made that great additional revenues will flow into the Treasury if depletion were reduced or eliminated, this too is taking false aim at the moon. Already carrying tax levies estimated at a minimum of $2.07 per barrel, we could only expect over the long run, and after we've killed the goose that lays the eggs, lower and still lower tax revenues for all levels of government.

Problem Not Faced by Others

There is a tendency to regard depletion only as a tax deduction not available to others, rather than a tax recognition of a special problem not faced by others.

For any problem hard to understand, the spirit of compromise is suggested. So we hear proposals to cut oil's depletion to 15%. The present rate is already a compromise. With the present formula Congress has taken a middle ground between economic value and historic cost, and the depletion recognized is substantially below the depletion sustained. This is why today almost all oil properties are worth more in the hands of anyone else than the original discoverer and developer. A new owner, without any percentage depletion, has less tax liability with his cost depletion, which is non-controversial. A reduction in percentage depletion would create powerful economic forces to cause liquidations and sell-outs, and eliminate and waste vital human resources for exploration and development.

To one who knows little about operation of the extractive industries, oil's 27½ seems more than sulfur, lead, zinc, with 23; copper, iron and certain clay, 15; coal, 10. But the truth is, and the facts are, that it is not. *This cannot be emphasized too much.*

Based on net income from each of the properties from which these resources are extracted, oil and gas is already allowed LESS depletion than the average of the other resources. Based on the economic value depleted through production, oil is allowed LESS. Based on replacement cost, where properties are purchased to replace those exhausted, oil's depletion is inadequate. And finally, and of utmost importance to our national economy, oil's depletion allowance is the lowest of any resource compared with what it must and does spend for finding and developing replacements and new resources. These costs—cash expenditures—are running almost three times the total depletion deductions permitted. These costs amount to 60% of the gross price we get for the oil. No other industry has to spend such a large portion of its receipts for costs like this.

When Congress fixed for percentage depletion the uniform maximum figure of 50% of the net from each property, this was then, and is now, a policy matter. Under this policy all extractive industries were provided the same formula. Like other long-term capital transactions, where 50% of the net is recognized (the other 50% not recognized may be said to be "allowed") here the instalment sale and disposition of property through production is treated similarly. And within the reasonable limits of any simple formula, this depletion recognition, not more than 50% of net, makes an effort to represent value depleted —for all the resources. But within this policy framework, the rates for the various substances are matters of engineering. *They are not policy questions, and should not be treated as a political issue.* The rates for the different extractive industries vary, they must vary, because of their individual characteristics, just as the percentage of labor cost and material cost varies business by business and product by prouct. *This is a cardinal point in understanding depletion.*

A Lower Rate Would Be Inequitable

To reduce oil to 15% would single it out for the most inequitable treatment, and allow relatively less for the continued operation of the industry than for any other resource. Certainly this is not our national policy, not the public interest!

There have been calculations of how much more it would cost the consumer if depletion is reduced or eliminated. It believe these calculations greatly underestimate the impact on the consumer. Why? Because it is assumed that all other factors will remain the same, and they will not. Recall the law of physics, "For every action there is a reaction."

The Materials Policy Commission appointed by a previous administration, recognized this fact in its report, Resources for Freedom, 1952, with the following words: "Because of the past erratic price behavior of minerals and the long interval between initial investment and yield from production, the Commission concludes that incentives provided through the price structure are unlikely to bring about enough exploration and development to meet national needs of domestic production of scarce minerals."

Can the critics tell us, with their formula, which claims all resource development involves a misallocation of capital, just how much capital will be lost to the search for and development of resources if the depletion law is changed? Can we depend upon such calculations? Dare we risk the results? These are major questions for Congress.

Whether we do it formally or not, for each well and for each project we calculate a probable "break-even point," if you will permit me to borrow a term from the manufacturing industries. This "break-even point" involves all the variables inherent in the chance of success, costs, taxes, capital recovery, and many other factors. A change in depletion, a reduction of almost one-half, would have a major effect on every decision regarding every project and every well. Who can tell now what the reduction in exploration, development, secondary recovery, production, would be with such a change in the "break-even point?" There are reasons to believe that the depletion rate is a much more sensitive factor than price alone. It is far too complex a factor to be compensated for by price alone. That is why I believe the long range effect on price would be much more than the estimates presented to date.

There are no adequate studies on this subject. If we take our critics seriously, they tell us misallocation of our capital is almost two to one. Would this mean we should cut our activity in half? Cut jobs in half? Cut purchases in half?

On the other hand, if the public demand required the current rate of activity, then to keep the two to one ratio in line with the opponents' theory, if they take it seriously, would they calculate that price should be about double what it is now?

Certainly we may ask that Congress refuse to change the depletion rate, refuse to change the "break-even point," refuse to cast us all into the unknown fate of the grinding wheels of the price mechanism, without complete and hard-headed analysis of all the facts.

A Matter of National Security

In these hearings there will be an empty chair—no panelist who represents the defense department, the national security. Perhaps this is because the members of the Ways and Means Committee know fully the relationship of depletion laws to our ability to produce oil and other raw materials in time of national emergency. Our defense authorities have eloquently stated their position in the past.

Let me repeat the high-light of a similar hearing before the Joint Economic Committee four years ago. The chairman, Mr. Mills, asked the witnesses: "If it developed that it was necessary to have a continuing program of some sort, a differential tax law or otherwise, in order to have the extractive industry in position to meet the needs of the national emergency when it arose, you should say then that it would be a continuing program?"

The old Hearing chamber was quiet. He polled the depletion opponents by name. Each in turn answered, "Yes."

Mr. Mills said: "I think we have come a long way. You gentlemen will agree with that. The four of you now from industry will agree with that?"

The other four witnesses nodded agreement. There was unanimous agreement.

*From an address by Mr. Stanley before the Annual Meeting of the Independent Petroleum Association of America, Dallas, Texas.

"Right Conditions"

"Foreign capital helped our own country make spectacular progress during the first three quarters of the 19th century—capital which over a 40-year period we repaid with interest. So, too, can private and public capital, under the right conditions, now assist the less-developed nations make sound progress toward the achievement of their goals. Those 'right conditions' must include both an honorable and responsible attitude within the nations needing the capital and intelligent trade relations among all free nations."—President Dwight D. Eisenhower.

Pres. Eisenhower

The real problem is, of course, to create the "right conditions."

Efforts to cure the situation in the absence of "right conditions" are not only all but certain to fail but could well bring further ills in their wake.

FNMA Increases Purchases, While Its Sales Take Drop

Third quarter Federal National Mortgage Association report shows purchases amounted to $219,330,000, offerings came to $350 million; and sales dropped to $564,000—the lowest since 1957's fourth quarter. All states except those in New England are found to have used FNMA Secondary Market Operations during this period.

Reflecting the tight money market, Federal National Mortgage Association purchases during the third quarter continued to swing upward while sales dropped to the lowest volume since the fourth quarter of 1957. The upward trend for the quarter was further emphasized by successive increases in buying each month with 5,314 mortgages valued at $62,312,000 acquired in July, 6,113 for $71,658,000 in August and 7,163 for $85,360,000 in September for a total of 18,590 mortgages valued at $219,330,000 purchased under the agency's Secondary Market Operations program during the quarter.

J. Stanley Baughman

This was revealed in a report and financial statement of the Association's Secondary Market Operations, covering the third quarter, released this weekend by FNMA president J. Stanley Baughman.

The report also showed that third quarter purchases were 72% higher than the preceding quarter's 10,704 for $127,187,000 and more than ten times as much as the third quarter last year when 1,879 valued at $21,365,000 were bought. The ratio of FHA mortgages to GI mortgages acquired during the quarter was more than three to one with 14,544 FHA-insured liens worth $168,300,000 and 4,046 VA-guaranteed mortgages valued at $51,000,000 added to the corporation's rapidly expanding portfolio. Since the inception of the Secondary Market Operations program in November 1954 the Association has purchased 209,280 mortgages with principal amounts involved totaling $2,385,461,000.

All States But New England States

The report also disclosed that the FNMA Secondary Market Operations is currently being utilized in practically every state with the exception of the New England States where mortgage funds are relatively adequate. Purchases during the quarter related to properties located in 42 states, the District of Columbia and Puerto Rico.

A highlight of the report shows that all major segments of the home finance industry are participating in the FNMA program. A breakdown of the 592 sellers that sold mortgages to the Association during the quarter shows that 454 mortgage companies (77%) led the list, followed by 95 banks and trust companies (16%), 34 savings and loan associations (6%), and 9 insurance companies (1%).

Reflecting the stepped-up buying tempo, approximately $4,582,000 in FNMA common stock was subscribed for during the quarter. (Sellers of mortgages to FNMA under the Secondary Market Operations are required to buy stock in an amount equal to 2% of the principal amounts involved.) Broadening the base of private ownership of the corporation continued during the quarter with 5,381 stockholders holding 457,126 shares of FNMA common stock on Sept. 30. Dividends continued to be paid monthly. The dividend for July amounting to 20 cents per share, was the 43rd consecutive monthly dividend to be paid. Dividends for August and September were 23 cents a share.

Although purchases increased substantially, the rise in offerings received during the quarter was even more marked. The 28,637 offerings valued at approximately $350,000,000 were considerably higher than the previous quarter when 16,955 worth approximately $200,000,000 were received. It was also pointed out by Mr. Baughman that the number of offerings climbed steadily month after month with 7,885 received in July, 9,307 in August, and 11,445 in September, compared with 6,435 in June.

Sales Drop to $564,000

The report also brings out that while purchases and offerings increased, sales of mortgages to private investors amounted to only $564,000 in the quarter.

Portfolio liquidation other than sales during the quarter totaled $15.9 million, chiefly in the form of principal repayments and prepayments. At the end of the quarter, the portfolio of the Secondary Market Operations consisted of 163,740 FHA and VA mortgages with unpaid principal balances of $1,776,600,000.

FNMA's net earnings under its Secondary Market Operations during the quarter amounted to $2,368,612 after expenses, and after the establishment of reserves for losses of $109,665 and provision for the payment to the United States Treasury of $2,554,538 as the equivalent of Federal income taxes. Earnings during the quarter amounted to $1.70 on each share of common stock and $1.73 on each share of utilized preferred stock. From these earnings, provision was made for payment of $661,250 to the Secretary of the Treasury as the full amount of cumulative dividends on preferred stock and of $292,581 for payment of dividends on common stock, leaving $1,414,781 for transfer to general surplus.

The Association maintains regional agency offices in Philadelphia, Atlanta, Chicago, Dallas and Los Angeles, and a sales office and fiscal agency office in New York City.

Homer White Joins Paine, Webber Co.

SAN FRANCISCO, Calif.—Homer B. White has joined the San Francisco office of Paine, Webber, Jackson & Curtis, 369 Pine Street, as a registered representative, Resident Manager Louis Nicoud, Jr. has announced.

Homer B. White

Mr. White has spent many years in the securities business. He comes to Paine, Webber from the New York headquarters office of Eastman Dillon, Union Securities & Co., where he was in charge of the dealers' relations department, traveling extensively in the East and Middle West. For 12 years before joining Eastman Dillon he was on the sales staff of Davis, Skaggs & Co., San Francisco. At one time he was associated with the old National City Company in San Francisco and New York.

A Communist Mess

"It was proved that our methods of planning, leadership, economic analysis and scientific investigations are not on the level of requirements of the present stage of economic development. Weak people, people with insufficient qualifications, must be replaced by people with higher professional and political qualifications. We cannot tolerate weakness and easy-go-lucky ways in the realization of party resolutions."—Artur Starewicz, Chief of the Polish Communist Press Bureau.

From all accounts Polish economic affairs are in a mess. An all-wise party has bungled. Natural forces, the normal regulator of business under capitalism are, of course, not permitted to function.

Maybe Karl Marx was wrong, after all!

Roman & Johnson Offers First Research Issue

Roman & Johnson, Fort Lauderdale, Fla., is manager of an underwriting group which is offering today (Dec. 10) 100,000 shares of First Research Corp. common stock at a price of $2 per share. The offering marks the first public sale of the company's common stock.

Net proceeds from the sale of the common shares will be applied by the company toward the purchase of common stock of Research Associates, Inc., a statistical publishing firm and publishers of "The Florida Business Letter"; for the opening of additional offices; for the purchase of modern electronic equipment, and for general working capital.

First Research Corp., incorporated in 1950, performs on a fee or subscription basis economic and market studies and various research services for corporate, individual and governmental clients.

For the nine months ended Sept. 30, 1959 the company had total billings of $223,309 and net income of $13,772. Upon completion of the current financing, outstanding capitalization of the company will consist of 234,575 shares of common stock and $8,184 of 3% debentures.

Other members of the offering group include: Pierce, Carrison, Wulbern, Inc., Tampa, Fla.; Aetna Securities Corp., New York and Miami Beach; Nolting, Nichol & O'Donnell Inc., Pensacola, Fla.

Pan-Alaska Corp. Stock Offered

Clark, Landstreet & Kirkpatrick, Inc., located in the Life & Casualty Tower in Nashville, Tenn., offered on Dec. 7, 2,408,521 shares of the 10c par common stock of Pan-Alaska Corp. at a price of 20c per share.

The proceeds of the sale of 250,000 shares of Pan-Alaska stock now owned by Marine Drilling, Inc. will be retained by Marine. The balance of the proceeds from sales, after reimbursing Marine for expenses of this offering estimated at $35,000, will be paid to Pan-Alaska for the exercise of stock options and as a contribution to capital.

The proceeds received by Pan-Alaska will be used for the payment of delay rentals, the acquisition of additional oil and gas leases, the development of such leases and leases presently held, and for operating expenses. Delay rentals to come due by Pan-Alaska after July 31, 1959, on the oil and gas leases presently held total $640 for 1959, $34,400 for 1960, and $7,520 for 1961. Pan-Alaska may wish to drop a portion or all of its leases at any time and thereby terminate any obligation for the payment of delay rentals.

Pan-Alaska is presently negotiating to acquire a participation in a drilling unit covering approximately 100,000 acres in the Nulato Unit Area approximately 20 to 50 miles south of Pan-Alaska's acreage blocks.

Pan-Alaska officials indicate that, if funds from this offering are available, Pan-Alaska intends to invest approximately $69,000 and acquire approximately 3½% interest in the Nulato Unit, the drilling well (and any production therefrom) and related physical assets. Information gained from this participation will assist Pan-Alaska in evaluating its acreage and in determining the course of future exploration. Pan-Alaska has not entered any firm contract to acquire an interest in this unit.

The balance of funds from the offering are not committed, but it is Pan-Alaska's intention to use the funds for operating expenses and for acquiring and developing oil and gas leases in the State of Alaska.

Experienced Assoc.

(Special to THE FINANCIAL CHRONICLE)

FT. LAUDERDALE, Fla.—Experienced Associates, Inc. are engaging in a securities business from offices here. Officers are P. M. Baker, President; William K. Hall, Vice-President; P. J. Wedel, Secretary, and M. N. Judson, Treasurer.

Bankers Bond Co. Adds

(Special to THE FINANCIAL CHRONICLE)

LOUISVILLE, Ky.—Bunk Gardner Jr. has become associated with The Bankers Bond Company, Inc., Kentucky Home Life Building. He was formerly an officer of the Exchange Bank of Mayfield, Kentucky.

Oscar Coolican Opens

WASHINGTON, D. C.—Oscar Coolican is conducting a securities business from offices at 2139 Wyoming Avenue. He was formerly with Hirsch & Co. and Francis I. du Pont & Co.

Form Ball, Pablo Co. In Washington, D. C.

WASHINGTON, D. C.—Ball, Pablo & Co. has been formed with offices at 1000 Connecticut Avenue, N. W., to engage in a securities business. Officers are Frank I. Ball, President and Marcelino T. Pablo, Executive Vice-President. Both were formerly officers of Weil & Company.

Joins J. H. Hilsman

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Georgia.—George M. Brown III has become connected with J. H. Hilsman & Co., Inc. Citizens & Southern Building. He was formerly with the Georgia Savings Bank & Trust Company.

Now With L. F. Rothschild

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Robert G. Walsh has become affiliated with L. F. Rothschild & Co., 231 South La Salle Street. Mr. Walsh was formerly with McDougal & Condon Inc., and First of Michigan Corp.

Elected Director

Alan H. Temple, Vice-Chairman of The First National City Bank of New York has been elected a Director of The Mead Corporation.

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 prime contractor on specialized construction projects. **Office**—123 Denick Avenue, Youngstown, Ohio. **Underwriter** — Strathmore Securities, Inc., 605 Park Building, Pittsburgh 22, Pa. This offering is expected to be refiled.

★ **Admiral Plastics Corp.**
Dec. 4 filed 160,000 shares of common stock (par 10 cents), of which 150,000 shares are to be publicly offered. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Office**—446 12th Street, Brooklyn, N. Y. **Underwriters**—Filor, Bullard & Smyth and Hardy & Co., both of New York City, who are entitled to purchase for $500 five-year options to acquire for 75 cents per share the 10,000 shares not accounted for above. **Offering**—Expected in January.

Aircraft Dynamics International Corp. (1/15)
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.

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 Street, New York. **Underwriter**—C. B. Whitaker Co., New York. **Offering**—Expected in about three to four weeks.

Alberta Municipal Financing Corp. (12/11)
Nov. 25 filed $20,000,000 of sinking fund debentures, due Dec. 15, 1984. The debentures are guaranteed unconditionally as to principal and interest by the Province of Alberta. They are payable in the United States currency. The debentures will not be redeemable, except by operation of the sinking fund, until Dec. 15, 1969. **Price**—To be supplied by amendment. **Proceeds**—From the sale of the debentures after conversion into Canadian funds, will be applied to the purchase of securities of municipalities, cities, towns and villages within Alberta as loan applications are approved. **Underwriters**—The First Boston Corp. and Wood, Gundy & Co., Inc., both of New York.

★ **Allied Producers Corp.**
Dec. 3 filed 1,000,000 shares of common stock. **Price**—$1 per share. **Proceeds**—For working capital to be used in the purchase of oil and gas properties and related forms of investment. **Office**—115 Louisiana Street, Little Rock, Ark. **Underwriter**—The offering is to be made by John L. Hedde, President of the issuing company and owner of 10,000 of its 80,000 presently outstanding shares. Mr. Hedde will work on a "best efforts" basis, and will receive a selling commission of 12 cents per share on Arkansas sales and 15 cents per share on out-of-state sales.

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 Frontier Life Insurance Co.**
Nov. 30 filed 200,000 shares of capital stock. **Price**—$8 per share. **Proceeds** — To increase capital and surplus. **Office**—1455 Union Ave., Memphis, Tenn. **Underwriter**—Union Securities Investment Co., also of Memphis, which will receive a selling commimsmsion of $1.20 per share.

★ **American Gypsum Co.**
Dec. 4 filed 518,050 shares of common stock and $1,200,000 of 7% first mortgage notes, to be offered in units consisting of $100 principal amount of notes and 40 shares of stock. **Price**—$300 per unit. **Proceeds**—For general corporate purposes, including construction equipment, and working capital. **Office**—323 Third Street, S. W., Albuquerque, N. Mex. **Underwriters**—Jack M. Bass & Co., Nashville, Tenn., and Quinn & Co., Albuquerque.

★ **American Industries Fund, Inc.**
Dec. 2 filed 1,000,000 shares of capital stock. **Proceeds**—For investment. **Office**—6505 Wilshire Boulevard, Los Angeles, Calif.

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. No decision has been announced.

American Service Life Insurance Co.
Sept. 14 filed 300,000 shares of common stock (par 40¢). **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 Yachting Systems, Inc.
Oct. 30 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—For general corporate purposes. **Office**—Roslyn, N. Y. **Underwriter**—Hilton Securities Inc., formerly Chauncey, Walden, Harris & Freed, Inc., 580 Fifth Avenue, New York, N. Y. **Offering**—Expected any day.

Anelex Corp. (12/14-18)
Nov. 18 filed $2,250,000 of subordinated debentures, due Dec. 1, 1974, with warrants attached to purchase 45,000 shares of common stock (par $1) and (2) 90,000 shares of common stock (par $1). The debentures and stock are to be offered in units consisting of $50 principal amount of debentures (with attached warrant to purchase one share of common stock) and two shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—To pay off $400,000 of serial notes plus accrued interest thereon; approximately $220,000 will be used to redeem and pay accumulated dividends on the company's outstanding 2,000 shares of cumulative preferred stock; approximately $143,000 will be used to pay a promissory note to Anderson-Nichols & Co.; approximately $800,000 will be used for machinery and equipment; and the balance will be used for general corporate purposes, including additional working capital. **Office**—150 Causeway St., Boston, Mass. **Underwriter**—Putnam & Co., Hartford, Conn.

● **Anodyne, Inc., Bayside, L. I., N. Y.**
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 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.

Apache Properties, Inc.
Nov. 20 filed 500,000 shares of common stock (par $1) to be offered in exchange for undivided interests in gas and oil leaseholds located in certain counties in Oklahoma. **Price**—$10 per share. **Office**—523 Marquette Ave., Minneapolis, Minn. **Underwriter**—None.

Arkay International, Inc.
Nov. 18 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—For general corporate purposes. **Office** — 8806 Van Wyck Expressway, Richmond Hill, N. Y. **Underwriter**—A. D. Gilhart & Co., Inc., New York, N. Y. **Offering**—Expected in December.

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.

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.

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.

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 30 days.

Bankers Preferred Life Insurance Co.
Jan. 30 (letter of notification) 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 Colo

Bear Brand Hosiery Co.
Nov. 10 (letter of notification) 2,000 shares of common stock (no par) to be offered for subscription by stockholders of record Dec. 10, 1959 on the basis of one share for each 6½ shares held. **Price**—$100 per share. **Proceeds**—For working capital. **Office**—131 S. Wabash Ave., Chicago 3, Ill. **Underwriter**—None.

Behlen Manufacturing Co., Columbus, Ohio (12/15)
Nov. 12 filed 370,000 shares of common stock (par $1) of which 70,000 shares are to be offered for the account of the issuing company and 300,000 shares will be sold for the accounts of certain selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—For working capital and other corporate purposes. **Underwriters**—Smith, Barney & Co., New York; Kirkpatrick-Pettis Co., Omaha, Neb.; and The First Trust Co. of Lincoln, Neb.

Bell Telephone Co. of Pennsylvania (12/15)
Nov. 20 filed $30,000,000 of 35-year debentures dated Dec. 1, 1959 and due Dec. 1, 1994. **Proceeds**—To repay outstanding advances from the American Telephone & Telegraph Co.; any balance will be used for general corporate purposes. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; White, Weld & Co. and Eastman Dillon, Union Securities & Co. (jointly); Morgan, Stanley & Co. **Bids**—To be received up to 11 a.m. (EST) on Dec. 15 at Room 1900, 195 Broadway, New York, N. Y.

Benson Manufacturing Co., Kansas City, Mo.
Nov. 25 filed $2,000,000 of 6% convertible subordinated debentures due 1971 and 130,000 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—For additional manufacturing equipment, acquisition of property and retirement of a $500,000 bank loan. **Business**—In addition to its aluminum operations the company fabricates magnesium, stainless steel and titanium. As a leading subcontractor it serves the major missile, rocket and aircraft companies through its missile container division. **Underwriter**—S. D. Fuller & Co., New York. **Offering**—Expected in the early part of January, 1960.

Blanch-Ette, Inc.
Oct. 12 filed 400,000 shares of common stock, to be offered initially to independent dealers who handle the company's products, with the unsubscribed shares to be offered to the public. **Price**—$1 per share. **Proceeds**—To establish new dealerships, increase inventories, and provide funds for advertising and increase working capital. **Office**—10232 South Kedzie Ave., Chicago, Ill. **Underwriter**—None.

★ **Booth Leasing Corp.**
Dec. 2 filed 40,296 shares of common stock to be offered to holders of the outstanding common on the basis of one new share for each eight shares held. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes, including the acquisition of additional equipment which the company intends to lease to various businesses. **Office**—315 Montgomery Street, San Francisco, Calif. **Underwriters**—Wertheim & Co., New York City, and J. Barth & Co., San Francisco. **Offering**—Expected in January.

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.

Bowmar Instrument Corp. (12/14)
Nov. 10 filed 78,000 shares of common stock (no par), of which 45,000 shares will be offered for the company's account and 33,000 shares will be offered for the account of several selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Office**—8000 Bluffton Road, Ft. Wayne, Ind. **Underwriter**—Paine, Webber, Jackson & Curtis, New York.

★ **Briel Industries, Inc.**
Nov. 23 (letter of notification) 75,000 shares of class A common stock. **Price**—At par ($2.50 per share). **Proceeds** — To purchase equipment, with the balance for working capital. **Office**—2232 E. Market Street, New Albany, Ind. **Underwriter**—None.

Burch Oil Co.
Sept. 25 (letter of notification) 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.

Cadre Industries Corp.
Sept. 25 filed 17,532 shares of common stock (par $5) to be offered to holders of such stock on the basis of one new share for each 8 shares held. **Price**—$64 per

share. **Proceeds**—For general corporate purposes, including working capital. **Office**—20 Valley St., Endwell, N. Y. **Underwriter**—None.

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.

Cardinal Petroleum Co. (12/21)
Nov. 30 filed 200,000 shares of common capital stock. **Price**—$4 per share. **Proceeds**—For general corporate purposes including debt reduction, drilling and working capital. **Office**—420 No. 4th St., Bismarck, North Dakota. **Underwriter**—J. M. Dain & Co., Inc., Minneapolis, Minn.

★ **Cascade Pools Corp.**
Nov. 30 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For general corporate purposes. **Office**—River & Wood Sts., Butler, N. J. **Underwriter**—R. A. Holman & Co., Inc., New York, N. Y.

★ **Central Illinois Light Co.**
Nov. 25 (letter of notification) 9,561 shares of common stock (no par) to be offered to employees under the Employees Common Stock Purchase Plan. **Price** — At 90% of the average closing price on the New York Stock Exchange on five days preceding the purchase date but not less than 90% of the last sale on the purchase date or the last preceding day on which the stock will be offered to the employees. **Proceeds**—For construction, improvement or extension of its facilities. **Office**—300 Liberty Street, Peoria, Ill. **Underwriter**—None.

● **Chadbourn Gotham, Inc.**
Sept. 28 filed $2,000,000 of 6% conv. subord. debentures, due Oct. 1, 1974, with warrants to purchase 200,000 shares of common stock (par $1), being offered for subscription by holders of its common stock of record Dec. 1, 1959 (with a 14 day standby) at the rate of $100 of debentures, with an attached warrant to purchase 10 common shares for cash for each 100 common shares held. **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, N. C.

Citadel Life Insurance Co. of New York
Nov. 10 filed 60,000 shares of common stock (par $10). **Price**—$20 per share. **Proceeds**—For working capital. **Office**—150 Broadway, New York City. **Underwriter**—The stock will be sold through the efforts of the officers and directors of the company, principally Moshe B. Pomrock, President.

Citizens Casualty Co. of New York (12/14-18)
Nov. 9 filed 250,000 shares of class A common stock (par $2). **Price**—To be supplied by amendment. **Proceeds**—To be invested in income-producing securities. **Office**—33 Maiden Lane, New York City. **Underwriter**—Lee Higginson Corp.

★ **Citizens Financial Fund, Inc.**
Dec. 7 filed 100,000 shares of capital stock. **Office**—Sacramento, Calif. **Underwriter**—Denc & Co., Inc., also of Sacramento. **Note**—Deno Evangelista is President of both the issuing company and the underwriting firm. The issuing company is newly organized, and anticipates that its original minimum capital requirement of $100,000 will be raised by investors exchanging their marketable securities for fund shares.

Clary Corp.
Nov. 13 (letter of notification) an undetermined number of shares of common stock (par $1) to be offered for subscription by stockholders on the basis of one new share for each 22 shares held (with an oversubscription privilege). **Price**—At-the-market. **Proceeds**—Not to exceed $300,000, which will be used for working capital. **Office**—408 Junipero St., San Gabriel, Calif. **Underwriter**—None.

★ **Coastal Chemical Corp.**
Dec. 7 filed 111,729 shares of class A common and 70,000 shares of class C common, of which 50,000 class C shares are to be offered for the account of Miss. Chemical Corp., selling stockholder, with the remainder of the offering to be sold for the account of the issuing company. **Price**—For the class A stock; $30 per share; for the class C stock: $25 per share. **Proceeds**—For working capital, construction, and repayment of loans. **Office**—Yazoo City, Miss. **Underwriter**—The offering is to be made through Coastal employees with Miss. Chemical underwriting on a "best efforts" basis, receiving a selling commission of 33 cents a share.

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 after Jan. 1, 1960.

Combined Electronics, Inc.
Oct. 30 filed 800,000 shares of common stock (par $1). **Price**—$2.50 per share. **Proceeds**—For general corporate purposes, inclding expansion, new product development, and working capital. **Office**—135 S. La Salle Street, Chicago, Ill. **Underwriter**—David Johnson & Associates, Inc., Indianapolis, Ind., on a "best efforts" basis.

Commerce Drug Co.
Nov. 30 filed 90,000 shares of common stock. **Price**—$6.50 per share. **Proceeds**—To selling stockholders. **Office**—505 Court St., Brooklyn, N. Y. **Underwriter** — Marron, Edens, Sloss & Co. **Offering**—Expected in January.

Commerce Oil Refining Corp.
Dec. 16, 1957 filed $25,000,000 of first mortgage bonds due Sept. 1, 1968, $20,000,000 of subordinated debentures due Oct. 1, 1968 and 3,000,000 shares of common stock to be offered in units as follows: $1,000 of bonds and 48 shares of stock and $100 of debentures and nine shares of stock. **Price**—To be supplied by amendment. **Proceeds** — To construct refinery. **Underwriter**—Lehman Brothers, New York. **Offering**—Indefinite.

Commercial Metals Co.
Nov. 25 filed 100,000 shares of outstanding common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Office**—512 South Akard St., Dallas, Tex. **Underwriter**—Eppler, Guerin & Turner, Inc. **Offering**—Expected in the first couple of weeks in January.

★ **Community Public Service Co.**
Nov. 20 (letter of notification) 12,060 shares of common stock (par $10), to be offered to employees under The Thrift Plan for Employees. **Price**—At market price on the American Stock Exchange. **Proceeds**—To purchase stock. **Office**—408 W. Seventh Street, Fort Worth 2, Texas. **Underwriter**—None.

Conde Nast Publications, Inc.
Oct. 30 filed 501,863 shares of common stock (no par) being offered for subscription by common stockholders on the basis of one new share for each two shares held. Rights expire Dec. 11. **Price**—$8 per share. **Proceeds**—To retire $3,500,000 bank loan incurred in connection with the acquisition of Street & Smith Publications, Inc. last August. **Office**—420 Lexington Avenue, New York City. **Underwriter**—None. The registration statement became effective Nov. 24.

● **Conetta Manufacturing Co. (12/14)**
Sept. 28 filed 100,000 shares of class A common stock (par 10c). **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 (par 20c), of which 1198,000 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, 75c 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. **Note** — This company was formerly known as Consolidated Cuban Petroleum Corp., which was a Delaware corporation with Havana offices. Its charter was amended last June, changing the corporate name and sanctioning its entry into real estate operations. **Offering**—Expected prior to Jan. 1. **Office**—Miami Beach, Fla. **Underwriter**—H. Kook & Co., Inc., New York.

● **Consolidated Development Corp., Pompano Beach, Fla.**
Nov. 24 filed 140,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—To pay outstanding notes and for working capital. **Underwriter**—Consolidated Securities Corp., of Pompano Beach, Fla., on a best efforts basis. **Note**—Nick P. Christos is President of the issuing company and a director of the underwriting corporation.

Consumers Cooperative Association
Nov. 3 filed $9,000,000 of 5½% 25-year subordinated certificates of indebtedness and 120,000 shares of preferred stock (par $25). **Price**—The certificates are to be offered in units of $100; the preferred stock is to be sold at $25 per share. **Proceeds**—To be added to general funds of the association and be used for retiring maturing certificates of indebtedness and for capital expenditures. **Office**—Kansas City, Mo. **Underwriter**—None.

Continental Reserve Co.
Nov. 13 (letter of notification) 300,000 shares of common stock (par 30 cents). **Price**—$1 per share. **Proceeds**—To invest in the common stock of its proposed subsidiary, Continental Reserve Life Insurance Co. **Office**—914-916 Kearns Bldg., Salt Lake City, Utah. **Underwriter**—Columbine Securities Corp., Denver, Colo.

★ **Cooperative Grange League Federation Exchange, Inc.**
Dec.4 filed $250,000 of 4% subordinated debentures, 10,000 shares of 4% cumulative preferred stock, and 200,000 shares of common stock. The common shares may be offered only to present or prospective members of the Cooperative. **Prices**—For the debentures, 100% of principal amount; for the preferred, $100 per share; for the common, $5 per share. **Proceeds**—For general corporate pur-

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NEW ISSUE CALENDAR

December 11 (Friday)

Alberta Municipal Financing Corp. ______ Debentures
(The First Boston Corp. and Wood, Gundy & Co., Inc.) $20,000,000

December 14 (Monday)

Anelex Corp. ______ Debentures
(Putnam & Co.) $2,250,000

Anelex Corp. ______ Common
(Putnam & Co.) 90,000 shares

Bowmar Instrument Corp. ______ Common
(Paine, Webber, Jackson & Curtis) 78,000 shares

Citizens Casualty Co. of New York ______ Common
(Lee Higginson Corp.) 250,000 shares

Conetta Manufacturing Co. ______ Common
(Vermilye Bros.) $400,000

Dynex, Inc. ______ Common
(Myron A. Lomasney & Co.) $600,000

Gulf & Western Corp. ______ Debentures
(Ira Haupt & Co.) $1,500,000

King's Grant Inn, Inc. ______ Common
(Osborne, Clark & Van Buren, Inc.) $300,000

Micronaire Electro Medical Products Corp. ______ Com.
(General Investing Corp.) 200,000 shares

Micronaire Electro Medical Products Corp. ______ Wts.
(General Investing Corp.) 50,000 warrants

Midwestern Financial Corp. ______ Common
(William R. Staats & Co.; Boettcher & Co. and Bosworth, Sullivan & Co., Inc.) 250,000 shares

Mohawk Business Machines Corp. ______ Common
(Myron A. Lomasney & Co.) 30,000 shares

Mohawk Business Machines Corp. ______ Debentures
(Myron A. Lomasney & Co.) $600,000

National Video Corp. ______ Common
(Bache & Co.) 283,307 shares

Nedick's Stores, Inc. ______ Common
(Van Alstyle, Noel & Co.) 17,000 shares

Palomar Mortgage Co. ______ Common
(J. A. Hogle & Co.) 80,000 shares

Palomar Mortgage Co. ______ Debentures
(J. A. Hogle & Co.) $750,000

Turner Timber Corp. ______ Common
(Frank P. Hunt & Co., Inc.) 250,000 shares

Turner Timber Corp. ______ Debentures
(Frank P. Hunt & Co., Inc.) $2,000,000

United Marine, Inc. ______ Common
(Boenning & Co.) 125,000 shares

United Marine, Inc. ______ Debentures
(Boenning & Co.) $1,250,000

Victoreen Instrument Co. ______ Debentures
(Van Alstyne, Noel & Co.) $2,500,000

December 15 (Tuesday)

Behlen Manufacturing Co. ______ Common
(Smith Barney & Co.; Kirkpatrick-Pettis Co. and The First Trust Co. of Lincoln, Neb.) 370,000 shares

Bell Telephone Co. of Pennsylvania ______ Debentures
(Bids 11 a.m. EST) $30,000,000

Copperweld Steel Co. ______ Debentures
(Dillon, Read & Co., Inc. and Riter & Co.) $8,000,000

Electronics Development, Inc. ______ Common
(First Broad Street Corp.) $404,106.50

Florida Tile Industries, Inc. ______ Common
(Johnson, Lane, Space Corp.) 89,285 shares

Perrine Industries, Inc. ______ Debentures
(S. D Fuller & Co.) $1,500,000

Public Service Electric & Gas Co. ______ Common
(Merrill Lynch, Pierce, Fenner & Smith Inc.) 800,000 shares

December 16 (Wednesday)

Dyna-Therm Chemical Corp. ______ Common
(Peter Morgan & Co.) $600,000

Financial Federation, Inc. ______ Common
(Kidder, Peabody & Co.) 235,000 shares

Tobin Craft, Inc. ______ Common
(General Investing Corp.) $150,000

December 17 (Thursday)

Minitran Corp. ______ Common
(Pleasant Securities Co.) $300,000

Red Fish Boat Co. ______ Common
(R. A. Holman & Co., Inc.) $300,000

January 4 (Monday)

General Public Utilities Corp. ______ Common
(Offering to stockholders—No underwriting) 1,115,000 shares

January 15 (Friday)

Aircraft Dynamics International Corp. ______ Common
(Aviation Investors of America, Inc.) $300,000

January 19 (Tuesday)

Kansas Gas & Electric Co. ______ Common
(Bids to be invited) 200,000 shares

Louisiana Gas Service Co. ______ Bonds
(Bids to be invited)

December 21 (Monday)

Cardinal Petroleum Co. ______ Common
(J. M. Dain & Co., Inc.) $800,000

January 11 (Monday)

Washington Water Power Co. ______ Bonds
(Kidder, Peabody & Co.; Blyth & Co., Inc.; White, Weld & Co. ...) $10,000,000

Washington Water Power Co. ______ Debentures
(Kidder, Peabody & Co.; Blyth & Co., Inc.; White, Weld & Co. and Dean Witter & Co.) $5,000,000

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poses, including future redemptions of outstanding securities and property additions and improvements. **Office**—Terrace Hill, Ithaca, N. Y. **Underwriter**—None.

Cooper Tire & Rubber Co.
Dec. 1 filed 100,000 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Office** — Lima & Western Avenues, Findlay, Ohio. **Underwriters**—Paine, Webber, Jackson & Curtis, Boston, Mass., and Prescott, Shepard & Co., Inc., Cleveland, O. **Offering**—Expected in January.

Copperweld Steel Co. (12/15-18)
Nov. 16 filed $8,000,000 of convertible subordinated debentures, due Dec. 1, 1979. The company has applied for the listing of the debentures on the New York Stock Exchange. **Price**—To be supplied by amendment. **Proceeds**—To repay short-term notes with the balance to be added to general funds. **Underwriters**—Dillon, Read & Co., Inc., and Riter & Co., both of New York.

Copymation, Inc. (formerly Peck & Harvey Mfg. Company)
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., (handling the books) and Plymouth Securities Corp., both of New York, N. Y. **Offering**—Expected any day.

Coraloc Industries, Inc.
Oct. 30 (letter of notification) 5,450 shares of common stock (par $5) and 27,250 shares of preferred stock (par $10) to be offered in units of five shares of preferred and one share of common. **Price**—$55 per unit. **Proceeds**—For engineering and technical costs, sales, services, etc. **Business**—Manufactures swimming pools. **Office**—494 S. San Vicente Boulevard, Los Angeles 43, Calif. **Underwriter**—Edward Lewis Co., Inc., New York, N. Y. **Offering**—Expected in two to three weeks (subject to SEC clearance).

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.

Crest Investment Trust, Inc.
Nov. 30 filed 1,172 shares of type A and 7,400 shares of type B common stock, together with $42,500 of 6% debenture notes. **Price**—$110 per share of stock; the notes will be offered in units of $500. **Proceeds**—For expansion. **Office**—41 W. Preston St., Baltimore, Md.

Crown Aluminum Industries Corp.
Nov. 30 filed $1,500,000 of 17-year, 7½% debentures, due Jan. 15, 1977, and 180,000 shares of common stock, to be offered in units of $100 of debentures and 12 shares of stock. **Price**—$160 per unit; and $6.50 per share for an additional 100,000 shares included in the registration statement and not covered above. **Proceeds**—For general corporate purposes, including 1,200,000 for installing and equipping a hot rolling mill. **Office**—202 Reynolds Arcade Bldg., Rochester, N. Y. **Underwriter**—Adams & Peck, New York City. **Offering**—Expected in January.

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. 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.

Dallas Power & Light Co.
Nov. 10 filed $20,000,000 of first mortgage bonds, due 1989. **Proceeds**—To repay short-term borrowings from Texas Utilities Co., the parent company, which amounted to $12,500,000 on Sept. 30, with the balance to be used for general corporate purposes, including construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: 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. **Bids**—Expected to be received up to noon on Dec. 14.

Davega Stores Corp.
Nov. 25 filed 88,000 shares of common stock to be offered to present stockholders at the rate of one new share for each three shares held. **Price** — $7 per share. **Proceeds** — For expansion and other corporate purposes. **Office**—215 4th Ave., New York City. **Underwriter**—None.

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.

Delaware Securities Corp.
Nov. 13 filed 700,000 shares of common stock (par one cent). **Price**—$5 per share. **Proceeds**—For working capital. **Office**—50 Broadway, New York. **Underwriter**—None.

Deluxe Aluminum Products, Inc.
Oct. 15 filed $330,000 of convertible debentures, and 70,000 shares of common stock. **Price**—For the debentures, 100% of principal amount; for the stock, $5 per share. **Proceeds**—From 10,000 shares of the common stock, to the present holders thereof; from the rest of the offering, to the company to be used for expansion and as working capital. **Office**—6810 S. W. 81st St., Miami, Fla.

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.

Diversified Communities, Inc.
Sept. 25 filed 367,200 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.

● **Don Mott Associates, Inc.**
Oct. 27 filed 161,750 shares of class B, non-voting, common stock (par $5). **Price**—$10 per share. **Proceeds**—For general corporate purposes, including payment on a building and the financing of loans. **Office**—Orlando, Fla. **Underwriter**—Leon H. Sullivan, Inc., Philadelphia, Pa., on a "best efforts" basis. **Offering**—Expected shortly.

Dorsett Laboratories, Inc.
Oct. 2 (letter of notification) $160,000 of 10-year 6% convertible subordinated debentures. Debentures are convertible into common stock at $4 per share up to and including Nov. 1, 1962; thereafter at $8 per share up to and including Nov. 1, 1965 and thereafter at $12 per share. **Price**—At face amount. **Proceeds**—To reduce notes payable, to purchase facilities and equipment, and for working capital. **Office**—401 E. Boyd St., Norman, Okla. **Underwriter**—None.

Dyna-Therm Chemical Corp. (12/16)
Oct. 28 filed 200,000 shares of capital stock (par $1). **Price**—$3 per share. **Proceeds**—To purchase stock of subsidiaries, for payment of loans, and for working capital. **Office** — Culver City, Calif. **Underwriter** — Peter Morgan & Co., New York City.

● **Dynex, Inc. (12/14)**
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.

★ **Ekco Products Co.**
Dec. 4 filed 21,669 shares of second cumulative preferred stock, 6% series, and 54,064 shares of common stock, to be offered in exchange for the common stock of Washington Steel Products, Inc., on the basis of one-half share of common and one-fifth of a share of preferred for each common share of Washington Steel. **Office**—1949 North Cicero Avenue, Chicago, Ill.

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 in two to three weeks' time (subject to SEC approval).

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.

Electronics Development, Inc. (12/15)
Sept. 25 filed 115,459 shares of common stock (par 10c). **Price**—$3.50 per share. **Proceeds**—For plant erection, advertising, research and development, and working capital. **Office** — Gill and West College Streets, State College, Pa. **Underwriter**—First Broad Street Corp., 50 Broad St., New York.

● **Fastline, Inc.**
Nov. 6 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—For general corporate purposes. **Office**—8 Washington Place, New York, N. Y. **Underwriter** — Mortimer B. Burnside & Co., Inc., New York, N. Y. **Offering**—Expected any day.

● **Fed-Mart Corp.**
Nov. 6 filed $3,000,000 of 6% subordinated debentures, due Dec. 1, 1979, convertible through Nov. 30, 1969. **Price**—To be supplied by amendment. **Proceeds**—For intermediate- and long-term capital requirements. **Office**—8001 Othello Street, San Diego, Calif. **Underwriter**—Eastman Dillon, Union Securities & Co., New York. **Offering**—Expected any day.

● **Financial Federation, Inc. (12/16)**
Nov. 6 filed 235,000 shares of capital stock ($1 par). **Price**—To be supplied by amendment. **Proceeds**—Mostly for the repayment of short-term notes, with the balance for working capital. **Office**—5150 Wilshire Boulevard, Los Angeles, Calif. **Underwriter**—Kidder, Peabody & Co., New York.

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 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. Statement effective Oct. 9.

Florida Tile Industries, Inc. (12/15-24)
Nov. 12 filed 89,285 shares of class A common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—It is expected that about $437,500 will be used for additional working capital and/or general corporate purposes, of which $250,000 may be expended for additional facilities, and that about $87,500 will be used to retire short-term bank loans. **Office**—Lakeland, Fla. **Underwriter**—Johnson, Lane, Space Corp., Atlanta, Ga.

Formula 409, Inc.
Oct. 29 filed 300,000 shares of common stock (no par). **Price**—$1.50 per share. **Proceeds**—For advertising, reduction of indebtedness, bottling equipment, payment of $44,000 for acquisition of formula 409, a liquid degreaser, and office equipment. **Office**—10 Central Street, West Springfield, Mass. **Underwriter**—DiRoma, Alexik & Co, Springfield, Mass.

Garden Land Co., Ltd.
Nov. 9 filed 200,000 shares of common stock (par $1). **Price** — To be supplied by amendment. **Proceeds** — For land conversion and improvement in California, with the balance to be added to working capital. **Office** — 17315 Sunset Boulevard, Pacific Palisades, Calif. **Underwriter**—Hill, Darlington & Co., New York City. **Offering**—Expected later this month.

Gas Hills Uranium Co.
Oct. 23 filed 6,511,762 shares of common stock, of which 3,990,161 are to be offered for sale. The remaining 2,521,601 shares are owned or underlie options owned by officers and/or directors, affiliates, and associates of the issuing company. Of the shares to be sold, 415,000 shares are to be offered to holders of the outstanding common at the rate of one new share for each 20 shares held; 500,000 shares are to be offered in exchange for properties and services; 326,883 shares are to be offered to certain holders of the company's convertible promissory notes; and 2,748,278 shares are to be offered for the account of selling stockholders, of which number 655,500 shares represent holdings of management officials and affiliated persons. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes, including the repayment of indebtedness. **Office** — 604 South 18th Street, Laramie, Wyo. **Underwriter**—None.

Gence & Associates, Inc.
Nov. 13 (letter of notification) 100,000 shares of common stock (no par). **Price**—$3 per share. **Proceeds**—To pay an outstanding obligation and for working capital. **Office**—1500 E. Colorado St., Glendale, Calif. **Underwriter**—California Investors, Los Angeles, Calif.

General Coil Products Corp.
Oct. 29 (letter of notification) 99,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—For automation of operations; working capital; additional equipment and machinery and research and development. **Office**—147-12 Liberty Ave., Jamaica, N. Y. **Underwriter**—A. T. Brod & Co., New York and Washington, D. C. **Offering**—Expected in two weeks (subject to Securities and Exchange Commission clearance).

★ **General Electronic Laboratories, Inc.**
Nov. 20 (letter of notification) an undetermined number of shares of class A common stock (par 33⅓ cents) amounting to approximately $300,000 to be offered to officers, directors and employees of the company. **Proceeds**—For general corporate purposes, including machinery, equipment and working capital. **Office**—195 Massachusetts Avenue, Cambridge, Mass. **Underwriter** — Kidder, Peabody & Co., Inc., Boston, Mass. on a "best efforts" basis.

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 Public Utilities Corp. (1/4)**
Nov. 24 filed 1,115,000 additional shares of common stock (par $2.50) to be offered to common stockholders of record Dec. 30, 1959, on the basis of one new share for each 20 shares so held; rights to expire on Jan. 19, 1960. **Price**—To be supplied by amendment. **Proceeds**—To pay short-term bank loans, and the balance will be added to the general funds of the company. **Underwriter**—None, but dealers may sell unsubscribed shares and solicit subscriptions.

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 pur-

chasable 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.

Gold Medal Studios, Inc.
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.

Granco Products, Inc.
Oct. 21 (letter of notification) 42,860 warrants and 60,000 shares of common stock (par 50 cents). The stock is underlying the warrants, and the purpose of the filing was to permit the warrant holders to exercise their warrants and buy the underlying stock at $2.50 per share during the life of the warrant. The expiration date of the warrant is Feb. 25, 1961. The price of the warrant is at the market. **Proceeds**—In the first instance, to the warrant holders; if they convert, Granco's treasury will receive $2.50 per share. **Office**—36-17 20th Ave., Long Island City, N. Y. **Underwriter**—John R. Boland & Co., Inc., New York City.

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 Michigan properties. **Office**—6336 Woodward Ave., Detroit, Mich. **Underwriter**—Straus, Blosser & McDowell, Chicago, Ill. **Offering**—Expected sometime after Jan. 1, 1960.

Greater Washington Industrial Investments, Inc.
Nov. 4 filed 20,500 shares of common stock (par $1). **Price**—$8.50 per share. **Proceeds** — For investments in small businesses. **Office**—1625 Eye St., N. W., Washington, D. C. **Underwriter**—None.

Green River Production Corp.
Oct. 15 (letter of notification) 200,000 shares of common stock (par 50 cents). **Price**—$1.50 per share. **Proceeds**—For expenses for exploring for oil and gas. **Office**—212 Sixth Ave., South, Nashville, Tenn. **Underwriter**—Crescent Securities Co., Inc., Bowling Green, Ky.

Greer Hydraulics, Inc.
Nov. 27 filed 250,000 additional shares of common stock ($.50 par) to be offered for subscription by holders of the outstanding common. **Price** — To be supplied by amendment. **Office**—Jamaica, L. I., N. Y. **Proceeds**—To relocate company in Los Angeles, with the balance to be used for general corporate purposes, including the reduction of indebtedness. **Underwriter** — Burnham & Co., New York City.

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. The statement became effective July 24.

Guaranty Insurance Agency, Inc.
See, Mortgage Guaranty Insurance Corp., below.

Gulf & Western Corp. (12/14-18)
Nov. 5 filed $1,500,000 of 6% convertible subordinated debentures, due Nov. 15, 1974. **Price**—To be supplied by amendment. **Proceeds**—Initially for working capital, and, as required, to finance increased inventories and accounts receivable on behalf of subsidiaries. **Office**—4615 Empire State Bldg., New York. **Underwriter**—Ira Haupt & Co., New York City.

★ **Hanover Tool Co., Inc.**
Dec. 1 (letter of notification) 30,000 shares of common capital stock (par $1). **Price**—$5 per share. **Proceeds**—To purchase material, to finance future receivables and to reduce indebtedness. **Office**—449 York St., Hanover, Pa. **Underwriter**—None.

Harmar Co., Inc.
Nov. 18 (letter of notification) $50,000 of 6% 10-year convertible subordinated debentures series A to be offered in denominations of $500 each. Debentures are convertible into class B common stock at the rate of five shares for each $500 debenture. **Price**—At par. **Proceeds**—For working capital. **Underwriter**—Eastern Investment Corp., Manchester, N. H.

(H. M.) Harper Co.
Nov. 6 filed 100,000 shares of common stock (par $1), of which 60,000 shares are being offered for the account of the issuing company, and 40,000 shares are being offered for the accounts of the present holders thereof. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Office** — Morton Grove, Ill. **Underwriter**—Blunt Ellis & Simmons, Chicago, Ill **Offering**—Expected in mid-December.

Heli-Coil Corp.
Nov. 18 filed 157,000 shares of common stock (without par value) to be offered to holders of outstanding shares of the capital stock (par $10) of Grip Nut Corp. The holders of 95.7% of the outstanding Grip Nut capital stock entered into an agreement with Heli-Coil on Oct. Oct. 21, 1959, to exchange their holdings of 103,055 shares of Grip Nut stock for 150,850 shares of Heli-Coil's common stock. Heli-Coil is not obligated to accept less than 100% of the Grip Nut shares, but at its option may do so to a lesser degree, though not less than 80%. It will then issue a number of shares proportionately reduced from the 157,500 which it (Heli-Coil) has registered. **Office**—Danbury, Conn.

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. **Offering**—Expected shortly.

Honeycomb Products, Inc.
Nov. 10 (letter of notification) 90,000 shares of capital stock (no par). **Price**—$3 per share. **Proceeds**—To pay for the cost of plant machinery and working capital. **Office**—8 Orchard Dr., Mt. Vernon, Ohio. **Underwriter**—Hardy & Hardy, New York, N. Y. **Offering**—Expected in about two weeks.

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.

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. Clearance date was June 9.

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.

★ **Insurance Securities, Inc.**
Dec. 3 filed an amendment to its registration statement covering additional units of its securities. **Office**—Oakland, Calif.

Integrand Corp.
Oct. 13 filed 85,000 shares of common stock (par 5c). **Price**—$4 per share. **Proceeds** — For general corporate purposes, including the redemption of outstanding preferred stock and new plant equipment. **Office**—Westbury, L. I., N. Y. **Underwriter**—DiRoma, Alexik & Co., Springfield, Mass.

★ **International Aspirin Corporation**
Dec. 7 filed 600,000 shares of common stock. **Price**—$3 per share. **Proceeds**—For general corporate purposes. **Office**—1700 Broadway, Denver, Colo. **Underwriter**—Speculative Securities Corp., 915 Washington Street, Wilmington, Del., on a "best efforts" basis.

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.

Irando Oil & Exploration, Ltd.
April 24 filed 225,000 shares of common stock. **Price**—90 cents per share. **Proceeds**—To defray the costs of exploration and development of properties and for the acquisition of other properties; also for other corporate purposes. **Office**—1950 Broad St., Regina, Sask., Can **Underwriter** — Laird & Rumball, Regina, Sask., Can

Island Industries, Inc.
Nov. 23 (letter of notification) $200,000 of 10-year 10% registered debentures. **Price**—$100 per debentures. **Proceeds**—For general corporate purposes. **Office** — 30 E. Sunrise Highway, Lindenhurst, N. Y. **Underwriter** — Heft, Kahn & Infante, Inc., Hempstead, L. I., N. Y.

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**—17 E. 71st Street, New York City. **Underwriter**—None.

★ **Jessop Steel Co.**
Dec. 4 filed $3,000,000 of convertible subordinated debentures, due Jan. 1, 1975. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Office**—Washington, Pa. **Underwriter**—Hornblower & Weeks, New York City.

Kansas City Power & Light Co.
Nov. 30 filed $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 to be received on Jan. 6.

Kansas Gas & Electric Co. (1/19)
Nov. 20 filed 200,000 shares of common stock (no par). **Proceeds**—For the construction of electric facilities and for other corporate purposes. **Underwriter**—To be determined by competitive bidding. Probable bidders: Merrill Lynch, Pierce, Fenner & Smith Inc., Kidder, Peabody & Co. and White, Weld & Co. (jointly); Eastman Dillon, Union Securities & Co., Glore, Forgan & Co. and Goldman Sachs & Co. (jointly). **Bids**—Expected to be received up to 11 a.m. (EST) on Jan. 19 at Room 2033, Two Rector Street, New York 6, N. Y.

Kennesaw Life & Accident Insurance Co.
Nov. 12 filed 331,836 shares of common stock, to be offered to the holders of the outstanding common stock on the basis of one new share for each four shares held. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Office**—165 Luckie Street, Atlanta, Ga. **Underwriter** — The Robinson - Humphrey Co., Inc., Atlanta.

King's Grant Inn, Inc. (12/14-18)
Nov. 9 (letter of notification) 30,000 shares of common stock (par $1). **Price**—$10 per share. **Proceeds**—To pay off loans to banks, constructions, purchase of a farm inn and working capital. **Address**—R. F. D. No. 3, Laconia, N. H. **Underwriter**—Osborne, Clark & Van Buren, Inc., New York, N. Y.

★ **Kit Manufacturing Co.**
Nov. 30 (letter of notification) $100,000 of 7% five-year debentures. **Price**—At par. **Proceeds**—For working capital. **Office**—1401 W. 17th St., Long Beach 13, Calif. **Underwriter**—None.

Kittanning Telephone Co., Kittanning, Pa.
Aug. 24 filed 14,000 shares of common stock, being offered by subscription to holders of outstanding common stock on the basis of approximately 0.212 new shares for each share held on Nov. 14, 1959; rights to expire on Dec. 15, 1959. **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.

★ **Lafayette Radio Electronics Corp.**
Dec. 4 filed 275,000 shares of common stock ($1 par). **Price**—$5 per share. **Proceeds**—For general corporate purposes including inventory, leasehold improvements, and working capital. **Office** — 165-08 Liberty Avenue, Jamaica, L. I., N. Y. **Underwriter**—D. A. Lomasney & Co., New York City. **Offering**—Expected in January.

● **Lake Aircraft Corp., Sanford, Me.**
Nov. 20 filed 135,000 shares of class A common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—To repay $25,000 indebtedness to the Sanford Trust Co., for remaining payment on purchase by the company of certain assets of Colonial Aircraft Corp., and for other corporate purposes. **Underwriter**—Mann & Gould, Salem, Mass.

● **Lancer Industries, Inc.**
Nov. 27 filed 200,000 shares of $.70 convertible preferred stock (par $10). **Price**—$10 per share. **Proceeds**—For general corporate purposes. **Office**—22 Jericho Turnpike, Mineola, L. I., N. Y. **Underwriter**—Charles Plohn & Co., New York City. **Offering**—Expected in January.

Lawn Electronics Co., Inc.
Nov. 25 (letter of notification) 133,000 shares of common stock (par one cent). **Price**—$1.50 per share. **Proceeds**—For general corporate purposes. **Office** — Woodward Road, Englishtown, N. J. **Underwriter** — Prudential Securities Corp., Staten Island, N. Y.

Laymen Life Insurance Co.
Nov. 30 filed 175,000 shares of common stock, of which 35,000 shares are to be offered by the company and 140,000 shares are to be offered by the Laymen of the Church of God, with which the company is merging. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Office**—1047 Broadway, Anderson, Indiana. **Underwriter**—To be supplied by amendment.

★ **"Led" Ballast, Inc.**
Nov. 23 (letter of notification) 40,113 shares of common stock (par 10 cents) to be offered for subscription by stockholders of record Nov. 20, 1959 on the basis of two new shares for each five shares held. **Price**—$2.70 per share. **Proceeds**—To purchase new material, warehouse inventory, and for research and working capital. **Office**—2655 Pearl Street, Boulder, Colo. **Underwriter**—None.

Life Insurance Co. of Florida
Sept. 28 filed 203,476 shares of common stock (par $1). **Price**—$4.50 per share. **Proceeds**—For expansion. **Office**—2546 S. W. 8th St., Miami, Fla. **Underwriter**—Plymouth Bond & Share Corp., Miami.

Liquid Veneer Corp.
Nov. 16 (letter of notification) 150,000 shares of common stock (par 10 cents). **Price** — $2 per share. **Proceeds** — For general corporate purposes. **Office** — 211 Ellicott Street, Buffalo, N. Y. **Underwriter**—B. D. McCormack Securities Corp., New York, N. Y.

★ **Louisiana Gas Service Co. (1/19)**
Dec. 4 filed $7,500,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Merrill Lynch, Pierce, Fenner & Smith Inc., and Kidder, Peabody & Co. (jointly); Salomon Bros. & Hutzler; Eastman Dillon, Union Securities & Co., and Equitable Securities Corp. (jointly). **Bids**—Expected to be received on Jan. 19.

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.

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Magna-Bond, Inc.
Nov. 9 (letter of notification) 150,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For general corporate purposes. **Business** — Protective coatings. **Office**—1718 S. 6th Street, Camden, N. J. **Underwriter**—American Diversified Securities, Inc., 1028 Connecticut Avenue, N. W., Washington 6, D. C.

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), being offered to holders of such stock on the basis of one new share for each five shares held Nov. 13. Rights are scheduled to expire in February. **Price**—$10 per share. **Proceeds**—For general corporate purposes, including expansion and working capital. **Office**—4383 Bandini Blvd., Los Angeles, Calif. **Underwriter**—None.

Micronaire Electro Medical Products Corp. (12/14-18)
Oct. 16 filed 200,000 shares of common stock (par 10 cents) and 50,000 one-year warrants for the purchase of such stock at $3 per share, to be offered in units of 100 shares of common stock and 25 warrants. **Price**—$275 per unit. **Proceeds**—For general corporate purposes, including the discharge of indebtedness, the expansion of sales efforts, and for working capital. **Office**—79 Madison Avenue, New York City. **Underwriter**—General Investing Corp., New York.

Mid-America Minerals, Inc.
Nov. 16 filed 400,000 shares of class A common stock (par $1). **Price**—$5 per share. **Proceeds**—For general corporate purposes, including the reduction of indebtedness, acquisition of properties, and additional working capital. **Office**—500 Mid-America Bank Building, Oklahoma City, Okla. **Underwriter**—None.

Middlesex Water Co.
Oct. 30 filed 29,534 shares of common stock, to be offered to holders of the outstanding preferred and/or common stock of record Dec. 2 on the basis of one new share for each three preferred or common shares then held, with a 14-day standby. **Price** — $16.75 per share. **Proceeds** — To repay bank loans incurred for construction purposes, with the balance to be used for general corporate purposes. **Office** — 52 Main St., Woodbridge, N. J. **Underwriter**—Kidder, Peabody & Co., Inc., New York.

Midwestern Financial Corp. (12/14-18)
Nov. 9 filed 250,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To pay the $1,360,000 balance to Majestic Mortgage Co. due in connection with the issuing company's acquisition of all of the outstanding stock of Majestic Savings & Loan Association, with about $650,000 to be used for capital contributions to its savings and loan associations and for loans to other subsidiaries, $51,000 to be used to repay principal and interest on a short-term bank loan, and $55,000 to be used as additional working capital. **Office**—2015 13th Street, Boulder, Colo. **Underwriters**—W. R. Staats & Co., Los Angeles, Calif., and Boettcher & Co. and Bosworth, Sullivan & Co., Inc., both of Denver, Colo.

Minitran Corp. (12/17)
Oct. 30 (letter of notification) 150,000 shares of common stock (par one cent). **Price**—$2 per share. **Proceeds**—For general corporate purposes. **Office** — 5 Oliver Street, Newark 2, N. J. **Business**—Makes transformers. **Underwriter**—Pleasant Securities Co., 392 Broad Street, Newark, N. J.

★ Minnesota Valley Natural Gas Co.
Nov. 27 filed 15,800 shares of common stock ($10 par), and 865 additional shares. **Prices**—For the 15,800 shares, $18; for the 865 shares, which will be sold to directors and employees of the issuing company, $17 per share. **Proceeds**—For construction. **Office**—1750 Hennepin Ave., Minneapolis, Minn. **Underwriters** — Woodard-Elwood & Co., and J. M. Dain & Co., Inc., both of Minneapolis, and Harold E. Wood & Co., of St. Paul, Minn.

★ Mighty Mover Corp.
Dec. 10 filed 1,000,000 shares of class A common stock (par 10 cents). **Price** — 25 cents per share. **Proceeds**—For liabilities, advertising, and working capital. **Office**—1701 E. Louisiana Ave., Denver 10, Colo. **Underwriter**—None.

Mohawk Airlines Inc.
Nov. 9 filed $3,500,000 of 6% convertible subordinated debentures, due 1974, $1,917,500 of which are to be offered in exchange for a like amount of the company's outstanding 5½% convertible subordinated debentures, due 1966. The remainder, plus any not taken in the exchange offer, are to be publicly offered. **Price**—To be supplied by amendment. **Proceeds** — For general corporate purposes, including debenture redemption, airplane equipment, and working capital. **Office**—Utica, N. Y. **Underwriter**—Dempsey-Tegeler & Co., St. Louis, Mo. **Offering**—Expected middle of January.

● Mohawk Business Machine Corp. (12/14)
Oct. 29 filed $600,000 of 6% 10-year subordinated convertible debentures, due 1969, and 30,000 outstanding shares of common stock (par 40 cents). **Price**—For the debentures, 100% of principal amount; for the common stock, at a price to be related to the market. **Proceeds**—To liquidate indebtedness in the amount of $150,000, with the remainder to purchase new equipment and machinery and be used as working capital. **Office** — 944 Halsey Street, Brooklyn, N. Y. **Underwriter**—Myron A. Lomasney & Co., New York.

Montgomery Mortgage Investment Corp.
Oct. 16 filed $3,000,000 of second mortgage notes and accompanying repurchase agreements, to be offered in $3,000 units. **Price**—From $2,000 to $4,000 per unit. **Proceeds**—To purchase other second trust notes and to maintain a reserve for repurchase of notes under its repurchase agreements. **Office**—11236 Georgia Avenue, Silver Spring, Md. **Underwriter**—There is no underwriter as such, but Adrienne Investment Corp., an affiliate of the issuing company, will act as sales agent, for which it will receive a selling commission of 7%.

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.

Munston Electronic Manufacturing Corp.
Nov. 9 (letter of notification) 50,000 shares of common stock (par 10 cents). **Price**—$6 per share. **Proceeds**—For general corporate purposes. **Office**—Beech Street, Islip, N. Y. **Underwriter**—Heft, Kahn & Infante, Inc., Hempstead, N. Y.

Mutual Credit Corp.
Oct. 6 (letter of notification) $300,000 of 6½% convertible subordinated debentures, series A, due Oct. 1, 1969. Debentures are convertible at any time through Oct. 1, 1968 into class A non-voting common stock (par $5) at the rate of 100 shares of such stock for each $500 of debentures converted. **Price**—At face amount. **Proceeds**—For the general funds of the company. **Office**—c/o Raymond F. Wentworth, 6 Milk St., Dover, N. H. **Underwriter**—Eastern Investment Corp., Manchester, N. H.

Narda Microwave Corp.
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. Indefinitely postponed.

● National Citrus Corp.
April 20 (letter of notification) 150,000 shares of class A 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. On Oct. 29 the issue was accepted for filing with the Michigan Corporation and Securities Commission.

National Homes Corp.
Nov. 25 filed warrants for the purchase of 60,100 shares of class B common stock (par $.50). **Price**—To be supplied by amendment. **Office**—Earl Avenue & Wallace St., Lafayette, Ind. **Underwriter**—White, Weld & Co., New York City.

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 Video Corp. (12/14-18)
Oct. 19 filed 283,307 shares of class A stock (par $1). Each certificate for class A shares will bear an endorsement evidencing an interest in a Trust which will hold all of the outstanding common stock of Rico Electronics, Inc., a Puerto Rican manufacturing company affiliated with National Video Corp. **Price** — To Be supplied by amendment. **Proceeds**—To selling stockholders. **Office**—Chicago, Ill. **Underwriter** — Bache & Co., New York.

★ Nevada Broadcasters' Fund, Inc.
Nov. 25 (letter of notification) 264,671 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For expenses necessary to operate a radio and television station. **Address**—P. O. Box 2586, Las Vegas, Nev. **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.

Nova-Tech, Inc.
Nov. 4 (letter of notification) 120,000 shares of common stock (no par). **Price**—$2 per share. **Proceeds**—For development, purchase, parts for production, and additional working capital. **Office**—1721 Sepulveda Blvd., Manhattan Beach, Calif. **Underwriter**—Holton, Henderson & Co., Los Angeles, Calif.

Nu-Era Corp.
Nov. 30 filed 275,000 shares of common stock, of which 200,000 are to be publicly offered. **Price**—$3.75 per share. **Proceeds**—To reduce indebtedness and increase inventories of gears and mufflers. **Office** — 342 South St., Rochester, Michigan. **Underwriter**—Mortimer B. Burnside & Co., Inc., on an "all or nothing best efforts" basis. The underwriter will receive $15,000 for expenses, a $.75 per share selling commission on the 200,000 shares comprising the public offering, and the privilege of purchasing 37,500 shares of the common stock at $.10 per share. The 37,500 shares thus far unaccounted for are to be sold to John L. Appelbaum at $.10 per share in consideration of certain services rendered.

Occidental Petroleum Corp.
Oct. 29 filed 615,854 shares of common stock (par 20 cents), 307,927 shares of which are to be offered for subscription by holders of outstanding common stock at the rate of one new share for each 10 shares held. The remaining shares are to be offered to a group of individuals, not as yet named, who have agreed to purchase not less than 307,925 shares, and will also be offered shares not bought by the holders of the outstanding common. **Price**—To be supplied by amendment. **Proceeds**—For drilling, exploration, development, and to purchase an interest in Parker Petroleum Co. **Office**—8255 Beverly Boulevard, Los Angeles, Calif. **Underwriter**—None.

Oil, Gas & Minerals, Inc.
April 2 filed 260,000 shares of common stock (par 35 cents. **Price**—$2 per share. **Proceeds**—To retire bank loans and for investment purposes. **Office**—513 International Trade Mart, New Orleans, La. **Underwriter**—Assets Investment Co., Inc., New Orleans, La. The SEC "stop order" hearing has been postponed from Nov. 23 to Dec. 23.

★ Old Empire, Inc.
Nov. 30 (letter of notification) 240,000 shares of common stock (par 10 cents). **Price**—$1.25 per share. **Proceeds**—For general corporate purposes. **Office** — 865 Prospect Ave., Newark, N. J. **Underwriter**—Laird, Bissell & Meeds, New York, N. Y.

Ovitron Corp., Detroit, Mich.
Oct. 27 filed 150,000 shares of common stock (par one cent). **Price**—$6 per share. **Proceeds**—For research and working capital. **Underwriter**—Sutro Bros. & Co., New York.

★ Pacific Fasteners Corp.
Nov. 27 filed 150,000 shares of capital stock (par 50 cents). **Price**—$2 per share. **Proceeds**—For new equipment and machinery and working capital. **Office**—640 E. 61st Street, Los Angeles, Calif. **Underwriter** — Holton, Henderson & Co., Los Angeles.

Pacific Uranium Mines Co.
Oct. 20 filed $3,000,000 of 6% secured notes, 675,000 common stock purchase warrants, and 675,000 shares of common stock. $1,600,000 of the notes and 360,000 warrants are to be offered to holders of $1,600,000 of outstanding notes. The remaining $1,400,000 of new notes and 315,000 warrants are to be offered to American Securities Corp., acting on behalf of their clients, for a total sum of $1,344,000 for the notes and $56,000 for the warrants.

● Palomar Mortgage Co. (12/14)
Nov. 13 filed $750,000 of 15-year 7% subordinated sinking fund debentures, due 1974, with common stock warrants attached, and 80,000 shares of common stock ($1 par), to be offered in units of $1,000 principal amount of debentures with a warrant entitling the holder to buy 100 shares of common before 11/30/62. **Prices**—To be supplied by amendment. **Proceeds** — To be loaned to home builders and individual borrowers in connection with real estate. **Office**—4026 30th Street, San Diego, Calif. **Underwriter**—J. A. Hogle & Co., Salt Lake City, Utah.

Pathe News, Inc.
Sept. 17 filed 400,000 shares of common stock (par 10 cents) with warrants to purchase an additional 100,000 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 Street, New York. **Underwriter**—Hilton Securities, Inc., formerly Chauncey, Walden, Harris & Freed, Inc., New York. **Offering**—Expected in about 30 days.

Perrine Industries, Inc. (12/15)
Oct. 26 filed $1,500,000 of 20-year convertible subordinated debentures due 1979, to be offered in units of $500 and $1,000. **Price**—At par. **Proceeds**—To be used to establish two new plants in the midwest and southeast industrial areas; to spend $350,000 to equip these new plants; $150,000 to further equip and improve the company's Brooklyn plant; and $600,000 will be used to retire corporate indebtedness. **Underwriter**—S. D. Fuller & Co., New York.

Petroleum Projects
Oct. 13 filed $1,500,000 of participations in oil and gas exploratory fund. **Price** — The minimum participation will cost $10,000. **Office**—Madison, N. J. **Underwriter**—Mineral Projects Co., Ltd.

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 Street, Chicago, Ill. **Underwriter**—None. Statement effective Nov.4.

★ Pioneer Finance Co.
Dec. 7 filed 65,000 shares of convertible preferred stock (par $25), to be offered to holders of the outstanding common on the basis of one preferred share for each 15 common shares held. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Office**—1400 First National Bank Bldg., Detroit, Mich. **Underwriters**—White, Weld & Co., Inc., New York City, and Watling, Lerchen & Co., Detroit.

★ L. F. Popell Co., Inc.
Nov. 27 filed 100,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—To reduce current liabilities and for working capital. **Office**—2501 N. W. 75th St., Miami, Fla. **Underwriter**—None.

Prudential Commercial Corp.
Oct. 21 (letter of notification) 150,000 shares of common stock (par one cent). **Price**—$2 per share. **Proceeds**—For general corporate purposes. **Office**—City of Dover, County of Kent, Del. **Underwriter**—All State Securities, Inc, 80 Wall Street, New York, N. Y.

Public Service Electric & Gas Co. (12/15)
Nov. 25 filed 800,000 shares of common stock (no par). **Price**—To be supplied by amendment. **Proceeds**—To be added to the general funds of the company and will be used for general corporate purposes, including the payment before maturity of unsecured short-term bank loans to be presently incurred in connection with the company's current construction program. **Office**—80 Park Place, Newark 1, N. J. **Underwriter** — Merrill Lynch, Pierce, Fenner & Smith Inc., New York.

Puerto Rico Industries, Inc.
Oct. 15 filed 48,500 shares of class A common stock, (par $1), 200,000 shares of class B common stock (par $1) and $388,000 of 6% subordinated debentures, due July 1, 1971. With the exception of 151,500 shares of class B common allocated to the organizers of the company at par, the securities are to be offered to the public in units of $4,000 of debentures, 500 class A shares, and 500 class B shares. **Price**—$5,000 per unit. **Proceeds**—For investment in the securities of its subsidiary, Puerto Rico Meat Packing Co., Inc., which will use the funds, estimated at $600,000, as operating capital. **Address**—P. O Box No. 622, Little Rock, Ark. **Underwriter**—None.

★ Radiation, Inc.
Dec. 4 filed certificates of interest evidencing options to purchase 27,000 shares of class A common stock, together with underlying class A shares. **Office** — Melbourne, Fla.

● 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 any day.

Realty Investment Associates, Inc.
Oct. 30 (letter of notification) 3,000 shares of capital stock with a minimum subscription of 50 shares and a maximum of 500 shares. **Price**—At par ($100 per share). **Proceeds**—For working capital. **Office**—1104 N. Main St., Randolph, Mass. **Underwriter**—None.

● Red Fish Boat Co. (12/17)
Oct. 22 (letter of notification) 400,000 shares of class A common stock (par 10 cents). **Price**—75 cents per share. **Proceeds**—To pay mortgages, accounts payable, purchase raw materials, expand production facilities and expansion of sales program. **Business**—Manufactures fiberglass boats. **Address**—P. O. Box 610 Clarksville, Texas. **Underwriter**—R. A. Holman & Co., Inc., New York, N. Y.

Renewal Guaranty Corp.
Oct. 28 (letter of notification) 100,000 shares of common stock (par $1). **Price**—$3 per share. **Proceeds**—For working capital. **Office**—First National Bank Bldg., Suite 2323, Denver 2, Colo. **Underwriter**—Columbine Securities Corp., Denver, Colo.

Reserve Insurance Co., Chicago, Ill.
Oct. 20 filed 110,837 shares of capital stock, of which 62,676 are to be sold for the company's account and 48,161 shares are to be sold for the account of certain selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—To be added to the general funds of the company to enable it to finance a larger volume of underwriting and to expand its area of operations. **Underwriter**—A. G. Becker & Co. Inc., Chicago, Ill. This offering will not be made in New York State. **Offering**—Postponed indefinitely.

Revere Fund, Inc., Philadelphia, Pa.
Nov. 10 filed 250,000 shares of capital stock (par $1). **Price** — $13.50 per share. **Proceeds** — For investment. **Underwriter**—Revere Management Co., Inc. **Investment-Advisor**—Revere Advisory, Inc.

● 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**—Hilton Securities, Inc., 580 Fifth Avenue, New York, formerly known as Chauncey, Walden, Harris & Freed at the same address, states that it is no longer underwriting this issue.

Russeks Fifth Avenue, Inc.
Nov. 30 filed 480,100 shares of common stock (par $.50), which may be offered for sale pursuant to the merger, scheduled for Dec. 22, of Russeks and Oregon Veneer Co., by the several present holders of Oregon stock. **Office**—909 Diversey Parkway, Chicago, Ill.

Save-Mor Drugs, Inc.
Nov. 15 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For working capital. **Office**—22 M St., N. E., Washington, D. C. **Underwriter**—E. A. Burka, Inc., Washington, D. C.

● Scaico Controls, Inc.
Sept. 23 (leter 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 **Offering**—Expected any day.

★ Scotts Hill Rehabilitation Center, Inc.
Nov. 30 (letter of notification) 58 units, each unit consisting of four $1,000 debentures, redeemable at the end of 10 years and bearing 10% annual interest, 10 shares of preferred stock, ($100 par), and 10 shares of common stock, ($10 par). **Price**—$5,100 per unit. **Proceeds**—For new hospital building and equipment. **Office**—705 Knickerbocker Bldg., Baltimore 2, Md. **Underwriter**—None.

★ Security Mortgages, Inc.
Nov. 30 filed $250,000 of 11-year sinking fund debentures and 62,500 shares of class A common stock (par 15 cents), to be offered in units of 1 debenture and 25 common shares. **Price**—$100 per unit. **Proceeds**—To invest in equities and/or mortgages. **Office** — Denver 2, Colo. **Underwriter**—None.

★ Setwell Co.
Nov. 19 (letter of notification) $50,000 of 6% 10-year registered subordinated notes to be offered in denominations of $500 and $1,000 each. **Price**—At par. **Proceeds**—To move machinery and other equipment from the company's present plants at Chicago and Beulah to the company's proposed plant at Traverse City, Mich. **Office**—1701-1709 W. 13th Street, Chicago, Ill. **Underwriter**—None.

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.

Simplicity Manufacturing Co.
Nov. 30 filed 397,192 shares of class A common stock, of which 100,000 shares are to be offered by the issuing company and 297,192 shares are to be offered by the present holders thereof. **Price** — To be supplied by amendment. **Proceeds**—For general corporate purposes. **Office**—336 South Spring St., Port Washington, Wisconsin. **Underwriter**—A. C. Allyn & Co., Inc., Chicago, Ill.

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.

★ Southeastern Factors Corp.
Dec. 9 filed $500,000 of 6% subordinated capital debentures, due Jan. 1, 1975, with warrants to purchase 100,000 shares of common stock. These debentures are to be offered on the basis of $1,000 principal amount of debentures, each such debenture bearing warrants for the purchase of 200 shares of common stock at $4.25 per share. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Office** — Charlotte, N. C. **Underwriters**—Interstate Securities Corp., Charlotte, McCarley & Co., Asheville, N. C., and Citizens Trust Co., Greenwood, S. C.

Southern Growth Industries, Inc.
Nov. 12 filed 963,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—For investment. **Office** — Greenville, S. C. **Underwriter** — Capital Securities Corp., 121 So. Main Street, Greenville, So. Car., on a "best efforts" basis, with a commission of 50 cents per share.

Southland Oil Ventures, Inc.
Nov. 27 filed $2,000,000 of participations in its 1960 Oil and Gas Exploration Program. **Price**—$5,000 per unit, with a minimum participation of $10,000. **Proceeds**—For exploration. **Office** — 2802 Lexington, Houston, Texas. **Underwriter**—The participations will be offered by officers of the company and by certain investment firms.

Southwestern Investment Co.
Nov. 2 filed 225,000 shares of common stock, of which 15,000 shares are to be offered to employees of the issuing company and its subsidiaries, and 210,000 shares represent outstanding stock held by previous stockholders of Southwest Acceptance Co., who may offer their shares. **Price**—At market. Office—Amarillo, Texas. **Underwriter**—None.

● Sta-Brite Fluorescent Manufacturing Co.
Nov. 27 filed 140,000 shares of common stock (par $.10). **Price**—$5 per share. **Proceeds**—For plant improvements, opening new muffler and brake shops, advertising, new product engineering and promotion, and working capital. **Office**—3550 N. W. 49th St., Miami, Fla. **Underwriter**—Charles Plohn & Co., New York City. **Offering**—Expected in January.

● Standard Beryllium Corp.
Sept. 3 (letter of notification) 200,000 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**—Haas Raymond & Co., 120 Liberty Street, New York. **Offering**—Expected any day.

★ Star Market Co.
Dec. 8 filed 200,000 shares of common stock, of which 50,000 are to be offered for the account of the issuing company, 125,000 are to be offered for the account of S. P. Mugar, President, and 25,000 are to be offered by Mugar to certain officers and employees of the company and its subsidiaries. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes, including construction. **Office**—297 Walnut Street, Newton, Mass. **Underwriter** — Hemphill, Noyes & Co., New York City.

State Industries
Oct. 5 filed $500,000 of 6% 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.

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.

★ Stephenson Finance Co., Inc.
Nov. 27 filed 22,095 shares of common stock (par $2.50). **Price**—$8.75 per share. **Proceeds**—For working capital. **Office**—215 South Dargan St., Florence, S. C. **Underwriter**—R. S. Dickson & Co., Inc., Charlotte, N. C.

★ Summit Finishing Co., Inc.
Nov. 30 (letter of notification) 10,000 shares of common stock (no par). **Price** — $10 per share. **Proceeds** — For working capital. **Address** — Thomaston, Conn. **Underwriter**—None.

● Superior Manufacturing & Instrument Corp.
Oct. 12 (letter of notification) 80,000 shares of common stock (par 50 cents). **Price**—$3 per share. **Proceeds**—For general corporate purposes. **Office**—154-01 Barclay Ave., Flushing 55, N. Y. **Business**—Electronics. **Underwriter**—D. A. Lomasney & Co., New York, N. Y. **Offering**—Expected today (Thursday).

Supermarket Service, Inc.
Oct. 14 (letter of notification) 9,000 shares of common stock (no par). **Price**—$11.50 per share. **Proceeds**—For working capital. **Office** — 103 E. Main St., Plainville, Conn. **Underwriter** — E. T. Andrews & Co., Hartford, Conn.

Telechrome Manufacturing Corp.
Nov. 16 filed $750,000 of 6% convertible subordinated debentures, due 1969. **Price** — At 100% of principal amount. **Proceeds**—For general corporate purposes including expansion and debt reduction. **Office**—Amityville, L. I., N. Y. **Underwriters**—Amos Treat & Co., Inc., and Truman, Wasserman & Co., Inc., both of New York City. **Offering**—Expected in January, 1960.

Texas National Petroleum Co.
Nov. 27 filed $6,500,000 of 6½% sinking fund subordinated debentures, due Jan. 1, 1975, and warrants for the purchase of 650,000 shares of common stock ($1 par). These securities are to be offered in units of one $500 debenture and a warrant for the purchase of 50 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—To discharge bank indebtedness; to pay Utah Southern Oil Co. $19,200,000 for various properties; and for general corporate purposes. **Office**—902 South Coast Bldg., Houston, Texas. **Underwriters** — Dean Witter & Co., San Francisco, Calif., and Cruttenden, Podesta & Co., Chicago, Ill.

Teleprompter Corp.
Nov. 27 filed 125,000 shares of common stock ($1 par). **Price**—To be supplied by amendment. **Proceeds**—$690,000 to supply the cash portion of proposed acquisitions; $150,000 to reimburse Teleprompter's treasury for the purchase of Antennavision of Silver City, Inc., a New Mexico corporation; $100,000 to prepay in full a bank note due Dec. 31, 1960. **Office**—311 W. 43rd Street, New York City. **Underwriter**—Bear, Stearns & Co., New York City.

Timeplan Finance Corp.
Oct. 8 (letter of notification) 28,570 shares of cumulative preferred stock (par $5) and 14,285 shares of common stock (par 10 cents) to be offered in units of one share of preferred and one-half share of common. **Price**—$10.50 per unit. **Proceeds**—For working capital. **Office**—111 E. Main St., Morristown, Tenn. **Underwriter**—Texas National Corp., San Antonio, Tex.

Tobin Craft, Inc. (12/16)
Nov. 17 (letter of notification) 75,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For general corporate purposes. **Address**—Bayville, Ocean County, N. J. **Underwriter**—General Investing Corp., New York, N. Y.

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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.

Transamerica Corp.
Nov. 9 filed 832,000 shares of capital stock (par $2), to be offered in exchange for the capital stock (par $6.25) of American Surety Co. of N. Y., on the basis of two shares of Transamerica for three shares of Surety. The offer is conditional upon holders of 51% of the Surety stock accepting the exchange. **Office**—Montgomery St. at Columbus Ave., San Francisco, Calif.

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.

★ Transit Freeze Corp.
Dec. 3 (letter of notification) 75,000 shares of common stock (par 10 cents). **Price**—$4 per share. **Proceeds**—For expenses incidental to the development of a frozen food trucking business. **Office**—152 W. 42nd Street, New York City. **Underwriter** — Jerome Robbins & Co., 82 Wall Street, on a "best efforts" basis. **Offering**—Expected in January.

● Transitron Electronic Corp.
Nov. 6 filed 1,000,000 shares of outstanding common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Office**—168 Albion St., Wakefield, Mass. **Underwriter** — Merrill Lynch, Pierce, Fenner & Smith Inc., New York City. **Offering**—Expected shortly.

● Trans-World Financial Co.
Oct. 26 filed 645,000 shares of common stock (par $1) of which 420,000 shares are to be offered for the account of the issuing company, and 225,000 shares are to be offered for the accounts of the present holders thereof. **Price** — To be supplied by amendment. **Proceeds** — To repay bank loans on its own behalf and that of a subsidiary, and to liquidate the unpaid balance for the common stock of a subsidiary, with the balance to be added to general funds. **Office** — 8001 Beverly Boulevard, Los Angeles, Calif. **Underwriter**—W. R. Staats & Co., Los Angeles, who has acquired for investment purposes in exchange for $20,000 cash the 10,000 shares of the filing not accounted for above. **Offering**—Expected shortly.

(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.

Tri-State Petroleum Corp.
Nov. 12 (letter of notification) 199,900 shares of common stock (par five cents). **Price**—$1.50 per share. **Proceeds**—For expenses for drilling and producing oil. **Office**—1403 G. Daniel Baldwin Bldg., Erie, Pa. **Underwriter**—Daggett Securities Inc., Newark, N. J.

● (The) T Transportation Plan, Inc.
Oct. 7 filed $600,000 of 7% convertible subordinated debentures, due November, 1969, 60,000 shares of common stock (par one cent) and 30,000 common stock purchase warrants, to be offered in units consisting of $100 of debentures, 10 common shares, and 5 warrants. **Price**—$150 per unit. **Proceeds**—For general corporate purposes, including working capital. **Office**—120 Broadway, New York City. **Underwriter**—Ross, Lyon & Co., Inc., New York states that they are no longer underwriting this issue.

★ (J. M.) Tull Metal & Supply Co., Inc.
Nov. 27 (letter of notification) 4,900 shares of common stock (par $10) to be offered to employees, officers, and directors of the company. **Price**—$60 per share. **Proceeds**—For construction of a warehouse. **Office**—285 Marietta Street, N. W., Atlanta, Ga. **Underwriter**—None.

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.

Turner Timber Corp. (12/14-18)
Nov. 12 filed $2,000,000 of 6¾% convertible debentures, due 1969, and 250,000 shares of common stock (par one cent), to be offered in units consisting of $1,000 principal amount of debentures and 125 shares of stock. **Price**—$1,001.25 (plus accrued interest from 12/15/59) per unit. **Proceeds**—For the acquisition of coal and timber properties, with any balance to be added to working capital. **Office**—60 E. 42nd Street, New York City. **Underwriter**—Frank P. Hunt & Co., Inc., Rochester, N. Y.

United Employees Insurance Co.
April 16 filed 2,000,000 shares of common stock (par $5). **Price** — $10 per share. **Proceeds** — For acquisition of operating properties, real and/or personal, including office furniture, fixtures, equipment and office space, by lease or purchase. **Office** — Wilmington, Del. **Underwriter**—None. Myrl L. McKee of Portland, Ore., is President.

United Marine, Inc. (12/14-18)
Oct. 23 filed $1,250,000 or 6% sinking fund debentures, due Dec. 1, 1974, with warrants to purchase 100 common shares for each $1,000 of debentures, and 125,000 shares of common stock (par $1), to be offered in units of 100 common shares and $1,000 of such debentures. **Price**—$1,125 per unit. **Proceeds**—For the acquisition of Richardson Boat Co., Inc., and Colonial Boat Works, Inc., and expenses incidental thereto. **Office**—Millville, N. J. **Underwriter**—Boenning & Co., Philadelphia, Pa.

● U. S. Magnet & Alloy Corp.
Oct. 3 (letter of notification) 150,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For general corporate purposes. **Office**—266 Glenwood Avenue, Bloomfield, N. J. **Underwriter**—Robert Edelstein Co., 52 Wall Street, New York 5, N. Y.

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. Statement effective Oct. 9.

● Universal Container Corporation
Sept. 25 filed 167,500 shares of class A 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. and Stanley Heller & Co., both of New York; Stein Bros. & Boyce, Louisville, Ky.; Roman & Johnson, Fort Lauderdale, Fla. **Offering**—Expected later this month.

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.

Vickers-Crow Mines, Inc.
Nov. 23 (letter of notification) 150,000 shares of common stock (par one cent). **Price**—$2 per share. **Proceeds**—For general corporate purposes. **Office** — 321½ Grant Ave., Eveleth, Minn. **Underwriter**—Sakier & Co., Inc., 50 Broad St., New York, N. Y.

Victoreen Instrument Co. (12/14-18)
Nov. 13 filed $2,500,000 of 6% convertible debentures, due Dec. 15, 1974, to be offered in coupon form in denominations of $1,000. **Price** — At 100% of principal amount plus accrued interest from Dec. 15, 1959 to date of delivery. **Proceeds**—$1,850,000 is to be used to retire a short-term bank loan undertaken in connection with acquiring the assets of Standard Felt Co., with the balance to be used for general corporate purposes. **Office**—5806 Hough Avenue, Cleveland, Ohio. **Underwriter**—Van Alstyne, Noel & Co., New York City.

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**—Glen Arthur & Co., New York, N. Y.

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.

Washington Water Power Co. (1/11-15)
Nov. 24 filed $10,000,000 of first mortgage bonds and $5,000,000 of sinking fund debentures due 1985. **Price**—To be supplied by amendment. **Proceeds** — To repay notes due May 2, 1960 in the amount of $12,000,000, with the balance for construction. **Underwriters** — Kidder, Peabody & Co., Blyth & Co., Inc., White, Weld & Co. and Dean Witter & Co., all of New York.

Wear-Weld Engineering & Mfg. Co.
Nov. 16 (letter of notification) $150,000 of 7% 16-year debentures to be offered in denominations of $250 and 75,000 shares of common stock (no par) to be offered in units of one $250 debenture and 125 shares of common stock. **Price**—$500 per unit. **Proceeds**—For working capital and part payment of indebtedness to the bank. **Office**—4831 S. E. Division Street, Portland, Ore. **Underwriter**—Merritt, Vickers, Inc., New York, N. Y.

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.

Wellington Management Co.
Nov. 30 filed 450,000 shares of class A common stock (non-voting), of which 58,000 shares are newly-issued stock to be acquired by the underwriters from the issuing company, and the remaining 392,000 shares are outstanding shares to be acquired from the present holders thereof. **Price**—To be supplied by amendment. **Proceeds**—To reduce indebtedness from $1,650,000 to $600,000, with the balance to be used for working capital. **Office**—1630 Locust St., Philadelphia, Pa. **Underwriters**—Bache & Co. (handling the books) and Kidder, Peabody & Co., both of New York City.

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.

Western Carolina Telephone Co.
Nov. 4 filed 71,513 shares of common stock (par $5), to be offered to stockholders on the basis of one new share for each five shares held. **Price**—$6.75 per share. **Proceeds**—For general corporate purposes, including the reduction of indebtedness and the continuation of construction. **Office**—15 South Main St., Weaverville, N. C. **Underwriter**—None.

★ Wellington Fund, Inc.
Dec. 1 filed an amendment to its registration statement covering an additional 10,000,000 shares. **Proceeds**—For investment. **Office** — Claymont, Del. **Note** — Due to error, the details of this filing were listed last Thursday under the heading "Wilmington Fund, Inc."

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 County Gas Co.
Oct. 26 (letter of notification) 5,571 shares of common stock (par $20) being offered for subscription by stockholders of record Nov. 17, 1959, on the basis of one new share for each 15 shares then held; warrants to expire Dec. 21, 1959. Unsubscribed shares go to full-time, regular employees (including officers) allowing them to subscribe for not more than 100 additional shares, subject to allotment; these rights also expire Dec. 21, 1959. **Price**—$47 per share. **Proceeds**—To pay off a temporary bank loan. **Office**—127 W. Market St., York, Pa. **Underwriter**—None.

Prospective Offerings

American Hospital Supply Corp.
Oct. 28 directors of this company have authorized an additional equity financing, number of shares has not as yet been determined. **Proceeds**—For company's expansion program, to retire bank loans, and for general corporate purposes. **Underwriters**—Eastman Dillon, Union Securities & Co. and Smith, Barney & Co., both of New York. **Registration** — Expected sometime after Jan. 1, 1960.

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**—To be supplied by amendment. **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. The company is presently negotiating with two New York underwriters.

Bank of Westbury Trust Co.
Nov. 24 the bank is offering to the holders of the company's outstanding capital stock (par $12.50) of record Nov. 12, 1959, the right to subscribe at $26 per share for 9,750 additional shares of capital stock. Subscription warrants will expire at the close of business day on Dec. 11, 1959. **Proceeds**—To increase capital and surplus. **Underwriter**—Francis I. du Pont & Co., New York.

★Britton Electronics Corp.
It has been reported that this Queens Village, L. I. company is expected to offer an issue of common stock in January, pursuant to an SEC registration. **Proceeds**—For plant and equipment, including the expansion of a semi-conductor line for silicon products. **Underwriter**—First Philadelphia Corp., 40 Exchange Place, New York City.

★ Brooklyn Union Gas Co.
Dec. 7 it was reported that the company plans to issue about $20,000,000 of securities in the second quarter of 1960. The precise form of the offering is expected to be announced in the first quarter. The company's current thinking is that it will take the form of straight preferred stock. About $120,000,000 is expected to be spent for construction in the 1959-1964 period, of which some $80,000,000 will be sought from outside financing, with the $40,000,000 remainder expected to be internally generated. **Proceeds**—The offering now "in the works" is expected to liquidate bank loans of about $13,000,000, the company will have outstanding as of the end of this year, in addition to about $2,250,000 of bank loans undertaken in order to call in the preferred stock of Brooklyn Borough Gas Co., acquired by consolidation last June. This company had about 100,000 meters in the Coney Island (N. Y.) area. **Office**—176 Remsen Street, Brooklyn 1, N. Y.

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** —To be supplied by amendment. **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.

• Duquesne Light Co.
Dec. 2 it was announced by Philip A. Fleger, President and Board Chairman, that the utility's sole financing in 1960 is expected to consist of $20,000,000 of non-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 in mid-February.

Engelhard Industries, Inc.
Dec. 2 it was reported that this Newark, N. J., corporation might make an announcement in the next two weeks concerning a forthcoming issue of common stock.

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.

Florida West Coast Corp.
Oct. 22 it was reported that a public offering of common stock is expected later this year. **Proceeds** — For land acquisition. **Office**—30 East 60th Street, New York City. **Underwriter**—Midtown Securities Corp., same address. **Registration**—Expected in a couple of weeks. **Offering** —Expected in January, 1960.

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.

★ Hi-Press Air Conditioning Corp. of America
Dec. 8 it was reported that this corporation expects to register 200,000 shares of common stock in the next few weeks. **Price** — $3 per share. **Proceeds** — For working capital and equipment. **Office**—405 Lexington Ave., New York City. **Underwriter** — Plymouth Securities Corp., New York City, who will work on a gross commission of 12%.

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** —To be supplied by amendment. **Proceeds**—For acquisition of radio stations. **Business** — Radio broadcasting. **Office**—130 Shepard St., Lansing, Mich. **Underwriter**— In New York, to be named.

National Mail Order Co., Lansing, Mich.
Oct. 5 it was announced company plans to register an issue of 100,000 shares of common stock (par 10 cents). **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.

Nedick's Stores, Inc. (12/14-18)
Nov. 12 it was reported that the company is contemplating the placing in registration of 17,000 shares of common stock. About 66% of the issue will be sold for the company's account and the remaining 34% balance will be sold for the account of a selling stockholder. **Underwriter**—Van Alstyne, Noel & Co., New York.

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.

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.

West Florida Natural Gas Co.
Nov. 25 it was reported that the company is contemplating the filing of an amendment to its original registration statement of Aug. 28 which will provide for the specific type of securities to be offered in exchange for the company's presently outstanding 6% 20-year income debenture bonds. It was originally contemplated that the proposed financing would consist of $837,200 of 7½% subordinated debentures and warrants to purchase 25,116 shares of class A common stock ($1 par). White, Weld & Co. and Pierce, Carrison, Wulbern, Inc. (jointly) will underwrite the offering. It is expected that the offering will take place early in January.

Tax-Exempt Bond Market

Continued from page 6

Independent School District comes to market Dec. 14 with $16,934,000 (1-30 year) bonds. The State of New Jersey will seek to borrow $66,800,000 on Dec. 15 and DeKalb County, Georgia School District will ask for bids on $11,500,000 serial bonds on Dec. 16. On the same day Richmond, Virginia will ask for bids on $8,800,000 public improvement bonds. This volume should be easily absorbed given realistic pricing.

Tax Exchange Business at High Level

The dollar-quoted revenue bond issues continue to be fairly active and firm. There is considerable tax exchange business in this category and trades tend to balance marketwise. There is no important news in respect to individual issues, but monthly revenue reports continue, in most cases, to show improvement as against a year ago. At this time of year, it is usual for at least one large negotiated type issue to come to market. This year is an exception to the last several, and dealers must suffice with the not inconsiderable volume of tax exchange business that has persisted since mid-year.

Buell Opens Branch

TORRINGTON, Conn.—Robert C. Buell and Company has opened a branch office at 55 Wall Street under the management of Ernest H. Cady, Jr.

Thomas Opens Branch

WINTER PARK, Fla. — Jerry Thomas & Co., Inc. has opened a branch office at 201 Knowles Avenue, under the direction of Ned R. Steele.

Opens Washington Branch

WASHINGTON, D. C. — Akiba Zilberberg has opened a branch office at 1627 K Street, N. W., under the management of Carl Luick.

D. T. Brown

D. T. Brown, a limited partner in Greene & Ladd, passed away Nov. 29th.

Dempsey-Tegeler Office

REDLANDS, Calif. — Dempsey-Tegeler & Co. has opened a branch office at 8 East Citrus under the management of Walter B. Johnson.

Irving Weis Branch

NORWICH, Conn.—Irving Weis & Co. has opened a branch office at 1 Shetucket Street under the management of Harold A. Soloff.

Francis D. Willis

Francis D. Willis, of Atlanta, Vice-President of Merrill Lynch, Pierce, Fenner & Smith Incorporated, passed away Nov. 21st.

With Reynolds & Co.

(Special to THE FINANCIAL CHRONICLE)

DURHAM, N. C.—Phil H. Mast is with Reynolds & Co., 108 Corcoran Street.

Skaife Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif. — Ken Matsumoto has been added to the staff of Skaife & Company, 3099 Telegraph Avenue.

Hill Richards Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Perry F. Farrell has been added to the staff of Hill Richards & Co., 600 California Street.

G. E. Dockray Opens

PROVIDENCE, R. I. — George E. Dockray is conducting a securities business from offices at 57 Hendrick Street under the firm name of Dockray & Co. He was formerly with Charles A. Day & Co.

Kidder, Peabody Office

PLATTSBURGH, N. Y. — Kidder, Peabody & Co. has opened a branch office at 29 Clinton Street under the direction of Donald W. MacMillan.

New Walston Office

HILO, Hawaii — Walston & Co., Inc. has opened a branch office at 56 Kamehameha Avenue under the management of Richard M. Botts.

Two With Courts

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—Comer L. Hawkins and Brower B. Thomas Jr. have joined the staff of Courts & Co., 11 Marietta Street, Northwest, members of the New York Stock Exchange.

Now Corporation

MIAMI, Fla. — Griffin McCarthy, Inc. has been formed to continue the investment business of Griffin McCarthy, 8340 Northeast Second Avenue.

Now Corporation

WASHINGTON, D. C.—Weil & Company, Incorporated, 734 15th Street, N. Y., is continuing the investment business of Weil & Company.

C. A. Marshall Opens

GREYBULL, Wyo. — Charles A. Marshall is conducting a securities business with offices at 505 Greybull Avenue, to engage in a securities business.

Spear, Leeds Branch

EAST HAMPTON, N. Y. — Spear, Leeds & Kellogg have opened a branch office at 26 Main Street under the management of John T. Sherman.

Seeley & Lindley Admit

Seeley & Lindley, 61 Broadway, New York City, members of the New York Stock Exchange, on Dec. 1 will admit Andrew Teller to partnership.

Doran Opens Office

BALDWIN, N. Y.—John L. Doran is engaging in a securities business from offices at 15 Glover Place. Mr. Doran has been a partner in Kearns & Williams.

Form Harwyn Secs.

ELMONT, N. Y.—Harwyn Securities Co. has been formed with offices at 120 North King Street to engage in a securities business. Harry Weintraub is proprietor. He was formerly with Richard Bruce & Co.

G. A. McCutcheon Opens

CHATHAM, N. J.—George A. McCutcheon is conducting a securities business from offices at 29 East Coleman Avenue. He was formerly with Quinn, Nue & Co., Inc.

J. Barth & Co. Offers Dutron Corp. Stock

On Dec. 9, 118,030 shares of the common stock (no par) of Dutron Corp. were offered at a price of $10.75 per share. The offering was written by J. Barth & Co., whose San Francisco office handled the books. The underwriter stated that pre-offering interest was such that the rapid completion of the offering was assured.

An approximate disposition of the net proceeds, estimated at in excess of $1 million, follows:

$100,000 for 2,000 ton molding press; $150,000 for boiler, autoclave, 350 ton molding press, ¾ ton pick-up truck, blue print machine and curing ovens; $50,000 for leasehold improvements; $50,000 for additional equipment as need arises; $350,000 for working capital required by increase in inventories and accounts receivable; $105,000 for redemption of preferred stock of subsidiary and the remainder for general corporate purposes.

Two With Merrill Lynch

CLEVELAND, Ohio — George R. Colley, Jr. and Herbert McBride have joined the staff of Merrill Lynch, Pierce, Fenner & Smith Incorporated, 55 Public Square.

New Hutton Branch

LA JOLLA, Calif.—E. F. Hutton & Company have opened a branch office at 7606 Girard Ave. under the management of Robert E. Jackson.

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)	Dec. 12	§94.3	*93.6	45.6	73.5
Equivalent to—					
Steel ingots and castings (net tons)	Dec. 12	§2,671,000	*2,650,000	1,291,000	1,985,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)					
Crude runs to stills—daily average (bbls.)	Nov. 27	6,968,675	6,934,575	6,886,775	6,983,385
Gasoline output (bbls.)	Nov. 27	¶7,973,000	8,017,000	7,491,000	7,785,000
Kerosene output (bbls.)	Nov. 27	28,957,000	28,816,000	27,239,000	28,141,000
Distillate fuel oil output (bbls.)	Nov. 27	2,333,000	2,213,000	1,880,000	2,234,000
Residual fuel oil output (bbls.)	Nov. 27	12,904,000	12,561,000	11,849,000	13,291,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—	Nov. 27	7,040,000	6,735,000	6,279,000	6,536,000
Finished and unfinished gasoline (bbls.) at	Nov. 27	179,179,000	177,260,000	176,147,000	173,600,000
Kerosene (bbls.) at	Nov. 27	31,692,000	31,970,000	33,035,000	31,932,000
Distillate fuel oil (bbls.) at	Nov. 27	170,886,000	174,571,000	181,546,000	161,439,000
Residual fuel oil (bbls.) at	Nov. 27	56,189,000	56,292,000	58,050,000	66,199,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Nov. 28	574,126	629,362	588,148	539,489
Revenue freight received from connections (no. of cars)	Nov. 28	533,385	544,381	524,211	530,626
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction					
Private construction	Dec. 3	$383,400,000	$389,800,000	$251,900,000	$399,132,000
Public construction	Dec. 3	233,400,000	187,800,000	104,300,000	160,005,000
State and municipal	Dec. 3	150,000,000	202,000,000	147,600,000	239,127,000
Federal	Dec. 3	79,400,000	160,800,000	120,900,000	208,675,000
	Dec. 3	70,000,000	41,200,000	26,700,000	30,452,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Nov. 28	8,050,000	9,425,000	7,935,000	7,766,000
Pennsylvania anthracite (tons)	Nov. 28	421,000	387,000	369,000	365,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Nov. 28	176	182	145	171
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Dec. 5	13,907,000	13,173,000	13,019,000	13,017,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Dec. 3	261	268	265	294
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)					
Pig iron (per gross ton)	Dec. 1	6.196c	6.196c	6.196c	6.196c
Scrap steel (per gross ton)	Dec. 1	$66.41	$66.41	$66.41	$66.41
	Dec. 1	$43.50	$44.17	$46.17	$40.17
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at					
Export refinery at	Dec. 2	33.475c	33.825c	32.900c	28.600c
Lead (New York) at	Dec. 2	29.650c	29.500c	30.825c	27.650c
Lead (St. Louis) at	Dec. 2	13.000c	13.000c	13.000c	13.000c
‡Zinc (delivered) at	Dec. 2	12.800c	12.800c	12.800c	12.800c
Zinc (East St. Louis) at	Dec. 2	13.000c	13.000c	13.000c	12.000c
Aluminum (primary pig. 99.5%) at	Dec. 2	12.500c	12.500c	12.500c	11.500c
Straits tin (New York) at	Dec. 2	24.700c	24.700c	24.700c	24.700c
	Dec. 2	99.625c	100.500c	101.500c	99.125c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds					
Average corporate	Dec. 8	81.73	82.02	82.79	88.17
Aaa	Dec. 8	84.17	84.30	84.17	90.48
Aa	Dec. 8	87.99	88.27	87.86	95.16
A	Dec. 8	86.11	86.24	85.98	93.08
Baa	Dec. 8	83.79	84.04	84.17	90.06
Railroad Group	Dec. 8	79.25	79.25	79.13	84.30
Public Utilities Group	Dec. 8	82.03	82.15	82.52	88.54
Industrials Group	Dec. 8	84.30	84.55	83.79	90.48
	Dec. 8	86.38	86.38	86.38	92.64
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds					
Average corporate	Dec. 8	4.37	4.34	3.62	3.60
Aaa	Dec. 8	4.85	4.84	4.42	4.38
Aa	Dec. 8	4.56	4.54	4.10	4.06
A	Dec. 8	4.70	4.69	4.21	4.20
Baa	Dec. 8	4.88	4.86	4.46	4.41
Railroad Group	Dec. 8	5.25	5.25	4.89	4.84
Public Utilities Group	Dec. 8	5.02	5.01	4.56	4.52
Industrials Group	Dec. 8	4.84	4.82	4.43	4.38
	Dec. 8	4.68	4.68	4.25	4.23
MOODY'S COMMODITY INDEX	Dec. 8	377.2	378.2	384.5	391.7
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)					
Production (tons)	Nov. 28	275,752	296,038	328,047	259,412
Percentage of activity	Nov. 28	310,853	323,362	332,303	286,263
Unfilled orders (tons) at end of period	Nov. 28	91	95	96	88
	Nov. 28	438,833	469,641	483,208	369,636
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE=100	Dec. 4	111.54	111.61	111.77	110.54
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS					
Transactions of specialists in stocks in which registered—					
Total purchases					
Short sales	Nov. 13	2,648,330	2,129,650	1,874,840	2,996,500
Other sales	Nov. 13	419,310	376,710	300,750	616,710
Total sales	Nov. 13	2,191,190	1,768,110	1,527,530	2,340,070
Other transactions initiated off the floor—	Nov. 13	2,610,500	2,144,820	1,828,280	2,956,780
Total purchases					
Short sales	Nov. 13	510,280	452,060	364,030	740,440
Other sales	Nov. 13	59,100	90,600	53,100	35,200
Total sales	Nov. 13	508,950	338,840	317,340	626,820
Other transactions initiated on the floor—	Nov. 13	568,050	429,440	370,440	662,020
Total purchases					
Short sales	Nov. 13	864,570	752,220	670,345	1,060,270
Other sales	Nov. 13	137,810	97,280	144,583	218,860
Total sales	Nov. 13	868,745	659,587	629,165	1,061,428
Total round-lot transactions for account of members—	Nov. 13	1,006,555	756,867	773,748	1,280,288
Total purchases					
Short sales	Nov. 13	4,023,180	3,333,930	2,909,215	4,797,210
Other sales	Nov. 13	616,220	564,590	498,433	870,770
Total sales	Nov. 13	3,568,885	2,766,537	2,474,035	4,028,318
	Nov. 13	4,185,105	3,331,127	2,972,468	4,899,088
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					
Dollar value	Nov. 13	1,828,308	1,581,506	1,705,039	1,884,230
Odd-lot purchases by dealers (customers' sales)—	Nov. 13	$93,652,438	$81,961,393	$89,400,397	$89,140,083
Number of orders—Customers' total sales					
Customers' short sales	Nov. 13	1,502,830	1,338,194	1,333,654	1,884,693
Customers' other sales	Nov. 13	9,686	11,573	13,077	10,092
Dollar value	Nov. 13	1,493,144	1,326,621	1,320,577	1,874,601
Round-lot sales by dealers—	Nov. 13	$76,890,597	$66,807,859	$67,224,748	$90,715,850
Number of shares—Total sales					
Short sales	Nov. 13				
Other sales	Nov. 13	374,870	337,300	327,980	603,110
Round-lot purchases by dealers— Number of shares	Nov. 13	374,870	337,300	327,980	603,110
TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):	Nov. 13	684,170	561,280	711,220	609,380
Total round-lot sales—					
Short sales					
Other sales	Nov. 13	745,430	676,940	623,450	1,006,060
Total sales	Nov. 13	16,195,860	13,717,460	11,292,130	20,820,850
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):	Nov. 13	16,941,290	14,394,400	11,915,580	21,826,910
Commodity Group—					
All commodities					
Farm products	Dec. 1	118.9	119.0	119.2	119.0
Processed foods	Dec. 1	84.9	*85.4	86.4	91.1
Meats	Dec. 1	105.2	105.1	106.0	108.5
All commodities other than farm and foods	Dec. 1	89.7	89.8	92.7	101.7
	Dec. 1	128.0	128.7	128.7	127.0

*Revised figure. §Includes 1,030,000 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 PERMIT VALUATION — DUN & BRADSTREET, INC.—215 CITIES—Month of October:			
New England	$28,411,635	$31,306,500	$29,256,060
Middle Atlantic	118,193,428	171,763,777	112,204,717
South Atlantic	37,677,358	57,535,278	67,296,018
East Central	94,812,705	113,217,678	131,819,253
South Central	104,772,998	102,172,473	91,248,363
West Central	39,157,455	42,114,041	50,505,547
Mountain	28,963,374	38,385,782	31,685,204
Pacific	125,197,846	148,684,470	118,745,155
Total United States	$577,186,799	$705,179,999	$632,860,417
New York City	80,887,522	136,353,039	72,525,390
Outside New York City	496,299,277	568,826,960	560,335,027
BUSINESS INVENTORIES — DEPT. OF COMMERCE NEW SERIES — Month of Sept. (Millions of dollars):			
Manufacturing	$51,800	*$52,100	$49,300
Wholesale	12,500	*12,600	12,100
Retail	24,800	*24,800	23,700
Total	$89,100	*$89,500	$85,000
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD — Month of November (000's omitted):			
Total U. S. construction	$1,458,000	$1,494,000	$1,111,808
Private construction	790,000	795,000	430,267
Public construction	668,000	699,000	681,541
State and municipal	516,000	526,000	575,618
Federal	152,000	173,000	105,923
LIFE INSURANCE PURCHASES — INSTITUTE OF LIFE INSURANCE — Month of Oct. (000,000's omitted):			
Ordinary	$4,241	$3,932	$4,298
Industrial	954	558	695
Group	585	863	621
Total	$5,780	$5,353	$5,614
METAL PRICES (E. & M. J. QUOTATIONS)—November:			
Copper—			
Domestic refinery (per pound)	34.060c	32.576c	28.665c
Exports refinery (per pound)	30.481c	29.150c	29.476c
††London, prompt (per long ton)	£250.583	£241.920	£242.975
††Three months, London (per long ton)	£241.381	£263.875	£236.588
Lead—			
Common, New York (per pound)	13.000c	13.000c	13.000c
Common, East St. Louis (per pound)	12.800c	12.800c	12.800c
††London, prompt (per long ton)	£72.146	£70.619	£75.584
††Three months, London (per long ton)	£72.390	£71.608	£75.838
Zinc (per pound)—East St. Louis	12.500c	12.129c	11.367c
§§Zinc, prime Western, delivered (per pound)	13.000c	12.629c	11.867c
††Zinc, London, prompt (per long ton)	£94.935	£91.366	£75.275
††Zinc, London, three months (per long ton)	£90.179	£88.457	£72.803
Silver and Sterling Exchange—			
Silver, New York (per ounce)	91.375c	91.375c	90.125c
Silver, London (per ounce)	80.250d	79.955d	77.419d
Sterling Exchange (check)	$2.80268	$2.80627	$2.80553
Tin, New York Straits	101.042c	102.274c	99.022c
Gold (per ounce, U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$216.611	$223.333	$227.045
¶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	$55.864
Cadmium (per pound, delivered ton lots)	$1.30000	$1.30000	$1.45000
Cadmium (small lots)	$1.40000	$1.40000	Not avail.
Cobalt, 97% grade (per pound)	$1.75000	$1.75000	$2.00000
Aluminum, 99% grade ingot weighted average (per pound)	26.800c	26.800c	26.800c
Aluminum, 99% grade primary pig	24.700c	24.000c	24.700c
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
MONEY IN CIRCULATION—TREASURY DEPT.			
As of Sept. 30 (000's omitted)	$31,800,000	$32,000,000	$31,200,000
PERSONAL INCOME IN THE UNITED STATES (DEPARTMENT OF COMMERCE)—Month of October (in billions):			
Total personal income	$381.9	*$380.9	$364.3
Wage and salary receipts, total	259.0	*259.2	242.1
Commodity producing industries	106.2	*106.8	98.7
Manufacturing only	83.7	*84.4	76.9
Distributing industries	68.4	*68.3	64.1
Service industries	37.9	*37.8	35.2
Government	46.4	46.2	44.1
Other labor income	10.2	10.2	9.3
Business and professional	34.9	*34.8	33.2
Farm	10.0	9.6	14.2
Rental income of persons	12.0	12.0	11.9
Dividends	13.5	13.5	12.6
Personal interest income	23.3	23.0	20.7
Transfer payments	27.3	*27.0	27.4
Less employees' contribution for social insurance	8.4	*8.4	7.4
Total nonagricultural income	368.0	*367.5	346.3
PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE—1910-1914 = 100 As of Oct. 15:			
All farm products	235	239	249
Crops	219	220	221
Commercial vegetables, fresh	241	214	205
Cotton	274	280	281
Feed, grains and hay	149	156	149
Food grains	203	198	201
Fruit	214	230	267
Oil-bearing crops	208	204	212
Potatoes	147	146	111
Tobacco	505	510	499
Livestock	248	256	274
Dairy products	273	265	270
Meat animals	291	307	333
Poultry and eggs	138	143	162
Wool	235	244	203
REAL ESTATE FINANCING IN NONFARM AREAS OF U. S. — HOME LOAN BANK BOARD—Month of Sept. (000's omitted):			
Savings and loan associations	$1,183,618	$1,203,179	$1,021,659
Insurance companies	136.091	137 391	135.951
Banks and trust companies	480,619	505 337	492.687
Mutual savings banks	172.520	167 151	170.394
Individuals	340,291	336 431	296.072
Miscellaneous lending institutions	520,831	521,586	479.045
Total	$2,833,970	$2,871,075	$2.596.008

*Revised figure. †Estimated totals based on reports from companies accounting for 96% of primary, 95% of secondary tin consumption in 1957 and 97% to total stocks end of 1957. ‡Includes tin content of imported tin-based alloys. ¶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.

Businessman's BOOKSHELF

Average Workweek as an Economic Indicator — Gerhard Bry —National Bureau of Economic Research, Inc., 261 Madison Avenue, New York 16, N. Y. (paper), $2.00.

Bank of Finland Year-Book 1958 —Bank of Finland, Helsinki, Finland (paper).

Commonwealth of Puerto Rico — Special report — Government Development Bank for Puerto Rico, San Juan, Puerto Rico.

Employment, Growth and Price Levels—Part 8, The Effect of Increases in Wages, Salaries, and the Prices of Personal Services, together with Union and Professional Practices upon Prices, Profits, Production, and Employment — Hearings before the Joint Economic Committee of the 86th Congress of the United States — Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C. (paper), 75¢.

Government Development Bank for Puerto Rico — 16th annual report — Government Development Bank for Puerto Rico, San Juan, P. R. (paper).

Precision Power: The First Half Century of Bodine Electric Co. —Howard F. Bennett—Appleton-Century-Crofts, Inc., New York, N. Y.

Price Discrimination Law: A Review of Experience—Corwin D. Edwards — The Brookings Institution, 722 Jackson Place, Washington 6, D. C. (cloth), $10.00.

Profit Situations in Smaller Companies—$15 per quarter, $50 per year for semi-monthly publication—Current issue (containing reports on Perkin-Elmer and and National Western Life Insurance Company) available on request—Investment Associates, P. O. Box 14, Hillsdale, N. J.

Real Estate Tax Manual—Covering all counties of New York City, Nassau, Rockland, Suffolk and Westchester—Inter County Title Guaranty and Mortgage Company, 111 Broadway, New York 6, N. Y. (on request).

Some Commercial Overtones of Private Placement — Carlos L. Israels — Reprinted from Virginia Law Review—Carlos L. Isreals, 20 Exchange Place, New York 5, N. Y.

United States Aid and Indian Economic Development — P. T. Bauer — American Enterprise Association, Washington, D. C. (paper), $1.00 (quantity prices on request).

U. S. Atomic Energy Commission Annual Financial Report—U. S. Atomic Energy Commission, Washington 25, D. C. (paper).

To Be Kaplan Partner

John H. Kaplan & Co., 120 Broadway, New York City, members of the New York Stock Exchange, on Jan. 2 will admit Frances Bernacki to partnership.

Personal Investors

Personal Investors Co. is engaging in a securities business from offices at 47-05 Greenpoint Ave., New York City. Thomas D. Levis is a principal.

New A. C. Allyn Branch

FT. LAUDERDALE, Fla. — A. C. Allyn & Co. has opened a branch office at 2180 Southeast Seventeenth St. under the management of Everett C. Swanson, Sr.

Lester F. Gannon Joins Ketcham Co.

Lester F. Gannon has resigned as Manager of the New York office of Andersen, Randolph & Co. to become Manager of the trading department in the investment securities firm of Stanley R. Ketchum & Co., Inc., 76 Beaver Street, N. Y., it was announced by Stanley R. Ketchum, President.

Lester F. Gannon

Mr. Gannon began his career in Wall Street at Hornblower & Weeks in 1917. He has been a securities trader since 1935 with such firms as Birnbaum & Co., Peter Morgan & Co. and W. T. Bonn & Co.. He had been associated with Andersen, Randolph, a brokerage concern with headquarters in Salt Lake City, since 1957.

A World War I veteran who served in the Navy, Mr. Gannon is finance officer of the Wall Street Post of the American Legion. He is also a member of the Security Traders Association of New York and the Friday Night Bond Club.

Henry J. Arnold to Be Ky. Colonel

LOUISVILLE, Ky.—Governor A. B. Chandler of the Commonwealth of Kentucky in the last week of his term of office as a special honor to the investment fraternity commissioned Henry J. Arnold, of Richmond, Kentucky, a partner in Geo. Eustis & Co., Cincinnati, as a special Colonel on his staff in charge of financial arrangements for the 1960 campaign.

Henry J. Arnold

The commission was presented by Thomas Graham, The Bankers Bond Company, Louisville, at a meeting of the Bond Club of Louisville on Dec. 8, with appropriate ceremonies.

Rappee Forms Co.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Lawrence Rappee is conducting a securities business from offices at 324 North Camden Drive under the firm name of Lawrence Rappee & Co. He was formerly with Alkow & Co.

Bonded Planning Branch

TEANECK, N. J.—Bonded Planning Corporation has opened a branch office at 401 Cedar Lane under the management of Milton Vergano.

Jones Branch Opened

BELLEVILLE, Ill. — Edward D. Jones & Co. has opened a branch office in the Commercial Building under the management of George A. Brechnitz.

E. D. Jones Opens Branch

MEXICO, Mo.—Edward D. Jones & Co. has opened a branch office at 106a South Jefferson Street under the direction of Warren O. McIntyre.

Forms Feren & Co.

LIVINGSTON, N. J. — Morton Feren is conducting a securities business from offices at 244 West Hobart Gap Road under the firm name of Feren & Co. In the past he was with Oppenheimer & Co. and Investment Planning Group, Inc.

International Securities

FAIRBANKS, Alaska — Jim G. Abbee is conducting a securities business from offices at 1126 Sixth Ave. under the firm name of International Securities Co.

Form Lloyd Miller Co .

WASHINGTON, D. C. — Lloyd, Miller and Co. is engaging in a securities business from offices at 1343 Connecticut Ave., N. W. Officers are Clayton Lloyd, President and Robert S. Miller Secretary-Treasurer.

J. L. McGovern Opens

DENVER, Colo. — John L. McGovern is conducting a securities business from offices at 5060 West Moncrieff Place under the firm name of John L. McGovern Investment Co.

Form Planned Investments

Planned Investments Co. is engaging in a securities business from offices at 10 West 33rd St., New York City. Partners are Harold Barsky and Murray Malinofsky.

Joins I. L. Brooks

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Harold H. Dawson has joined the staff of I. L. Brooks & Co., Inc., 333 Pine Street, members of the Pacific Coast Stock Exchange.

New Jones Branch Opens

ST. CHARLES, Mo.—Edward D. Jones & Co. has opened a branch office at 1 East Washington Street under the direction of Donald W. Boschert.

Powell, Johnson Office

LAS VEGAS, Nev. — Powell, Johnson & Powell, Inc. has opened a branch office at 224 East Charleston Boulevard under the management of Harley C. Hawkins.

Schmidt, Roberts Branch

WILLIAMSPORT, Pa. — Schmidt, Roberts & Parke have opened a branch office in the First National Bank Building under the management of Arnold A. Phipps.

Sheffield Opens Office

HARTFORD, Conn.—Sheffield & Company has opened a branch office at 75 Pearl Street under the management of Alfred C. Sheffield.

New Tegtmeyer Office

BOZEMAN, Mont.—Wm. H. Tegtmeyer & Co. has opened a branch office in the Professional Bldg. under the management of H. Douglas Anderson.

Form Investment Co.

(Special to THE FINANCIAL CHRONICLE)

SACRAMENTO, Calif. — Superior California Mortgage and Development Corporation is engaging in a securities business from offices in the J Building. Officers are Clarence H. Pease, President, and Floyd L. Crowder, Secretary-Treasurer.

Joins H. O. Peet

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo. — Loyd C. Owen, Jr. has joined the staff of H. O. Peet & Co., 23 West Tenth Street, members of the New York and Midwest Stock Exchanges. Mr. Owen was formerly with Burke and MacDonald.

Geo. Shaw to Join Wainwright, Ramsey, Inc.

MIAMI, Fla. — George N. Shaw, well-known in municipal finance circles for many years and formerly Director of Finance of the City of Miami, Fla., will join the municipal financial consulting firm of Wainwright & Ramsey, Inc., as a Vice-President, effective Jan. 2, 1960, J. Basil Ramsey, Chairman has announced.

George N. Shaw

Mr. Shaw will manage Wainwright & Ramsey's new Florida office which will be located in the First National Bank Building in Miami. In addition, Mr. Ramsey said, Mr. Shaw will work on the firm's larger assignments throughout the country. The New York City headquarters of the consulting organization are at 70 Pine Street.

After coming to Miami in 1926, Mr. Shaw entered the employ of the City as an accountant in the Finance Department. When the office of Director of Finance was created by the City of Coral Gables in 1929, he was appointed to that post, which in 1931 was combined with the office of City Clerk. He continued in that dual capacity until 1942, when he became City Manager of Coral Gables. In October, 1945, he resigned from his Coral Gables office to accept the appointment as Director of Finance of the City of Miami.

Cons. Investors Office

MACON, Ga. — Consolidated Investors, Incorporated has opened a branch office at 570 Inglewood Place under the direction of William D. Clark.

H. M. Aibel Opens

Herbert M. Aibel is engaging in a securities business from offices at 120 Broadway, New York City. He was formerly with Richard E. Kohn & Co.

DIVIDEND NOTICES

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY

New York, N. Y., November 24, 1959.

The Board of Directors has this day declared a dividend of Twenty-five Cents (25c) per share, being Dividend No. 122, on the Preferred Capital Stock of this Company, payable February 1, 1960, out of undivided net profits for the year ended June 30, 1959, to holders of said Preferred Capital Stock registered on the books of the Company at the close of business December 31, 1959.

The Board also declared on this day a dividend of Thirty Cents (30c) per share, being Dividend No. 195, on the Common Capital Stock of this Company, payable March 1, 1960, to holders of said Comman Capital Stock registered on the books of the Company at the close of business January 29, 1960.

In addition, the Board declared an extra dividend, No. 194, for the year 1959, of Twenty-five Cents (25c) per share, on the Common Capital Stock of the Company, payable January 8, 1960, to stockholders of record at the close of business December 4, 1959.

R. M. SWEARINGEN, Assistant Treasurer.

120 Broadway, New York 5, N. Y.

THE GARLOCK PACKING COMPANY

December 2, 1959

COMMON DIVIDEND No. 334

At a meeting of the Board of Directors, held this day, a quarterly dividend of 30¢ per share and an *extra* dividend of 15¢ per share were declared on the common stock of the Company, payable December 24, 1959, to stockholders of record at the close of business December 11, 1959.

H. B. PIERCE, *Secretary*

INTERNATIONAL SHOE COMPANY

St. Louis

195TH CONSECUTIVE DIVIDEND

Common Stock

A quarterly dividend of 45¢ per share payable on January 1, 1960 to stockholders of record at the close of business December 11, 1959, was declared by the Board of Directors.

ROBERT O. MONNIG
Vice-President and Treasurer

December 1, 1959

DIVIDEND NOTICES

MRS. WAGNER'S PIES

WAGNER BAKING CORPORATION

The Board of Directors has declared a dividend of $1.75 per share on the 7% Preferred Stock payable January 2, 1960, to stockholders of record December 18, 1959.

C. B. ATKINS, Sec'y-Treas.

Tri-Continental Corporation

A Diversified Closed-End Investment Company

Final Quarter Dividends

Record Date December 15, 1959

57 cents a share on the COMMON STOCK

Payable December 24, 1959

67½ cents a share on the $2.70 PREFERRED STOCK

Payable January 1, 1960

65 Broadway, New York 6, N. Y.

TENNESSEE CORPORATION

TENNESSEE CORPORATION

November 19, 1959

CASH DIVIDEND

A dividend of thirty-one and one-quarter (31¼¢) cents per share was declared payable December 18, 1959, to stockholders of record at the close of business December 3, 1959.

EXTRA CASH DIVIDEND

An extra dividend of twelve and one-half (12½¢) cents per share was declared payable January 8, 1960, to stockholders of record at the close of business December 3, 1959.

JOHN G. GREENBURGH, *Treasurer.*

61 Broadway
New York 6, N. Y.

WASHINGTON AND YOU

BEHIND-THE-SCENES INTERPRETATIONS FROM THE NATION'S CAPITAL

WASHINGTON, D. C. — The Federal Reserve Banks and their branch banks across the nation are making some pertinent observations these autumn days. They are noting some important things that affect the economy.

Practically all of the banks are worrying about inflation which is an old subject, but one that affects every man, woman and child in this country. For instance many people, including some members of Congress, are continuing to urge the Federal Reserve Board to authorize the buying of Government bonds to support bond prices and thus restrain the rise in interest rates.

However, those urging such a far-reaching step have failed to see all the aspects of the situation. It would take a tremendous amount of open market Government bond buying to have that effect on interest rates. And this could not be done without "converting the Federal Reserve System into an engine of inflation."

Each dollar of open market purchases of Government bonds by the Federal Reserve makes available about six dollars for additional loans or investment, a tremendous inflationary factor.

Many headaches developed when the Federal Reserve System pegged interest rates on government obligations during and after World War II. The rates were held down, the Federal Reserve Bank of St. Louis pointed out in its "Monthly Review," but a dangerous inflation developed under the blanket of direct price, wage, and materials control.

"Even if the inflationary consequences were acceptable," said the St. Louis Bank's Review, "it is doubtful whether the Federal Reserve System could peg interest rates on Government obligations under normal peacetime conditions. The inflationary influence would accelerate a further diversion of savings from investment in bonds and other fixed income obligations into stocks and other equities."

Omaha Now the Leading Slaughter Center

Out in Chicago, the Federal Reserve Bank for the Seventh District points out that Omaha has replaced Chicago as the leading slaughter center for cattle as well as hogs in recent years. The closing down of slaughtering plants on the Chicago Southside brought into focus the steady evolution in the location of livestock production and slaughter.

The Bank explains that the basic reason for the decline in relative importance of livestock markets and meat packing plants located at a number of the major railroad terminals was the introduction of the motor truck and the expanding system of highways. Thus, livestock farmers were no longer "tied" to the railroads for moving their livestock to market.

New England's Future

The "New England Business Review," issued by the Federal Reserve Bank of Boston, peering into the future, declares: "New England will continue to be a highly industrial region in the future because of its lack of natural resources and because of its supply of highly skilled manpower. But a shift in employment from manufacturing to non-manufacturing industries would help to alleviate the instability of employment.

"It would seem, therefore, that New England is dependent upon the services and government to give the region greater income stability. An increase in employment in the service industries has implications for the health of the New England economy. . . . On the other hand, the service industries cannot develop to their fullest extent unless there is a demand for their services growing out of an expanding, healthy, industrial economy. . . . The high per capita incomes which New England residents enjoy provide a large market for services of all kinds."

Philadelphia and the Third Reserve District

Philadelphia, in the 18th and early 19th centuries was the financial center of the Nation. In the Quaker City were established the first mutual life insurance company, 1769; the first chartered commercial bank, 1781; the First and Second Banks of the United States, 1791 and 1816; the first mutual savings bank, 1816, and the first savings and loan association, 1831.

But before the middle of the 19th century Philadelphia was giving ground rapidly to New York, the Nation's financial capital. Nonetheless, Philadelphia is an important regional financial center today.

The Federal Reserve Bank of Philadelphia points with pride that the Third Reserve District is one of the Nation's richest, naturally endowed areas with abundant forests, fertile soil, rich deposits of high grade coal, plus rivers and rails and ports.

Here in this East Coast region of manufacturing where steel is produced, oil refined, and textiles are woven, the Third Reserve District houses almost 5½% of the Nation's people. Within the Third District are 14.3% of the Nation's savings and loan associations. They hold only 4½% of the assets of the country's savings and loan associations. These institutions, many of them small and organized over the years, are the result of a series of historical factors.

The Booming Southwest

Petroleum and natural gas pipelines criss-cross much of the Southwest. The greatest concentrations are in Texas, Louisiana and Oklahoma.

In 1957 there were 75,603 miles of petroleum pipelines and 118,150 miles of natural gas-lines in the district of the Federal Reserve Bank of Dallas. Texas, Louisiana, New Mexico and Oklahoma are the largest exporters of natural gas among the states.

Since World War II about 75 petrochemical plants have been established, and most of them have been constructed in the Texas-Louisiana Gulf area, said Theodore R. Eck, an economist writing in the "Business Review" of the Federal Reserve Bank of Dallas.

However, he said it appears that the rate of expansion of crude oil and refine pipelines is slowing markedly. Few major new petroleum pipelines are currently under construction; 4,127 miles of new pipelines were constructed in 1958 as compared with 5,014 in 1957 and at an average of 54,563 in 1952-56.

In contrast to the outlook for petroleum pipelines, the current boom in the construction of natural gas pipelines may continue for several years. More than 10,000 miles of natural gas pipelines are scheduled for construction during this year at a cost of nearly 1,500,000,000.

Reports From Other Areas

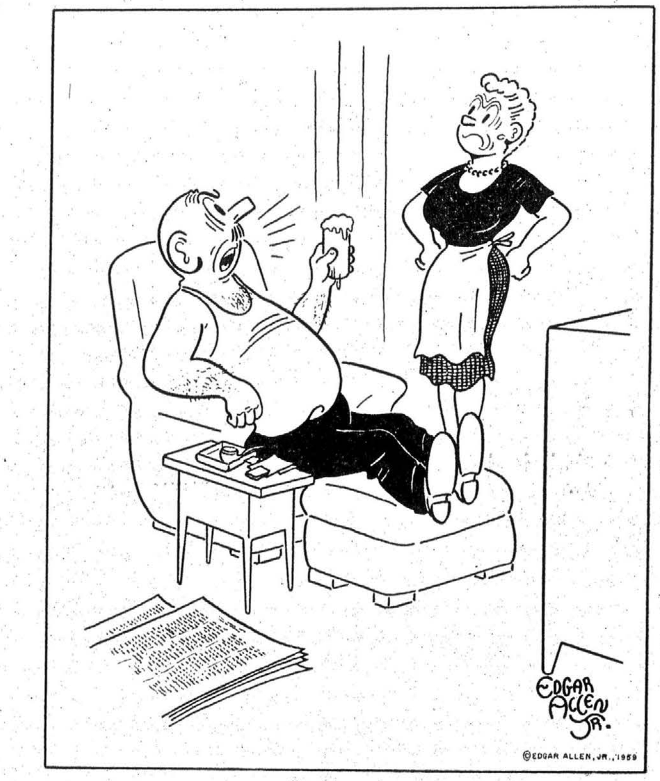
In Richmond, the Federal Reserve Bank noted that one of the serious effects on the lengthy steel strike was the marked decline in bituminous coal mining.

On the other hand furniture making has been one of the major pace-setters in the recovery of the District economy from the 1957-58 recession. North Carolina and Virginia are the leading producers of wood household furniture in the Nation, making almost 50% of the dining room and bedroom wooden furniture. This area is also important in the production of upholstered furniture.

Business recovery in the district of the Federal Reserve Bank of Minneapolis in the autumn tended to lag behind the national trend as a result of drought and mining shutdowns. The sharpest decline in farm income was in South Dakota, and the impact of reduced crop production in North Dakota was substantial. Montana fared better as a whole than the Dakotas. Minnesota's farm income experienced a small decline.

District bankers, particularly those in the Dakotas, said farmers have reduced their purchases of automobiles and larger household items such as furniture and appliances. Farmers generally in Montana, North Dakota, South Dakota and Minnesota emerged from the 1958 crop year in excellent financial condition. As a result many farmers have been able to draw on reserves to meet commitments.

[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.]



" 'Get a job! Get a job!'—Can I help it if there's nothing open in my specialty—feather bedding?"

IBA Elects Lee As New President

James J. Lee, partner in W. E. Hutton & Co., New York City, investment bankers, was elected President of the Investment Bankers Association of America at the Annual Convention of the Association. He succeeds William D. Kerr, Partner, Bacon, Whipple & Co., Chicago.

James J. Lee

The Association also elected five Vice-Presidents: William M. Adams, Braun, Bosworth & Company, Detroit; Warren H. Crowell, Crowell, Weedon & Co., Los Angeles; Edward Glassmeyer, Blyth & Co., Inc., New York; George O. Shepard, Prescott, Shepard & Co., Inc., Cleveland.

Mr. Adams was elected for third consecutive term, Mr. Crowell and Mr. Glassmeyer for second consecutive terms.

The incoming Governors elected by their respective Groups and who took office at the 1959 Convention are:

California Group: Alger J. Jacobs, Crocker-Anglo National Bank, San Francisco.

Central States Group: Edde K. Hays, Dean Witter & Co., Chicago, and Erwin A. Stuebner, Kidder, Peabody & Co., Chicago.

Eastern Pennsylvania Group: Harley L. Rankin, Goldman, Sachs & Co., Philadelphia.

Mississippi Valley Group: Jerome F. Tegeler, Dempsey-Tegeler & Co., St. Louis.

New England Group: Thomas B. Gannett, Hornblower & Weeks, Boston.

New York Group: W. Scott Cluett, Harriman Ripley & Co., Inc., New York; Cushman McGee, R. W. Pressprich & Co., New York, and Harold H. Sherburne, Bacon, Whipple & Co., New York.

Pacific Northwest Group: Josef C. Phillips, Pacific Northwest Company, Seattle.

Southeastern Group: LeRoy A. Wilbur, Stein Bros. & Boyce, Baltimore.

Southern Group: Alexander Yearley, IV, The Robinson-Humphrey Company, Inc., Atlanta.

Texas Group: Robert E. Moroney, Moroney, Beissner & Co., Houston.

Complete coverage of the 1959 Convention will appear in the "CHRONICLE" of Dec. 17, 1959.

The 1960 Convention of the Association will be held at the Hollywood Beach Hotel, Hollywood, Florida, Nov. 27 to Dec. 2.

Cleve. Analysts to Hear

CLEVELAND, Ohio — H. Stuart Harrison, Executive Vice-President of Cleveland Cliffs Iron Company will address the meeting of the Cleveland Society of Security Analysts, Dec. 10.

Name to Be Kerbs Co.

As of Dec. 1 the firm name of Kerbs, Haney & Co., 39 Broadway, New York City, members of the New York Stock Exchange was changed to Kerbs & Co.

Verace Co. Admits

On Dec. 1 Louis W. Parrillo was admitted to partnership in Verace & Co., 52 Broadway, New York City, members of the American Stock Exchange.