Editorial  AS WE SEE IT

The Democratic Advisory Council has set forth its ideas of what ought to be in the party’s platform next year. As was to be expected, the statement is replete with indictments of the Eisenhower Administration and the Republican party in general. Among its many charges—sometimes recklessly made—are there a number which are both important and essentially justified by the facts. If they had been made by some party whose record did not show many of the same infirmities and some that are much worse, and whose proposals for the future were more in line with the best interests of the country, a good deal of encouragement might be found in the document. As it stands, it is a disheartening assurance that the American people must either re-elect a Republican regime next year or else some other which will prove to be at least as unsatisfactory and quite possibly much worse.

It is, of course, distressingly true that the Eisenhower Administrations have incurred huge deficits, and that by and large these deficiencies have resulted from expenditures much larger than they should have been rather than a deficiency in tax collections. Of course, the Democratic organization does not take the trouble to explain that Democratic controlled Congresses have been at least as much responsible for these deficits as has the party in power at the White House—but after all this is a political document and unpleasant facts are not to be expected therein. It is well known, too, that government bonds have reeded until purchasers in many cases now have sustained losses, realized or unrealized, of very substantial proportions. Of course, many of these obligations were issued during Democratic Administrations when wholly unwarranted tinkering with the banking and credit system had created artificially low interest rates and hence exceptionally high prices for bonds—but that, too, is a fact one can not

(Continued on page 87)

U. S. Government, Public Housing, State and Municipal Securities UNDERWRITERS BROKERS • DEALERS BURNHAM AND COMPANY 15 BROAD STREET, NEW YORK, N. Y. Tel. 2-1400 GABAL EXCHANGE CHICAGO 2-880 The First National City Bank of New York Bond Dept. Teletype: NY 1-708

T. L. WATSON & CO., ESTABLISHED 1832 Members New York Stock Exchange American Stock Exchange 25 BROAD STREET NEW YORK 4, N. Y. BRIDGEPORT • FORT WORTH

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Investment Bankers Association

Holds 48th Annual Convention

James J. Lee succeeds William D. Kerr as President of Investment bankers' trade group at annual meeting marked by attention paid to supplementing government bonds with private capital and to improving our economic and labor-management relations. Principal speakers were: incoming and retiring President; His Excellency B. K. Nehru; Gabriel Haugen; Hon. James P. Mitchell and Hon. Samuel C. White. Committee reports covered the genuity of interest to the industry. The addresses, committee reports and other developments are provided in today's special IBA issue of the "Chronicle."


Five Vice-Presidents Elected

The Association also elected five Vice-Presidents. They are: William M. Adams, Braun, Bosworth & Company, Detroit, elected for his third consecutive term; Warren H. Crowell, Crowell, Weedon & Co., Los Angeles, and Edward Glassmeyer, Blyth & Co., Inc., New York, who were both elected for second consecutive terms; George A. Newton, G. H. Walker & Co., St. Louis; and Robert O. Shepard, Prescott, Shepard & Co., Inc., Seattle.

The New President

Except for active duty with the U. S. Army Air Forces in World War II, Mr. Lee has devoted his entire career to the investment banking industry.

James J. Lee

Mr. Lee is a native of Massachusetts (born in Newton, Nov. 22, 1900). Upon graduation from Milton Academy (Milton, Mass.) in 1920, he entered Harvard in 1932, where he received an A.B. degree in 1924.

In December of that year Mr. Lee joined Lee Higginson & Co., in Boston. Two years later he was sent to London, England, for an 18-month training period with Higginson & Co. He returned to the United States in 1927 to work in the New York office of Lee Higginson & Co. and continued with that firm until June 1, 1932, when he became a vice-president and director of the newly formed Lee Higginson Corporation.

During World War II he served for three years, 1942-45, with the U. S. Army Air Force. As an intelligence officer, he spent two years in Africa, England, and Europe on the staff of General E. B. Quesada. He left the service with the rank of Lt. Colonel and returned to Lee Higginson Corporation and remained with that organization until December, 1951. The following month he joined W. E. Hutton & Co., as a general partner, the position he holds today.

Mr. Lee has been active in the affairs of the Investment Bankers Association of America since 1933 and has served on many Group and National Committees. He was a Governor of IBA, 1953-55.

Other positions of industry leadership held by Mr. Lee include various positions in the Association of Stock Exchange Firms, the National Association of Securities Dealers, Inc., and the Bond Club of New York. He served ASEF as a member of the board, 1952-57; Treasurer, 1953-54; and President, 1953-56. He was on NASD’s Executive Committee, 1944-45; was a member of the Bond Club of New York. 1944-45; was a member of the Executive Committee, 1953-55. For the 1951-52 year he served as President of the Bond Club of New York.

Mr. Lee is a director of Southwest Natural Gas Company, Shreveport, LA. He is also a director of many other companies. Much of Mr. Lee’s time is given to civic and philanthropic work. Since
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.

PHILIP R. HERZIG
Publisher, Interstate Securities & McKenso New York City

Also Incorporated

Aluminum the highest-growth industry. Why? Because of the ever-increasing new uses which are being found for this metal. Now, of all the other metals, aluminum has the greatest potential! Ov-

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* Prospectus Upon Request

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generated. In

this end-

ence.

The sales growth of ALSCO is the result of the increasing acceptance of aluminum for hous-

ing. Sales have more than dou-

bled in the three years ended May 31, 1954 to $12 million. While the sales breakouts in sales is just beginning to materialize. A jump to $40 million is anticipated in 1955. The outlook for 1956 is accessible.

This should be possible by completion in the first quarter of 1960 of a new roll mill and strip mill.

Much of ALSCO’s early growth was through acquisition. However, the recent growth has been all company generated. In order to meet the rate of this expanding market and at the same time to reduce costs, the company in recent years has broadened its manufacturing activities. Present fa-

High-cost sales directly in the retail market are being eliminated with concentration on wholesale distribution on a nationwide scale to insure a year-round outlet for production.

The company’s earnings over the past few years have not kept pace with the rapid rate of growth in the aluminum industry, as well as the scarcity of shares of companies in this line. The construction industry, more particularly in residential construction, has used relatively small quantities of aluminum in its buildings. Today, with awareness of the many advantages that aluminum has developed, the residential industry is using this metal in a new and creative manner.

Concerning aluminum siding, ALSCO’s inventory, under the guidance of William H. Stem, Manager, Business Development, is fully capable of producing the greatest portion of all aluminum in residential construction. Using the latest in modernized and new equipment, the company is capable of providing a wide variety of products corresponding with the company’s rapid growth.

LAWRENCE S. VLAUN

Auchincloss, Parker & Reddy, New York City

Members: New York Stock Exchange and American Stock Exchange

Pittsburgh Plate Glass

My choice for the “Security That I Like Best” column this year is Pittsburgh Plate Glass, a company that offers a much more aggressive investment opportunity than the average of similar businesses. The company has a well-established and successful record as one of the leading producers of flat glass, paint, and chemical products. The company’s earnings have increased from $1.6 million to $4.4 million in the past five years, and the company’s earnings are expected to continue to increase at a rapid rate in the near future.

The company’s earnings per share for the year ending June 30, 1954, were $1.55, and the earnings for the six months ending December 31, 1954, were $0.66.

The management of Pittsburgh Plate Glass is well qualified to handle the company’s growth, and the company’s earnings are expected to continue to increase at a rapid rate in the near future.

The company’s earnings per share for the year ending June 30, 1954, were $1.55, and the earnings for the six months ending December 31, 1954, were $0.66.

Lawrence S. Vlaun

Pittsburgh Plate Glass
The Stock Market in the Scientific Sixties
By Ralph A. Rotem, Harris, Upson & Co., Members, N.Y. Stock Exchange; Formerly President, N.Y. Society of Security Analysts

Mr. Rotem cites important challenges facing the investor, including fearlessness in recognizing the tremendous technological achievements in scientific research and its commercial application. He suggests that the unprecedented rise in the price of both corporate earnings and assets, which maintains shares sold now will become replaceable at lower levels. Results numerous boards of directors will face in the aftermath of market declines. Concludes that fresh market advance above last summer's peak will warrant a further shift of equity funds into bonds.

The investor faces one of the most challenging decades of all time—what may well come to be known as the Scientific Sixties. Technologically such a r es s o r s s o r has been rapidly expanding, with perhaps 50% of the goods that will be used by 1975 not yet known. The alert investor one more good sources of information may well be a most profitable investment. The 1926 ket is of the dollar in the 1920s.

An equally interesting challenge faces the investor in the near or next two dozen years. It is quite possible that he can establish some of his good fortune in 1925, and reinvest the proceeds later in a greater number of shares. This bull market is now in its 11th year—the longest major upturn in history, and the annual rate of appreciation in this period has been only 15%.—compared with an average of 47% for the preceding 13 bull markets of the past. So, the bull market is 10 years old, and the length of time it has been in progress has put the industrial average up 263% in ten years to a level that is 51% higher in 1928 than in 1922, even allowing for the change in the value of the dollar in the meantime.

The question of what the market is going to be becomes really important when one considers that the market value of issues listed on the New York Stock Exchange is $300 billion. A move of only 25%, which is fairly common, amounts to $75 billion. It is important to look at the market from both the technical and fundamental side.

Cost of Earning Power and Dividends
First let us compare values of today with values of the past. From 1926 through 1939, the price paid for $1 of earning power was averaged $1,376. Today the cost is 34% higher, or $1,810. The cost of earning average earnings of the past five years is now 46% more than it has been in the past 20 years. This is adding 50% to the average earnings of the past ten years is more than 40% since 1925. The study of this type that we like best is the one we presented three years ago in which we deduced book values from the market price. From that point of view, the average earnings of the past 33 years have averaged $1.00 worth of earnings on stocks is at an all-time high since 1926 (as figured after the above mentioned adjustments had been made in the year of the stock price).

Central or Fair Levels
About the same conclusion arises from the study of central values of stocks, the costs of which are figured in various ways by different services or individuals.

Some of these are:
Benjamin Graham 346
Edward C. Jones 483
Value Line 575
Robert Store 350
John Templeton . 440

Average 437
On this basis the market is currently 53% above a fair or central value.

Also of interest is a comparison of stock market and bond yields which

Continued on page 52
MR. NIXON'S REPLY

In this column, Sept. 17 last, analyzing the Federal Reserve System and the Committee on Price Stability for Economic Growth ("the Nixon Administration Committee") I questioned its conclusion that the absence of external inflation from the beginning of 1958 to the end of December 1959 over the past 25 years signifies a "New Era of Inflation." We maintained that the significance of the historical record depends on the particular historical period further suggested that the substitution of the present "Cold" for the previous "Hot" variety of war constitutes a vital difference between the post-1945 and previous impermanent inflationary intervals.

On this Vice-President Nixon sends us the following commentary:

DEAR MR. MAY:

I have read with interest your comments on the most recent report of the Cabinet Committee on Price Stability for Economic Growth.

It is true, given the big swings up and down in the price level that have occurred in the past, that the process of getting prices by choosing different base dates, does not afford a "25 years ago" for what we thought was the beginning of the inflation of 1929-32.

Average prices 25 years ago, the New Deal introduced its labor and social legislation, but the price level has very possibly made a significant difference in the price of the same goods, which is a measure of the change in the price level.

For example, since 1924 the level of wages were essentially a type of wage price, and the level of wages has been reduced, if possible, throughout the period of depression.

It is true, therefore, that business, of course, has not been from previous behavior. It is also true that the behavior of prices, particularly the prices of consumer goods, have changed, that is, the price of consumer goods in real and other prices, has changed. In short, there has been a change in the relative prices of goods, but the price level has not changed.

We do not accept either the deflationist interpretation that the overall price level has been much smaller in the past, and we accept the deflationist interpretation that the price level has changed.

Sincerely,

RICHARD NIXON

Office of the Vice-President
Washington, D.C., Dec. 3, 1959

THE SEASON'S CAVEATS

Although many of our readers may have done their tax-motivated Christmas "swapping" early, the offering of some long-term currents surely deserves some attention. Neither investment nor tax con-

siderations should supplant each other the investor's portfolio decisions. And in any event, the timing of tax maneuvers should be the criterion. For example, too often is the investor tempted to register a loss without full regard to investment value considerations, and as into at least the same price range and/or same industry. The after-tax value-verification demonstrated when the parallel trend of the stock switch from stock "A" to stock "B" also carry a relatively-pointing skewing of that an individual holding stock (B) at a loss, switch into issue (A). Surely such a rule, but regard of the comparative values between the issues is not followed when an investment is initiated.

A Material Omission from the Program

A vital omission from the full consideration of issue-to-issue swapping usually occurs in the failure to realize that if all good is hoped-for in a subsequent rise in the market, the investor is likely to have been exposed to a large tax. Such after-tax is only escapable in the case of the occurrence of the appropriate gainable base losses or death.

The Facts on Stock Dividends

Likewise, the tax effect of the dividend yields for clarifications of the dividend tax, since the proportionate interest in the business remains the same.

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Southern Accent on Power

By Dr. Irvin C. Cochran, Empire Economist

A review and projection of progress and profits of The Southern Co.

One of the major utility holding companies formed in the Nineteen-Twenties was Commonwealth and Southern. It had a famous President, W. E. Plimpton, who valiantly against the development and expansion of TVA, a public power facility right in the heart of C & S territory. TVA was successful, great, while Commonwealth and Southern was, in 1947, dissolved and from its successor, a new, integrated operating utility system emerged, The Southern Company. It is now the fourth largest operating utility system in the United States serving a 122,000 square mile area in the Southeast, having a population of more than 8,5 million.

The Southern Company has, until recently, had to worry about possible further expansion of TVA into its service area, and that threat was disquieting to investors. Fortunately, however, the Congress this year passed a law limiting, in effect, future expansion of TVA. It does permit up to 2,000 square miles, and it has modified this threat by including provisions which are favorable to Southern's operating companies and a number of the public utility authorities in the region.  So now the future of the Southern Company is unclouded.

Southern Company has five major operating companies. The largest is Georgia Power Company supplying electricity to 86% of the state, with 23,000 miles, and 3.2 million in population including 25 cities of Atlanta, Columbus, Macon and Augusta. Atlanta is one of the major cities of the Southeast, a growing center of commerce, industry, banking and transportation. In 10 years Georgia Power has added 73% more customers; and in the past five years, total revenues ($129.7 million in 1968) have advanced at an annual rate of 9.4%. Georgia Power accounts for almost half of Southern Company's total revenue, and earned 5.8% on net plant investment.

Next in importance is Alabama Power Company, providing about 75% of system revenue, and serving with electricity the State of Alabama, with a population of 2,700,000 including Birmingham, Mobile, and Montgomery. Here again growth has been steady and substantial. Gross last year was $106 million and has been rising at the rate of 9.1% for the past five years.

To provide for their expanding demands for electric power, Alabama Power and Georgia Power, three years ago, formed jointly the Southern Electric Generating Company to build a one million K.W. steam generating plant. This was designed to provide low cost power to both partners. The plant is of most modern design and construction, and by being located practically on top of coal mines in the Birmingham area, total transportation costs will be around $160 million. Half of the investment will be recovered on stream in 1969. The use of this new and economical power supply will make substantial contributions to net earnings of both parent companies in coming years.

The other two subsidiaries of Southern are the Gulf Power and Mississipi Power. Gulf Power serves 7,000 square miles in Northwest Florida and Pensacola; and Mississipi Power provides electricity to 600,000 in a 1,150 square mile area embracing the Gulf Coast of the State and including the city of Biloxi. Gulf Power and Mississipi Power are of about the same size, each, now grossing around $20 million annually.

The chief reason for looking at Southern Company at this time is, while it is among the more rapidly growing electric utilities, its common stock is available at a more attractive price-earnings ratio than most of such. Southern Company now sells at about 20 times current earnings, against a ratio of 25 and more for a number of comparable growth utilities we might cite. Southern should earn about $1.90 this year and its forward projection is most interesting. By the 1962 year-end, net is expected to increase by 25%. Southern has increased its common dividend four times in the past five years. This matter of growth in a utility depends importantly on territorial increase in population, and expansion of industrial and residential demands for electric power in the area served. Now in point of population the Southern Company service terrain is not growing at so rapid a rate as, say, Arizona or Nevada. But the purchase of electric power is moving swiftly ahead by virtue of rapid industrialization, and the above average growth in population and resources in the cities served, and in their suburban areas. Totally, the growth rate of Southern of over 7% a year for the past five years compares with about 5% for the average utility during the same period. For the next five years we would estimate for Southern an annual growth rate of order of 8%.

Important in a consideration of the Southern Company is the rapid swing away from major emphasis on cotton growing and textile mills in the area. Twenty years ago cotton was the predominant regional crop. Now tobacco, peanuts, and livestock are important. Only 10 years ago the textile industry contributed 37% to Southern's gross, against only 25% today. The area resources particularly in timber, coal, iron, ore, oil and natural gas plus an adequate and low cost supply of labor have attracted new industries. The Gulf coast has numerous military bases and missile areas, and the fine deep water facilities have led to great advances in shipbuilding, overseas and coastwise shipping, pleasure and commercial fishing, and pleasure boating.

Somebody should be said about rates. Southern is in the usual position of having sought no major rate increases for its operating units for several years; so when the time comes to ask for these, the company's petitions should be favorably received. The Florida Commission has had a liberal record in considering rate cases, allowing returns of 6% to 7% of net plant investment. The Mississippi Commission has not been in business long enough to set any fixed pattern. Georgia has not been particularly progressive in rate applications. So, Power should be favorably considered since it is today earning less than 8%. Alabama is one of the few states that include fair value rather than just historical costs when rate increases are considered. So in respect to regulation we see nothing particularly to bother Southern Company in the future.

In the two years 1959 and 1960, Southern will have spent $555 million on plant addition. This calls for substantial public financing, year by year, hewing to a general program of capitalization: 55% in long-term debt, 10% in preferreds and 35% in common. This provides good leverage for the common. The common listed on the New York Stock Exchange sells at 8%. It paid a $1.20 last year, $1.30 this year, and should pay $1.40 in 1969.

Southern Company is a pleasingly accelerating enterprise. Its common stock is a respected equity buttressed by a rising long-term curve of earning power. If a Southern exposure is favorable to home owners, perhaps it is also favorable to stock buyers.

Investment securities: United States Government Issues / State and Municipal Bonds

The new offices will be managed by Fred J. Plinington.
TAX-EXEMPT BOND MARKET

By Donald D. Mackey

The demand for tax-exempt bonds has been sustained during the past week, maintained the market for these securities in good technical balance. The deferred offering of $100,000,000 State of California bonds from December 9 to January 10, has set a new standard for offering of new issues. The market of presenting new issue inventory that had been developing for weeks. For the past two weeks at least, the market seems well balanced.

During the last week a few sizable underwritings met with surprisingly favorable investor interest including a $16,934,000 Houston, Texas School District issue offered on 12/14 which was accepted at about 4.55% yield.

The effect of this order news has been to push below $4.55MM unbalanced yield. With new issues of lesser importance also meeting with good reception, the "secondary market volume as expressed by the "Blue List" shows but slightly below $20,000,000 per day. The 12/9/59 to the state and municipal bond total was $329,550,614 against $323,080,897 on Wednesday, Dec. 16.

A Sell-Out

The $66,800,000 State of New Jersey issue awarded 12/15/59 on a single bid the bidding groups had consolidated made it with immediate success. The bonds were sold out of account during a brief two hour period. Some buyers in nature, along with the unusually heavy volume of tax exchange business, created a marked activity market. Again this week, it has been the aggressive bidding from important institutional buyers that has generally sustained the market level. The tax exchange business has created activity, but theoretically at least it balances out as a market factor. Actually it may be a slight market depression since the ultimate purpose is to establish a yield.

However, beneath the news issue headlines and the bond market corporate action there are factors that although submerged in the order of emphasis may be critical, particularly underwriters. The Commercial and Financial Chronicle's high grade bond issue underwriting activity, which has moved off fractionally again this week. Measured in yield the index is 3.5337% on 12/16 as against 3.5337% on 12/9/59. This underlying ease in secondary offerings at least confirms the trend of recent weeks if only in tone. With similar indexes have shown the same tendency.

Another evidence of basic corporate demand is in the volume of bonds that many is the large unsold balance of bonds in the New York State account. This $85,000,000 issue has been met with some initial success. At present about $20,000,000 bonds remain in the market with investor price interest somewhat lower than the current offering.

Heavy Borrowing Ahead

Another important factor seems likely to lack cautious spirit. It is light for the remainder of 1959, as is usual for the last two weeks of December, but it expands in large volume beginning in January. Already scheduled are the following underwritings: California bonds and $11,800,000, Seattle; Washington; Bond underwritings for 1/11/60, $200,000,000 New York State Power Authority bonds and $800,000,000 State of Ohio bonds both for 1/12/60, $100,000,000 State of California bond issue for 1/15/60, $23,000,000 State of Washington bond on for 1/20/60. Similar mentioned for offering 1/1/60 in the bond market these instances before charges will be sufficiently covered.

Other than a $12,000,000 New Jersey Turnpike Authority Torn and Serial bonds, scheduled for offering Jan. 12, 1960, there presently appear no other negotiated tax issues ready for, or even close to the market. Large competitive public offerings will dominate in the first quarter of 1960.

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 17 (Thursday)

Miami-Trace Local Sch. Dist., Ohio 1,000,000 1960-1980 2:00 p.m. 3,110,000 1960-1983 2:00 p.m. North Robinson Local S. D., Ohio 1,000,000 1960-1983 7:00 p.m. 1,500,000 1960-1983 7:00 p.m. Southbridge, Mass. 1,000,000 1960-1980 11:00 a.m.

December 18 (Friday)

Adamstown Township Local S., Pa. 1,000,000 1960-1984 Noon 1,050,000 1960-1984 Noon

December 21 (Monday)

Lake County (P. O. Crown Point), Ind. 2,700,000 1961-1965 11:30 a.m. 2,000,000 1960-1984 2:00 p.m. Sandusky, Ohio 1,000,000 1960-1980 3:00 p.m.

December 23 (Wednesday)

Eastwood Number Two Local S., Ohio 1,200,000 1950-1966 Noon 1,000,000 1950-1966 10:00 a.m.

December 29 (Tuesday)

Ventura Union High Sch. D., Calif. 4,650,000 1961-1975 11:00 a.m.

January 5 (Tuesday)

Pamunkey Unified Sch. D., Calif. 1,000,000 1960-1985 9:30 a.m. 2,500,000 1960-1985 9:30 a.m.

January 6 (Wednesday)

San Jose, Calif. 4,835,000 1961-1980 11:00 a.m.

January 11 (Monday)

Red Wing, Minn. 2,250,000 1960-1965 2:00 p.m. 4,250,000 1960-1965 2:00 p.m.

January 12 (Tuesday)

Columbus City School Dist., Ohio 8,000,000 1961-1983 Noon

January 13 (Wednesday)

California (State of) 1,000,000 1965-1983

January 15 (Friday)

Howland Township Local School District, Ohio 1,775,000 1961-1984 3:00 p.m. Fullerton, Calif. 1,000,000 1961-1989 7:30 p.m.
### Interest Exempt from present Federal Income Taxes

#### New Issue

**$66,800,000**

**STATE OF NEW JERSEY**

**4%, 3\%\%, 3\%\% and 3.40% Bonds**

Dated January 1, 1960  
Due January 1, 1963-75, incl.

Principal and semi-annual interest (July 1 and January 1) payable in Newark, N. J. at The National State Bank of Newark. Coupon bonds in denomination of $1,000, registrable as to both principal and interest and, at the expense of the holder, reconvertible into coupon bonds.

---

#### Tax Exempt in New Jersey

Legal Investment for Savings Banks and Trust Funds in New York State  
and for Savings Banks in Connecticut and Massachusetts

**These Bonds,** to be issued for State Higher Education purposes will constitute, in the opinion of counsel, valid and legally binding direct and general obligations of the State of New Jersey and the faith and credit of the State is pledged for the payment of the interest thereon as the same shall become due and the payment of the principal at maturity.

#### AMOUNTS, COUPON RATES, MATURITIES AND YIELDS OR PRICES

(Annual Interest to be added)

<table>
<thead>
<tr>
<th>Amount</th>
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<tr>
<td>$2,000,000</td>
<td>4%</td>
<td>1963</td>
<td>2.90%</td>
<td>$4,000,000</td>
<td>4%</td>
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<td>3.10%</td>
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<td>1972</td>
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<td>2,000,000</td>
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The above Bonds are offered when, as and if issued and received by us, and subject to prior sale and approval of legality by the Attorney General of the State of New Jersey and by Messrs. Hawkins, Delafield & Wood, Attorneys, New York, N. Y.
DEALER-BROKER
INVESTMENT LITERATURE
AND RECOMMENDATIONS

IT IS UNDERSTOOD THAT THE Firms MENtionED WILL BE PLEASEd TO SEND INTERESTED PARTIES THE FOLLOWING LITERATURE:

Burnham View—Monthly Investment Letter—Burnham & Company, 15 Broad Street, New York 5, N. Y.

Canadian Banking Industry—Review of Banking by T. H. Ironside & Co., Ltd., 39 Broad Street, New York 4, N. Y.

Canadian & U. S. Bond Markets—Report—Saunders Cameron Limited, 55 Yonge Street, Toronto 1, Ont. Canada.

Federal and State Stock Original Issue and Transfer Tax Rates—Booklet on current rates—Register and Transfer Company, 99 Church Street, New York 7, N. Y.

Fire-Casualty Insurance Stocks—Comparative figures on 50 issues—Rondel & Company, 17 Wall Street, New York 5, N. Y.


Investment Outlook—Bulletin—Edwards & Harron, 100 North Franklin Street, Hemptond, N. Y.


The Commercial and Financial Chronicle... Thursday, December 17, 1959

DEALER-BROKER
INVESTMENT LITERATURE
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Investment Outlook—Bulletin—Edwards & Harron, 100 North Franklin Street, Hemptond, N. Y.


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


Prospecting For 1960—Potentialities for share prices in the new year—Francis L. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also included is a list of 20 suggestions to save tax money, including such suggestions as SEC and Proxy Contests—Reprints of speeches by Manuel F. Cohen before a meeting of the Federal Bar Association of New York, New Jersey and Connecticut—George & Co., 32 Wall Street, New York 5, N. Y.

Stocks—Suggestions in various categories—Harris, Upham & Co., 120 Broadway, New York 4, N. Y.


Total Corporate Impact—Booklet on the establishment of a favorable "corporate image"—Albert Frank-Guerrieri, Inc., 131 Cedar Street, New York 14, N. Y.

What's Ahead For the Oils—In the December issue of "Exchange—The Oil Man," page 3—"The Exchange" Magazine, 11 Wall Street, New York 5, N. Y. 20 cents a copy; $1.50 per year. Also in the same issue are data on Medina Cities, Commercial Paper Publishing Company, etc.

Allied Radio Corporation—Review—The Milwaukee Company, 207 East Michigan Street, Milwaukee 2, Wis. In the same circular are data on Magnacov Corpora-

company, Also available is a report on Standard Steel Products Manufacturing Company.


American Motors—Bulletin—Van Aldyne, Nest & Co., 53 Wall Street, New York 5, N. Y. Also available are data on J. F. Sullivan, Falskiewicz, Consolidated Freightways, and M. H. Beuland, and memorandum on Cloutt, Peabody & Co., Consolidated Edison Co., Emerson Elec-

tric Manufacturing Co. and Walt Disney Productions.

American Viscose—Data—Herbert E. Stern & Co., 62 Wall Street, New York 5, N. Y. Also in the same circular are data on Revlon.

Assembly Products, Inc.—Report—Straus, Blonder & McDowell, 111 Broadway, New York 6, N. Y. Also available are reports on Moore Hardley Hardware Co., Burman Food Stores, Inc., and Buckingham Freight Lines.


Bituminer Analysis—Analysis—William R. States, Co., 640 South Spring Street, Los Angeles 14, Calif.

Borg-Warner Corp.—Memorandum—Analysis—C. Alling, Inc., 12 Wall Street, New York 5, N. Y.

C. Brewer Co. & Lain, Dormon-

butcher & Sherried, 150 Walnut Street, Philadelphia 2, Pa.

British Industries Corporation—Memorandum—Edison Co., 615 Beekman, New York 4, N. Y.

Kerrey-Hayes Company—Review in December "Investors' Reader"—C. Alling, Inc., 12 Wall Street, New York 5, N. Y. In the same issue are reports on Avo Corp., Chesapeake & Ohio Railway, International Harvester Company, Union Carbide & Carbon Corporation, and various other companies.

Kerrey-Hayes Company—Analysis—Parke, Davis & Co., 209 South Salle Street, Chicago 4, III.

Chrysler Corp. & Memorandum—Memorandum—Stern & Co., 25 Broad Street, New York 4, N. Y.

Minneapolis—Report — du Pont, Hoevmy & Company, 31 Milk Street, Bow& 9, Mass. Also in the same circular are reports on National Shattuck Paper Company, People's Coach and Washington Water Power.

Collins Radio Co.—Memorandum—Murch & Co., Hanna Building, 61 Broadway, New York 6, N. Y.

Cott Beverage—Review—Irwin Haupt & Co., 111 Broadway, New York 6, N. Y.

First Charter Financial Corporation—Analysis—C. Alling, Inc., 122 South La Salle Street, Chicago 3, III. Also available is an analysis of Sego Paper Company.


Great Northern Gas Utilities Ltd.—Analysis—Annan & James, Limited, 228 Bay Street, To-

ronto, Ont. Canada.

International Business Machines Corp.—Data—Alfred L. Vanden Broek & Co., 58 Liberty Street, New York 5, N. Y. Also in the same circular are data on Ad-

dressograph Multigraph Corp., Collate-Palmolive Co. and Miles Laboratories.

ITI Electronics, Inc.—Analysis—Edward Lewis Co., Inc., 81 Beaver Street, New York 5, N. Y.

Kelsey-Hayes Company—Review in December "Investors' Reader"—C. Alling, Inc., 12 Wall Street, New York 5, N. Y. In the same issue are reports on Avo Corp., Chesapeake & Ohio Railway, International Harvester Company, Union Carbide & Carbon Corporation, and various other companies.

Kerrey-Hayes Company—Analysis—Parke, Davis & Co., 209 South Salle Street, Chicago 4, III.

Price 100% — plus accrued Yields—December 1, 1959

$8,000,000 Copperweld Steel Company

5% Convertible Subordinated Debentures due December 1, 1979

Convertible into common stock at $56 per share, subject to the Company's right of redemption

This announcement is not an offer of securities for sale or a solicitation of an offer to buy securities.

New Issues December 16, 1959

Shillinglaw, Bolger Branch Waukegan, Ill. — Shillinglaw, Bolger & Co. has opened a branch 307 South Washington Street under the direction of Benjamin Weiner.
British Bank Rate Outlook

By Paul Eisng

Reported from England doubts that the London Bank rate will be increased so long as the gold outflow remains moderate and the cost of living stays stable. He notes the recent rise in gold prices to be due to the London Stock Exchange and the foreign exchange market. Criticism is directed, however, at West Germany's monetary authorities for not following Deutschmarks out of the market.

The Financial Times index of industrial prices has surpassed its previous records, even though the rise is now much more selective than before. It is no longer possible to "pinpoint the winners," as it was until recently when it took an overdose of bad luck for anyone to choose an equity which remained aloof from the rising tide. The recent rise in the index represents an average between the very spectacular rises in some industries and the almost complete absence of increases in many others. However, that the trend is still upward is due to the fact that the world markets no longer expect an immediate increase in the Bank rate.

Likewise, selling bonds to foreigners, and the rise in the premium against the dollar, only to slide back to a discount. This weakness is, however, as to call for a higher Bank rate. Although the authorities must be losing gold by supporting the Bank rate, the extent of the losses is not believed to be very large. Nor is there universal concern about the widening of the gap between import and export prices as far as the immediate future is concerned. It is felt that, for the present at any rate, Britain can afford to lose some gold without having to take steps to check the outflow.

In case the view is held that the recent reversal of the flow of gold to Britain is temporary, and that the extent of the losses is not believed to be very large. Nor is there universal concern about the widening of the gap between import and export prices as far as the immediate future is concerned. It is felt that, for the present at any rate, Britain can afford to lose some gold without having to take steps to check the outflow.

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Setting Our National Fiscal House in Order

By Hon. Prescott Bush, U. S. Senator from Connecticut

Well known for his Senate battles against the "easy money" arguments advanced by his colleagues, Senator Bush reviews past session's events with regard to the Administrations "sound" dollar legislation. The Senator is confident that when Congress reconvenes the President will renew his request to the legislators to waive the 1/2% interest rate cut allowed to long-term government bonds until the current inflation problem is brought under control. Further, in quoting George Kennan's recent warning, he states one of our first and greatest tasks must be to set our national fiscal house in order.

We live in an age of anxiety and amidst the churning turmoil into two hostile camps, each armed with the most terrible weapons of destruction and destruction. President Eisenhower is no man on a global mission of peace. His momentous tour of Europe and three continents is a dramatic demonstration of America's genuine desire for a just peace and enduring peace. Our prayers for his safety and the successful outcome of his mission.

But until genuine peace can be achieved — and great difficulties must be overcome to achieve it — the military strength of America and its strength must be maintained and strengthened. The Soviet Union's achievements in rocketry and missiles demonstrate the nature of the military threat that confronts us. We face competition from the Communist bloc in other forms as well. The underdeveloped and uncommitted nations of the world are watching to see which system of government, democracy or communism, can produce the best results for their peoples. The outcome of this struggle will decide whether the United States or the Soviet Union ranks as the world's first power.

Are we, as a people, taking this contest as seriously as it ought to be? Have we the will to make the sacrifices, impose the self-discipline and do the hard work that is needed to win this victory?

I shall discuss these questions later, but first I should like to review some of the events of the past session of the Congress in the battle for a sound, honest dollar. For this battle has a bearing on the larger problem of the Committee's ultimate position in the world. If we lack the will to achieve fiscal responsibility in government, and maintain a stable currency, we weaken the credit of the United States upon which depends our strength, military as well as economic.

The people's stake in the integrity of the dollar is enormous. The current volume of savings in fixed income contracts, according to the Treasury Department's latest figures, approaches $900 billion.

Answers Crippling Inflation

The largest accumulation of savings in that total is more than $900 billion. Life insurance policies issued by your industry, held by 112 million Americans, are also 22 million accounts in savings banks, worth $34 billion; 25 million certificates of deposit, held in banks and loan associations, worth $51 billion; 18 million participants in private pension plans, with assets of $7 billion; and almost 370 million dollars in savings covered by the Social Security System, with assets of $23 billion; 37 million thrift accounts in commercial banks' savings departments, worth $65 billion; and 60 million holders of U. S. Savings Bonds, worth $47 billion.

As a member of the Joint Senate-House Economic Committee, I have heard during the past year suggestions by some professional economists that a creeping inflation of say, 2 1/2 to 3% a year, is needed to stimulate economic growth.

With that point of view I completely disagree. Not only do I believe that reasonable stability of prices provides an essential condition to economic growth, but I cannot regard with complacency the achievement of the 2 1/2% inflation rate to be so achieved — through the imposition of an insidious, hidden tax upon the thrift.
Points Out Seriousness of Congressional Inaction

Because of proper management of the debt, and upon a demonstration by Congress that it stands for fiscal responsibility in our national government, depends the credit of the United States, and that credit is the foundation of our prestige and the prestige of that of the entire free world.

The President pointed out that when the Congress reconvenes next month he will request his request that the Treasury be given permission to pay more, if necessary, than 4½% on long-term marketable bonds until the debt management system is brought under control. This is the most complex, least understood and most important issue to face the 86th Congress.

It is an issue which readily lends itself to demagoguery. We already have heard plenty of that in the past season. For this reason, I urge the life insurance industry to relax its efforts to inform the public of the underlying economic facts.

I have alluded to the challenge to America's world leadership, which is made by the Soviet Union, and questioned whether we, as a people, have the will to meet that challenge.

Says We Can't Ignore Kennan's Warning

Recently, I observed some remarks by George Kennan, former Ambassador to Russia during the Truman Administration. He said this: "If you ask me, as an historian, let us say—whether a country in this state this country is in today, with no highly developed sense of national purpose, with the overwhelming accent of life on personal comfort and amusement, with a dearth of public services and a sacrifice of privately sold gadgets, with a chaotic transportation system, with an educational system where quality has been extensively sacrificed to quantity, and with insufficient social discipline even to keep its major industries functioning without grievous interruptions—if you ask me whether such a country has, even in the long run good chances of competing with a purposeful, serious, disciplined society such as that of the Soviet Union, I must say that the answer is 'no.'

We cannot ignore this warning. Having recently visited our military outposts in the larger NATO alliance countries and only just returned from an extended tour of our bases in the Far East, I share the concern of George Kennan. We face determined, energetic, powerful enemies, and we must achieve a sense of national purpose, willingness to work and sacrifice to preserve the values we hold precious before it is too late.

In two World Wars, the American people have demonstrated that they can rise to the occasion in time of trial and crisis. Now we all must understand that although guns are silent and missiles and bombs are not fail-

Kuhn, Loeb & Co. Admits 2 Partners

Kuhn, Loeb & Co., 30 Wall Street, New York City, investment bankers, announced that John M. Leonard and Nathaniel Samuels will be admitted as general partners of the firm as of Dec. 31, 1958, subject to the approval of the New York Stock Exchange, and that Gilbert W. Kahn, Percy M. Stewart and Robert F. Brown, heretofore general partners, will become limited partners.

The firm stated that Moursi, Kahn, Stewart and Brown, while divesting themselves of participation in day-to-day operations, will continue to have interest in the affairs of certain of the firm's clients. Mr. Kahn became a General Partner in 1931; Mr. Stewart and Mr. Brown, general partners since 1941, have been associated with the firm for 33 and 27 years, respectively.

Mr. Leonard, with the firm since 1950, is a Senior Office Manager, and Mr. Samuels, who joined the firm in 1930, is Manager of the Foreign Department. He is a Director of Sofina, S. A., an international public, investment, engineering company with headquarters in Brussels, Belgium, with which company he was associated prior to joining Kuhn, Loeb, & Co., and is also a Director of Transoceanic Development Corporation Ltd.

It was also announced that the New York Stock Exchange membership of the firm will be transferred from Mr. Brown to J. Emerson Thor, a General Partner since 1948, subject to the approval of the New York Stock Exchange.

New Sutro Office

Sutro Bros. & Co., members of the New York Stock Exchange, have opened a new mid-town office at 20 East 66th Street, New York City.

The New York Stock Exchange Board of Governors has elected to the board of directors of Chemical Bank New York Trust Company, it has been announced by Harold H. Helm, Chairman, Mr. Copeland is a Director, Vice-President and member of the Executive Committee of E. I. du Pont de Nemours & Company.

Lammott du Pont Copeland Has Been Elected to Board of Directors of Chemical Bank New York Trust Company

Lammott du Pont Copeland has been elected to the board of directors of Chemical Bank New York Trust Company, it has been announced by Harold H. Helm, Chairman, Mr. Copeland is a Director, Vice-President and member of the Executive Committee of E. I. du Pont de Nemours & Company.

He is the great grandson of E. I. du Pont de Nemours & Company.

In 1928, the French Government bestowed the Legion d'Honneur with the grade of Officer on Mr. Copeland for his long and great affection and friendship for France.

This announcement is under no circumstances to be construed as an offer to sell or as a solicitation of an offer to buy any of these securities. The offering is made only by the Prospectus.

December 9, 1959

1,000,000 Shares

Transitron Electronic Corporation

Common Stock

(Par Value $1 Per Share)

Price $36 per Share

The Prospectus may be obtained in any State in which this announcement is circulated from any of the undersigned or other dealers or brokers as may lawfully offer these securities in such State.

Merrill Lynch, Pierce, Fenner & Smith Incorporated

Blyth & Co., Inc. The First Boston Corporation Eastman Dillon, Union Securities & Co.


Lazard Frères & Co. Lehman Brothers Smith, Barney & Co.

Stone & Webster Securities Corporation White, Weld & Co. Dean Witter & Co. Incorporated


Shearson, Hammill & Co.

Shields & Company

L. du Pont Copeland
The waning days of 1959 show that Government issues are at about the highest yields they have been in nearly 30 years. The demand for certain selected issues continues to be sizable even though the purchases of the 4½% the 4½ and 3% are not as large as they were two years ago. They should get greater attention in 1960, however, unless the Treasury offers as high, if not higher yields, in its new money and refunding operations.

The bulk of the business in Government securities, as has been the case all year, is being done in the shorts and the intermediate term obligations. Yields of these securities are very favorable, but there is no growing competition from business itself, which is taking funds from these issues. Under such conditions, which are expected to expand in 1960, there is not likely to be much, if any, ease in money rates and the cost of obtaining long-term capital.

1959 a "Loss" Year
The market for Treasury obligations is operating within a limited range in spite of temporary discontinuities from time to time because of year-end tax exchanges. It is evident that tax losses which have to be taken before the end of 1959 have pushed the background arbitrage operations which have the purpose of narrowing yields spreads between selected Government issues. The tax operation for the taking of losses and/or profits is about coming to an end as far as this year is concerned, but it is indicated that the volume of business in Government issues has been enhanced considerably by these late year swaps.

The year in which a whole was a loss year as far as Government obligations were concerned was 1954. Nearly all commercial banks, So is was and still is natural that full advantage should be taken of existing conditions by these institutions to limit the amount of taxes which would be paid.

As has been the case all year long there is no pattern discernible in these tax exchanges since certain institutions will shorten maturities whereas in other instances there will be an extending of the due date. There is, however, a general awareness among most deposit banks that as long as money rates are going to be high, and there appears to be sufficient evidence that this will be the case for quite a period of time, it is desirable to work towards the direction of shortening maturities.

The yields that are available now in short- and intermediate-term Government issues are much better than those which are obtainable in the most distant maturities. And this has been responsible for a few year-end tax swaps being made from the lower coupon more distant maturities into the higher coupon short- and middle-term issues.

Monetary Policy Effective
The restrictive credit policies of the monetary authorities has done a successful job in holding down the money supply of the country in spite of the heavy demand for credit from a growing and expanding economy. The keeping of the creation of deposits and purchasing power in low has tended to lessen the inflation fear even though the price-wage spiral has not been brought under full control yet. The high interest rates, which have been among the keynotes of the operations of the powers that be, have also had a salutary effect on international positions of the dollar.

The rate of return on near-term liquid Government obligations has been high enough to keep foreign deposits here and thus slow down the gold outflow. In addition, the existing tight money policy appears to be able to contain the return to a rather full economic boom which is being predicted for the greater part if not for the whole of 1960.

Therefore, it is believed in some quarters that unless there is a resurgence of the inflation psychology in the coming year the monetary policies of the Federal Reserve System are not likely to be different from what they were in 1959. Other money market specialists hold the belief that a modest easing in money conditions should not be unexpected in 1960.

Larger Treasury Financing in Prospect
The new money raising venture of the Treasury, the early part of 1960 continues to get more attention than there are new opinions around that this may be a more sizable operation than was originally looked for. Also, the cash offering may also be combined with the refunding of $2 billion of one-year Treasury bills.

This advertisement is not and is under no circumstances to be construed as an offering of these securities for sale or as a solicitation of an offer to buy any of such securities. The offering is made only by the Prospectus.

$2,500,000
The Victoreen Instrument Company
6% Convertible Subordinated Debentures
Due December 15, 1974
Price 100% plus accrued interest

Copies of the Prospectus may be obtained from the undersigned only in those States in which the undersigned may legally offer these securities in compliance with the securities laws of the respective States.

Van Abstine, Noel & Co.
McDonnell & Co. - Prescott, Shepard & Co., Inc. Reinholdt & Gardner Incorporated
J. R. Williston & Beane - Cruttenden, Pedesta & Co.
Straus, Blosser & McDowell - Birr & Co. Fuss-Schnedele & Co., Inc.
Hallowell, Sulzberger, Jenks, Kirkland & Co. - Hanrahan & Co., Inc.
Herbert W. Schaefer & Co. - White & Company

December 15, 1959

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

NEW ISSUE

United Marine, Inc.

UNITS comprising
$1,250,000 6% Sinking Fund Debentures due 1974
With non-detachable Warrants to purchase 100 shares of Common Stock per $1,000 of Debentures
and
125,000 shares of Common Stock
(Par Value $1 Per Share)

Price $1,125 Per Unit

Offered in Units consisting of 100 shares of Common Stock and $1,000 of Debentures with a non-detachable Warrant to purchase 100 shares of Common Stock.

Copies of the Prospectus may be obtained from only such of the undersigned as may legally offer these securities in compliance with the securities laws of the respective States.

BOENNING & CO.
Suplee, Yeatman, Mosley Co. - Thayer, Baker & Co. Incorporated
Warner, Jennings, Mandel & Longstreth

December 16, 1959

This advertisement is not and is under no circumstances to be construed as an offering of these securities for sale or as a solicitation of an offer to buy any of such securities. The offering is made only by the Prospectus.

NEW ISSUE

200,000 SHARES
Standard Beryllium Corporation

COMMON STOCK
(Par Value $10 Per Share)

Price $1.50 per share

Copies of the Offering Circular may be obtained from the undersigned.

Haas, Raymond & Co.
120 Liberty Street
New York 6, N.Y.

Price $1.50 per share

Copies of the Offering Circular may be obtained from the undersigned.

Haas, Raymond & Co.
120 Liberty Street
New York 6, N.Y.
THE MARKET ... AND YOU
BY WALLACE STREETE

Industrial stocks found some important resistance lurking around the old high posted in August in this week’s trading. With the recovery in the Dow Jones index from its 60-point drop to the September low virtually complete, selling came both in regular trading and in second-market offerings.

There was little chagrin at the lack of success in penetrating the historic peak on the first pass. There is still time for the traditional year-end rally between Christmas and New Year to take over and carry the average through.

There wasn’t too much hope for excessive action by this index, either. The general expectation was that it would forge to 785-710 in the year-end sweep which isn’t far above the 678 peak already on the record. Anything much beyond the 700 mark, it is felt, couldn’t be reached until there is a permanent settlement in the steel labor dispute and so far there has been no evidence of any progress in the talks. The deadline doesn’t arrive until late in January so for some time to come that situation could be hanging over the market to keep the outlook cautious.

The steel impasse also put something of a cloud over the usual yearend predictions which, by and large, were well hedged but generally optimistic for the first half of 1960, but left somewhat open on what can be expected for the second half of the year.

Some Donuts

The general economic outlook was affected importantly by the steel strike, the rapid buildup in inventories during the first half of the year, and the sharp trim in them during the third quarter when the steel consumers had to live off their fat brought up the question of whether the boom was grinding to a halt. The consensus was that the boom was not seriously impaired, but the first downturn in gross national product in more than a year and a half was somewhat chilling.

For the stock market itself, the steel strike caused quite a few potential candidates for dividend largesse to hold off action. And it left a wide spread between bond and stock yields in favor of the former, but so far there has been little competition between stocks and bonds, nor have there been any indications that this unusually wide spread is a threat to stock prices so far.

"The Stock of 1960"

For individual issues that meet the “stock of 1960” criteria of the various services, the hunting was largely in neglected areas where values are good and the issues so far haven’t joined that tight group of stockskets that have been featuring recent markets consistently.

For the recent favorites price-earnings ratios of 20, 40 or more times are the rule currently. A quality item still around 16-times the estimated earnings of this year is Cluflak, Peabody, which offers an above-average yield and has a bit of romance attached to it in its new development, stretchable paper. This is a joint venture with West Virginia Pulp started last year.

There hasn’t been much reported in the way of earnings by this Cluflak subsidiary, although a good lineup of licensees is already working with the product, and improvements are coming along.

The full benefits are not expected for two to three years, but it does give Cluflak a growth potential far ahead of its Arrow men’s furnishings and Sanforized trademark lines, well known but not expected to show any startling growth.

There was also a bit of attention given to basic situations, such as Stauffer Chemical which derives nearly three-fourths of its sales from supplying heavy chemicals to industry, and sulphuric acid which is the most widely used industrial chemical. With Victor Chemical still being integrated after the merger was approved in the fall, Stauffer is in position to show good profit increases both for the full 1959 period and on into next year as well.

H. L. Green, after all its troubles with the Olen store chain merger, is favored in some quarters as an issue where a bad situation is being cleaned up and a rebound would be logical. The trouble arose over an alleged deficiency in assets of the Olen store group, the total around $8 million. But out of this, Green already received a tax refund of $3.6 million, and would get $1.6 million more in a settlement. With the write-off of nearly $1.2 million in fiscal 1959, the chain reported a sharp drop in profit but the worst of such charges would appear to be over.

Neglected Electronics-Growth Situation

The more-or-less neglected item in the office machine section which, on occasion has participated in the demand for anything connected with electronics, is National Cash Register, which lately has been hovering about in the middle of its 1959 range. National has been busy diversifying after building itself up as the largest cash register manufacturer.

This drive to broaden the horizon for National Cash Register necessarily called for heavy expenditures for research and development which, in part, probably accounts for the lack of investor interest. Nevertheless, the push has given National a solid position in the office computer field with more than three-fourths of a sales generated by products not more than a decade old. Also in its favor is its large participation in the foreign field, the overseas business accounting for two-fifths of total sales. Like others in this glamour field, National’s yield, although fast-growing in field in which it is solidly engaged has been one...
of the leading growth categories ever since War II.

Ford's Outstanding Performance

With all the forecasts of good business ahead for car auto makers, Ford was the standout on good action and soared to the best levels seen for the shares since they emerged from family ownership. In fact, in listed trading the shares hadn't until this year reached the $84.50 offering price level of 1956. And they had sold down around $36 at that time, compared with the current price tag running above $90.

As the second largest maker of vehicles, Ford has done well since War II in consolidating its position in the industry, and has had a good time of it this year with earnings expected to nearly quadruple over depressed 1958. With its new compact cars apparently well receiving, and the drag of the Edsel operation ended, the stock has been both a candidate for a higher dividend. In some circles, Ford stock is regarded as a stock split candidate, the latter possibility being noted officially by several of the financial services.

(News in this article do not necessarily influence the stock price, but a number of sources attribute them to the "Chronicle." They are presented as those of the author only.)

Chicago Exchange Firms Ann'd Elects

CHICAGO, III. -- Gordon Bent, partner of Barton, Whipple & Co., has been re-elected Chairman of the Chicago Association of Stock Exchange Firms, it has been announced. Mr. Bent, in addition to serving his second term as Chairman of the Association, is also a member of the District Committee of the National Association of Securities Dealers.

Francis C. Farwell, partner of Farrell, Campbell & Co., was re-elected Treasurer of the Association, and Mathew J. Hickey, III, Vice-President of Hickey & Co., was elected Treasurer.

New members elected to the Board of Governors were Scott Davis, partner of Ralph W. Davis & Co., and Howard L. Hasler, partner of Hammond & Co., who is also a member of the Board of Governors of the Midwest Stock Exchange, and William E. Fay, Jr., partner of Smith, Barney & Co., and William M. Witter, partner of Witter & Co., was re-elected the Board for a term of three years.

The Chase Manhattan Bank, New York, has promoted John A. Kahl with the current year announced Dec. 14, by George Channel, President. Mr. Kahl is in the New York and New Division of the United States department, the bank's national territorial organization. Joining the bank in 1953, he was appointed an Assistant Cashier in 1955 and was advanced to Assistant Vice-President in 1959.

Three Assistant Vice-Presidents in the United States department also were named: Thomas D. Hill Jr., Paul S. Muraland and Thomas E. Rivers Jr., formerly Assistant Treasurers.

The bank appointed eleven new Assistant Treasurers. They are John C. Amstutz, George L. Brennan, W. Griffin Burnett, Mil¬ton F. Giddey, John B. Hum¬bert C. Madden, Hugh W. Morris¬son, Raymond V. O'Brien Jr., Nor¬man A. Olsen, Michael A. San¬tiago and Francis X. Stankard.

John E. Davis was named assistant staff counsel in the bank's legal department.

The First National City Bank of New York has opened its third overseas branch in Curitiba, Brazil. During 1959, the bank has opened nine overseas branches in such faraway places as Kuala Lumpur in the Federation of Malaya and Cape Town, South Africa.

The Curitiba branch is the bank's ninth in Brazil. A week ago it opened a branch in Belo Horizonte.

The Curitiba branch will be supervised by Freeman H. Huntington, manager.

H. P. Davison, Vice-Chairman of the Board of Morgan Guaranty Trust Co. of New York, has been elected chairman of that bank's two newly established subsidiaries in the international field, Morgan Guaranty International Banking Corp. and Morgan Guaranty Interna¬tional Finance Corp. Dale E. Sharp, the bank's President, has been elected President of the two subsidiaries.

The companies have been formed under Section 25(a) of the Federal Reserve Act. Mr. Davison said of the companies:

"Functioning entirely in the foreign field, they will enable Morgan Guaranty to broaden its activities in the world markets by entering fields not now served by the bank nor by its branches in London, Paris and Brussels." Initially each company will have a capital of $2,000,000.

Directors of the companies, in addition to Mr. Davison, are: Carter L. Burgeat, President of American Machine & Foundry Co.; Carl J. Gilbert, Chairman of The Gillette Co.; and Thomas L. Lamont, Vice-Chairman of the Board of Morgan Guaranty.

Appointment of Franklyn Edwards as an Assistant Vice-President of Manufacturers Trust Co., 90 Varick Street, New York, has been announced by Horace C. Flanigan, Chairman of the Board.

Mr. Edwards joined the bank in 1928 when United National Bank and Trust Co., New York merged with Manufacturers Trust. He was appointed an Assistant Treasurer in 1945.

Mr. Harold H. Helm, Chairman of the Board of Directors of Chemical Bank, New York, Co., New York, announced on December 17, the election of Lammot Du Pont Copeland to the Board. Mr. Copeland, an Old Chippewa, is chairman of the Board of Trustees of Harvey Mudd College and has been a Director of Chemical Bank, New York, Co., since 1957.

Dana Kelley and Robert C. Pat¬erson, formerly Assistant Vice-President of Bankers Trust Co., New York, were named Vice-Presidents Dec. 10, it was announced by William H. Moore, Chairman of the Board.

Coincident with the announce¬ment, Mr. Moore made known the election of Harry C. Dever, formerly an Assistant Treasurer, to an Assistant Vice-President. Appointed Assistant Treasurer was Joseph Cannell.

Mr. Kelley, of the Banking De¬partment, began his career with Bankers Trust Co. in 1924. He was named an Assistant Treasurer 1940 and Assistant Vice-Pres¬ident in 1942.

Mr. Patterson, began his career with the bank as an Assistant Vice-President in 1944.

Mr. Dever started with the bank in 1896. He became Assistant Treasurer in 1958.

Mr. Cantwell joined Bankers Trust Co. in 1948.

Mr. Roselle began his career with Bankers Trust Co. in 1941.

Hugh B. Chase has been ap¬pointed an Executive Vice-Pres¬ident of the Bank of New York. It was announced Dec. 10 by Al¬bert C. Simmonds, Jr., Chairman. Mr. Chase joined The Bank of New York in 1932. He was app¬Pointed Assistant Treasurer in 1937, Assistant Vice-President in 1943, and a Vice-President in 1949.

The First National Bank of Jersey City, N. J., announced on Dec. 10, that almost 99% of the 31,000 addi¬tional shares of capital stock recently offered by the bank were subscribed for. The details of the sale can be found in the Nov. 26, 1959 issue on page 24.

The Board of Directors of Harris Trust and Savings Bank, Chicago, Ill., at its regular December meet¬ing voted to recommended to the bank's stockholders an increase in the bank's capital from $20,000,000 to $22,000,000 through the declaration of a 10% stock divi¬dend, it was announced by Ken¬neth V. Zwebner, President.

If this recommendation is ap¬proved by the stockholders at their annual meeting to be held on next January 13, the capital increase will be brought about by the transfer of $2,000,000 from undivided profits to the capital account on January 18. This will bring the bank's combined capi¬tal and surplus accounts to $42,000,000.

Stock certificates representing the capital increase would be is¬sued on February 1 covering one additional share for each ten shares held by stockholders of record January 18. Order forms would also be issued for the purpose of permitting holders to round out or sell fractional shares on or be¬fore March 7, 1960.

The Eaton County Bank, Char¬lotte, Mich., was acquired by the Michigan National Bank, Lansing, Mich.

NOT A NEW ISSUE

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Copies of the Prospectus may be obtained in any State only from such of the several under¬writers named in the Prospectus and others as may lawfully offer these securities in such State.

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December 16, 1959

200,000 Shares

General Motors Corporation

Common Stock

Price $52 per Share

Clark, Dodge & Co.

Shearson, Hammill & Co.

December 11, 1959
The Commercial and Financial Chronicle... Thursday, December 17, 1959

FROM WASHINGTON... Ahead of the News
BY CARLISLE BARGERON

There will be Committee hearings at the forthcoming session of Congress on the question of creating a deputy President, or super Secretary to be above the entire Cabinet, to be in fact, as Mr. Adam to the President.

The President has recommended it and the Hoover Commission in two reports recommended it. Mr. Hoover himself has been an advocate of the idea.

This man would take all of the arduous details of the Presidency from the shoulders of the President and leave the latter free to decide broad policy questions. Both Mr. Hoover and former President Truman have described the Presidency as a man killing job, yet both of them went through it and are now living in ripe old age without showing any ill effects of their experience.

You would think Mr. Eisenhower would have given up the idea of a "deputy President" after his experience with Sherman Adams. Mr. Adams was Assistant President. He was the President to the extent that Mr. Eisenhower's image was almost lost to the public.

There is general agreement that since Mr. Adams left, Mr. Eisenhower has become a changed man. He has taken hold of the Presidency and gone to work. His Gallup Poll rating has rebounded to the extent, as most people would agree, that if there were no two-term limitation on the office, he would be nominated and elected again.

Mr. Adams made the decisions when he was on the job. The President, of course, had to approve them but by the time they reached his desk, they were cut and dried. Naturally he acted on the facts as presented to him by Mr. Adams.

The President was cut off from his Cabinet advisers to a large degree and from the Senators and Congressmen who wanted to see him.

The new deputy President or super Secretary would act with more authority than Mr. Adams had because his job would have been lifted by his colleagues. Members of the Cabinet and the Senators and Congressmen would all have to act through this subordinate. He would be accountable to nobody except the President. He would not have to be elected to anything.

When Calvin Coolidge was President he used to take a nap every afternoon. The Presidency was much easier then than now. For one thing, everything was moving along nicely. One of our greatest problems, and about which there was much in the newspapers, was the number of people who were being killed in bathtubs. Yet when Mr. Coolidge died some four years after leaving office there was a lot of grief about the man's killing of the Presidency and how it had killed him. This writer is witness to the fact that Mr. Coolidge never let the job worry him, much less affect his health.

Mr. Eisenhower has not seemed to lack in relaxation since he took office, though unquestionably it has been more of a burden than when Mr. Coolidge was President. Nor seems it likely that Mr. Eisenhower seems to get away to play golf whenever he likes. He is on a most exacting trip now and the way he is holding up would seem to indicate that the office has not been all of his energies by any means.

Mr. Adams was undoubtedly a great help but if he had remained, he would have ruined the Republican Party. It has picked up immeasurably since he left. Morale among party workers is reported as high all over the country. The same could not have been said a year ago.

Governor Rockefeller's task is taken all of his energies by any means.

The Financial Chronicle

THE FEEDING FACTS OF A BIGGER APPETITE tell what kind of company Republic Steel is.

In Cleveland, Republic Steel has completed two new open hearths. Each has 375 ton capacity per heat.

Also completed is the enlarging of four older open hearths which stand nearby. These were originally 276 ton. Now they also are 375 ton each.

The enlarged capacity of the four produces more tonnage than a third new open hearth would have. Yet the job was performed in such a way that the cost of the enlargement was less than the cost of a new open hearth.

The bigger appetite of a growing Republic is satisfied at a favorable figure.

This open hearth program is part of the payoff in improved efficiency from the continuing progressiveness of Republic's management.
RCA Electronics builds a global "bird" watcher

Motorists on New Jersey Turnpike see new RCA Radar installation designed for BMEWS.

It's not the beginning of a new world's fair, as some motorists using the New Jersey Turnpike near Camden may think. This big domed structure, now complete and rising to the height of a 15-story building, houses a full scale model of a Tracking Radar being built by RCA for BMEWS—the U. S. Air Force's Ballistic Missile Early Warning System.

Operating from sites in the far North, BMEWS is designed to detect ballistic missiles—commonly called "birds"—shortly after launching and to provide warning to Strategic Air Command retaliatory forces and other defense agencies.

And RCA, as weapon systems contractor, is using this installation as a test bed for the powerful, highly accurate Tracking Radar and associated high-speed Computer equipment. It will also be used in training RCA operator and maintenance personnel.

This is still another way in which RCA's pioneering in electronics works to strengthen our national defense.
An Economic Agenda
For the United States

By Dr. Gabriel Haune, Chairman, Finance Committee, Manufacturers Trust Company, New York City

A perspective, concise economic agenda for the United States is offered by the President's former Special Assistant for Economic Affairs, Dr. Gabriel Haune. In discussing economic progress, he lays stress on depression-born ideas of the 1930's for the economic problems of the 1920's. He points out "per capita real income has risen in step with private capital investment and with the increase in skills acquired by workers", two precepts four steps to improve Federal expenditure control; three, attacks demagogy so as to exist in the area of credit policy and predict interest rates will average higher in future years than in the Depression Depression. Four, plans for more competition in all the economy's sectors; and, five, details several measures to improve our foreign economic position. Lastly, he urges a program to further adult education.

My purpose here is not to sketch the distant horizons of the American economy. As far as I can see, there is no current dearth of this sort of predicting and forecasting and projecting. As a matter of fact, it has become quite a bit of a gain. Rather than discuss destinations, I would like to invite attention to the journey itself, to the navigational charts by which we may negotiate the passage. For, if these projects are to be realized, we, as a people, must face up to certain decisions. That, it seems to me, is plain, unswervingly, it means a proper balance between the heart and the head. It means perhaps jostling some sacred cows. It means some shifts in some priorities in our national thinking. It means mobilizing majority opinion behind major interests.

I want to suggest five items on this agenda not because that is all there but because that is all we could probably try to consider here. They represent five of the most important issues that we must face up to.

Explain Economic Progress

The first is the nature of economic progress. In our kind of society, the expansion of the nation's wealth must be gained by the voluntary efforts of its citizens. America cannot be governed into perpetual prosperity. Rather, national economic policy must be based on incentives for individual effort which open the way for everybody to be somebody and to have something.

There is a contrasting view which speaks expansively of growth and compiles shopping lists of America's needs. It appears, however, that this view is not to have confidence that private enterprise can attain the high growth rates set as goals. Rather, this new cult of forced growth wants a sharply stepped up roll for government through spending programs and supereasy credit, in good times and bad.

Inflation, the driving force in this process, is either to be acquiesced in as the unavoidable cost of seeking higher growth rates or it is to be suppressed by a network of direct controls on prices, wages, materials, production and trade.

As I reflect upon the ideological or intellectual foundation of this view, it seems to me to be related to a certain psychological concept of freedom traceable to the Kafka school. The concept of freedom that I think we have been brought up on is freedom from arbitrary power; freedom from oppression; freedom from the violation of the rights of the individual.

Now if I scent the wind that is blowing, it seems to me there is another concept of freedom being used as an implicit basis for much of this economic program to which I have referred; that is, the freedom from the absence of economic staples to the realization of one's desires.

Of course, if you take that as your concept of freedom, then, of course, a scarcity or anything which will remove these obstacles to attaining the freedom of what I as an individual and you as an individual regard as desires we want realized, will be acceptable.

Apply that to a state, to a nation, and you have the rationale of intervention on a massive scale. This, certainly, has not been the concept that has undergirded the economic development of America. I alert you to it and to your thoughtful reflection upon it for the future.

This approach to the problems of the American economy of the 1960's by resorting to the depression-born ideas of the 1930's is hazardous in the extreme. It inevitably will produce more inflation, discourage savings, and lead to speculative boom conditions that plague the unemployment, business failures and hardship of the ensuing recession.

We have had three recessions in postwar America — that is too many.

The reason we had so many recessions is that we somehow have not realized that the seat of the recession is to be found in the previous speculative boom. That is why we must deal with this problem of compressing the amplitude of fluctuations in trade and commerce.

If you can keep this fluctuation around the growth curve, within moderate limits, then we should be able to achieve growth at an average of 3% to 4% a year, that is a much more desirable outcome.

It seems to me the difference between recovery policies and growth policies eludes the advocates of this pessimistic view, whose experiences are still guided by the events of the 1930's. Easy money and expanding government outlays are identified in their thinking with growth because, under certain circumstances, they have been used for recovery.

The historical record, however, is clear; throughout our economic history, per capita real income has risen in step with private capital investment and with the increase in skills acquired by workers. The record lends little support to those who relate growth to government expenditure. What the situation calls for, if real growth is to be won, is a persistent and strong increase in private savings and the investment of these savings in the tools that modern technology is making available at such an astonishing pace.

This link between investment and growth is fundamental. It is, in my opinion, the bedrock on which economic policy behind the Iron Curtain paradoxically seem to advocate a policy of growth by expanding consumption through constantly higher wages and increases in personal income tax exemptions rather than one favoring investment.

The second objective or the second item on the agenda I want to bring attention to is the public finances.

Discuss Public Finances

In the fiscal year of 1960, our aggregate tax bill, Federal, state and local — will be close to $300 billion. This is equal to more than 25% of the value of national output. Such a high level of taxes and spending means that government is claiming more goods and services than ever before in peace time and interfering in the workings of the economy. It also means upward pressure on the cost of living as the tax cost of government is passed on in the prices of things.

To design new spending plans we must absorb all of the realizations that a growing economy can generate at present high tax rates, as many people seem to be doing today, is a dubious and dangerous fiscal growth goal for a great nation like the United States of America.

Because of the huge needs for national security, not only for ourselves, but as the leader of the free world coalition, we must be more than ever alert to prevent new spending programs with low national priority from getting into

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Blyth & Co., Inc.
Opportunities for Private Investments in India

By R. K. Nehru, India's Commissioner-General for Economic Affairs

Alarmed that mistaken impressions of India's attitude toward private capital may be discouraging the enormous opportunities for private investments there, the nation's economic helmsman poignantly sums up the existing situation: 'India's private lives, the Commissioner-General assures, are being neglected by depositors in the United Kingdom. Nor was it one of the incidental by-products of the Second World War. The struggle for Indian independence lasted no less than 62 years and not once did it weld us into a nation but gave us valuable training. In democracy, for the Indian National Congress was a democratic organization whose roots went down into the soil of India which makes for progress and dynamism in an environment of political stability. Our long tradition of tolerance and peace, the evolution of a class of talented and experienced businessmen and administrators, the existence of a strong, educated middle-class and the spirit of mass cooperation and sacrifice in the cause of national uplift and liberation — these are the factors of which we have in our history; and the vitality they impart to the Indian scene, therefore, is something inherent and not merely the outcome of the accidents of national leadership. However, important such leadership may be from time to time.'

I feel greatly honored at having been given this opportunity of addressing the Investment Bankers Association of America. I feel particularly privileged as I understand that it is rare that a foreigner has addressed this Association and that this is the first time that an Indian is doing so.

I consider my presence here today as symbolic of the growing interest in the United States in the development of my own country. In the history of American investment banking, India represents a comparatively new chapter. But I am confident that in the years to come it will loom large in your professional interests. Aside from anything else, the very size of India, its enormous population, the rate at which potential is being turned into actuality, and the very fact that India is a democracy, all demand the attention of bankers interested in investment. I shall, therefore, try to tell you something about the economic development of my country, its progress and prospects and describe the framework of policies within which we are trying to develop.

States Certain Basic Facts
Let us begin in the outset certain basic facts about India which have stood the test of time and which hold the key to a proper appreciation of what is happening and is likely to happen there. The first basic fact to remember is that India is one country among others, but a vast subcontinent with an area of more than a million square miles and a population of more than 400 million. In terms of geography, the problem is quite different from that of the Western World. In terms of population, we equal the whole of Africa and the whole of Latin America put together. Every seventh human being on the surface of this globe has his birth in India. These figures give you some idea of the size and immensity of modern India. Other operations have to be carried out if they are to have any meaning. A glance at the map shows that there, a couple of hospitals or half a dozen railways are not going to help the Indian problem. All our operations are on a gigantic scale and though every little count, it is an investment in terms of progress and improvement that can be a basis for taking the initiative in India.

The basic fact to remember is that India is a country living through a period of industrialization, and the only way to bring about large-scale growth of manufacturing and services. The second basic fact to remember is that India is a country living through a period of industrialization. The only way to bring about large-scale growth of manufacturing and services is through large-scale expansion of the market for goods and services. The third basic fact to remember is that India is a country living through a period of industrialization. The only way to bring about large-scale growth of manufacturing and services is through large-scale expansion of the market for goods and services.

Beneficial British Contribution
One beneficent effect of British rule in India was the establishment of a broad-based, modern and efficient civil service. In consequence, under British rule, India did not exclude Indians from positions of high responsibility and authority. The British, indeed, since the highest posts of Government were not reserved for Indians, the equality between British and Indian nationals while the status and powers of the civil services were completely Indian. This was one of the factors which made India today from the other end. The British did it to ensure that we started our independent existence with a knowledge and experience of the methods which had been followed at home, the highest executive, legislative and judicial functions and were well versed in the circumstances of government and the ways of the world.

The manner of the departure of the British from India is also exceedingly important in order to understand where Indian society is going. India's freedom was offered to us on a platter as a result of a change of heart in the United Kingdom. Nor was it one of the incidental by-products of the Second World War. The struggle for Indian independence lasted no less than 62 years and not once did it weld us into a nation but gave us valuable training. In democracy, for the Indian National Congress was a democratic organization whose roots went down into the soil of India which makes for progress and dynamism in an environment of political stability. Our long tradition of tolerance and peace, the evolution of a class of talented and experienced businessmen and administrators, the existence of a strong, educated middle-class and the spirit of mass cooperation and sacrifice in the cause of national uplift and liberation — these are the factors of which we have in our history; and the vitality they impart to the Indian scene, therefore, is something inherent and not merely the outcome of the accidents of national leadership. However, important such leadership may be from time to time.

Can't Generate Savings from Poverty
It is not my intention to underestimate in any way the tremendous difficulties that also lie in the way of rapid economic development in India. Nor is the one of the country, constitutes both a problem and an opportunity. To add to this, India is an incredibly poor society. The average per capita income of the Indian even today is $60 per annum. It is possible for you to imagine what kind of life people live on less than $1.25 per week. The misery that results from such extreme poverty has to be seen and experienced before it can be believed. And from the point of view of the economist seeking to change this situation, its importance lies in the fact that given this kind of income it is next to impossible to generate any savings from it, for a large portion of any increase in production must be devoted to consumption rather than to investment.

Further, the democratic framework within which we operate limits the pace of progress, for the forces of voluntary cooperation cannot always match the effectiveness of totalitarian methods, at least in the short run. And yet, the whole significance of the Indian effort at economic development lies in our attempt to eradicate the inequalities of poverty without curtailing the dignity of violence and slavery.

We always realized long before independence that mere political independence would mean little to the common man unless it resulted in rapidly raising the standard of living of the people. We, therefore, devoted ourselves with the need to fulfill the promise of a better life.
A Call for More Private International Financing

By Samuel C. Waugh, President, Export-Import Bank of Washington, Washington, D. C.

Eximbank head challenges private investment bankers to replace or supplement much of the activity of his independent government agency. This to be done by providing private equity financing and even debt capital, in part or in full, in the fields pioneered by the U. S. Government and through the Eximbank. Mr. Waugh recounts ways joint sharing has already taken place in his solicitation of broader joint venture participations to describe the concepts governing the bank’s operations, and its conservative management; and sees such joint efforts furthering two-way trade and the cause of the Free World.

Since coming to the Export-Import Bank four years ago, one of my primary duties has been to respond to invitations to tell fellow Americans about this unusual Bank. Upon coming to the Bank in 1959 I quickly discovered the Export-Import Bank—a source of great financial importance to the people of the United States—had been hiding its light under a bushel. It may be that we at the Export-Import Bank have been neglectful in not telling the Investment Bankers Association about Eximbank—as the Bank is called—before this. And therefore I express the hope that the factual story about this government institution may be beneficial to everyone.

It came to me as a shock when I received my current appointment from the President, to learn that even former members of the Cabinet as well as representatives of the Little Cabinet did not know, either of the Bank’s operations or the fact that it was located in the heart of Washington. This despite the fact that the Export-Import Bank observed its 25th anniversary on Feb. 12, 1959.

This invitation was accepted because of our desire to tell about the operations of an independent agency created and so designated by the Congress, whose capital stock of $1 billion is held for the benefit of the taxpayers by the Treasurer of the United States. Those who pay taxes (and I assume that could be classed as an all-inclusive designation) are therefore stockholders and are entitled to a periodic report.

Then, too, during my six and one-half years in Washington, I have seen a growing tendency upon the part of businessmen to realize the fallacy of the old chime, “Business and politics do not mix.” Any businessman who is so obtuse as to not comprehend the effect on business of the day-to-day decisions in Washington is as antiquated as a Model T Ford or the now extinct, proverbial dodo bird. There is a crying need in Washington today for more businessmen to interest themselves in government and I certainly include investment bankers in this category.

I may recommend a careful reading of the article in the December issue of Fortune entitled “Corporations Make Politicians Their Business.”

Last April, at their Spring Meeting, the Executive Council of the American Bankers Association approved a statement prepared by their Credit Policy Commission which in essence stated, “the long-run public interest will best be served by the ultimate return of all (government) loan and credit functions to private risk-taking institutions (and here I assume they refer to investment as well as commercial bankers) operating in markets where forces of supply and demand determine how funds are allocated to different sectors of the economy.”

What we can probably all agree with the basic principles of that dogma. However, it is unreasonable to ask how and why did the government get into the banking business? At least more important, what is being done by those interested in government’s activity in this field to eradicate the so-called evil?

The banks—those who lived and worked through the period of investment banking in both the domestic and international fields following World War I remember the inadequacy of methods, regulation, and experience, all of which contributed to substantial losses. These losses are remembered today by the old timers who are still directing the investment policies of banks, insurance companies, investment trusts, pension funds, et al.

Export-Import Bank’s Guiding Concepts

Two of the most often repeated cliches of the day are in respect to the world growing smaller and the constancy of change. Most certainly Eximbank is in the business as it is conducted today is a far cry from the operations of the Roaring ’20s. What I shall try to do is to set forth the self-sustained government institution which for 25 years has been guided by three basic concepts.

The statute under which the Export-Import Bank operates today provides:

1. The objects and purposes of the Bank shall be “to aid in financing and to facilitate exports and imports and the exchange of commodities between the United States… and any foreign country or the agencies or nationals thereof.”
2. “It is the policy of the Congress that the Bank in the exercise of its functions shall supplement and encourage and not compete with private capital…”

and...those loans... in the judgment of the board of directors, offer reasonable assurance of repayment.

I will discuss briefly each of the three basic concepts.

The management of the Bank is delegated to a board of directors, five appointed by the President of the United States by and with the advice and consent of the Senate. Of the five directors, four shall be appointed by the board, not more than three shall belong to one political party.

A 1954 amendment to the Export-Import Bank Act provided for an Advisory Committee of nine members, appointed by the board of directors upon the recommendation of the President of the Bank, who shall be broadly representative of producers, consumers, labor and agriculture.

For your information, the members of this Advisory Committee have been designated for two-year terms and have met three times a year for the last four years. I would like to take this opportunity to pay tribute to the business and professional men who have given freely of their time and knowledge to advise the board of directors, officers and staff of the Bank on all major matters of policy. I hope we can look forward in the future to having a member of the Investment Bankers Association as a member of our Advisory Committee.

The Bank, in its 25 years’ history, and including the first quarter of fiscal year 1960, has authorized credits in 70 countries totaling more than $10.4 billion. Of this amount $400 million has been taken over by others at their own risk. There have been cancellations for one reason or another of somewhat more than 11 billion. The Bank has disbursed approximately 77 billion.

Over 50% of the loans—more than 91 billion—have been repaid. The Bank has outstanding $2.2 billion of loans on which payments are being made on regular schedule. In addition the Bank has committed about 1.5 billion, representing for the most part past loans placed and under construction.

These figures are our answer to those who say the Eximbank has played a role in the financing of our nation’s foreign trade.

Who handles this money and keeps track of it? Well, the Bank has a total staff of 225, including some 40 economists, engineers, accountants, lawyers, and bankers who have over 60 years cumula-

CONFIDENCE IN CALIFORNIA

Confidence in the financial foundation and orderly growth of California municipalities is part of Bank of America’s basic policy. In the past twelve months alone, the Bank and its underwriting groups helped finance over $650,000,000 of vitally needed municipal projects, through the purchase and distribution of California municipal bonds.

MUNICIPAL BOND DEPARTMENT

Bank of America

NATIONAL TRUST & SAVINGS ASSOCIATION

SAN FRANCISCO • LOS ANGELES
Our own country can neither afford to neglect nor delegate them exclusively to international bodies. In making this purely personal observation I am thinking of our position in the economic and financial as well as military fields.

“During the last four years financial crises have arisen in countries in Europe, Asia and Latin America. These crises have in every instance involved the movement of international trade in which the Export-Import Bank has been traditionally dedicated during its 25 years’ history. In my opinion my predecessors as well as my present associates can take a degree of pride in the manner in which financial assistance has been granted and quick pro quo have been accorded in these emergency cases.

Contrasts IBRD and Export-Import Bank

In making these statements I am not in any way, shape or form trying to minimize the importance of the International Bank for Reconstruction or its operations, which are so well and favorably known. Rather, I am trying to emphasize that in the highly competitive field of international trade in which we are now involved, it behooves our government to maintain a sound financial institution to support United States business and one that can and will cooperate with private capital in the international unde field.

The Export-Import Bank lends in dollars and collects in dollars, and limits its loans to purchases made within our own country. Our Bank makes many loans in the private sector as well as to governments and government entities. We encourage the export of the time-honored precepts of private enterprise, individual initiative, and the so-called American know-how. The Bank is authorized to extend credits both with and without government guarantees.

The International Bank for Reconstruction and Development, by its very nature, is an international institution and property requires both international bidding and government guarantees on each loan. This requirement is mandatory, even though the financing is in the private sector.

Following World War II and during the reconstruction and development period when the International Bank was organized, and during its earlier years of operation, the United States was the only country which could successfully compete in international bidding. The decline in the percentage of International Bank disbursements spent for United States purchases during the past 10 years is marked, and concrete evidence of the recovery of business in the heavy industry and capital goods field throughout the world. It is generally conceded that this recovery came about as a result of the Marshall Plan, which was financed wholly by the United States.

Let me hasten to add, in order...
So Much Depends Upon Labor-Management Peace

By Hon. James P. Mitchell, Secretary of Labor

In laying down four objectives to govern and guide American labor-management relations, Mr. Mitchell sees no way of our staying in the world markets unless we achieve industrial peace as the first step in being able to keep prices competitive. He criticizes labor and management for not meeting their responsibilities for efficiency, for real growth and for competitive position as well. Warning there is a third chair, the public's, at every bargaining table, the Labor Secretary says the time has come when we must develop a new form of communication and he indicates what should and should not be done to improve contract settlements in line with the pasted objectives.

Briefly here are none of the objectives I feel must govern and guide American labor-management relations in the difficult, but promising, years ahead.

Those objectives, as I see them, are these:

To improve the efficient operation of our economy;

To generate a rising standard of living based upon real earnings and incomes;

To maintain a competitive position in the world markets; and
to develop new forms and means of communication—two bases lasting industrial peace.

These objectives resolve themselves into a general need—to maintain a rate of economic growth commensurate with the needs of our people and our responsibilities in the free world.

It is my hope also to explore as closely as some of the attitudes of labor management that help them or hinder them in reaching these objectives.

But such objectives can be understood only within the context of a developing world economic structure which is, in itself, capable of forcing radical domestic changes within every nation.

We have too long regarded the institutions of labor and management as domestic responses to economic change, exclusive to the nations of the West. History has quickly outmoded that view. Our labor and management structures are now a part of the most crucial social and economic revolution in man's history, one that encompasses hundreds of millions of people in a broad arc across much of the world where civilization has stagnated.

Fallacies to Avoid

Our preoccupation with our own forward thrust has narrowed our vision so that now we find with surprise that the same ratio of four families in every five compelled to work the land for existence that maintained at the beginning of urban settlement 10,000 years ago still plies across two-thirds of the world's people.

We realize that the western nations, for example, the United States enjoys 47% of the world's real income.

Our per capita income is something over $1,500. In most of Asia, most of Africa, and much of Latin America, per capita income is under $300.

The gap is widening.

In the past eight years, while the poor standard of living in many of the "under-developed" lands was holding steady under mounting population pressure, that of both Europe and the United States was rising.

The United Nations has estimated that the percentage of the world's people that are malnourished has risen since the war from 72% to 75%.

Three out of four of the members you know, for the first time, that they can aspire to a better status and gain it.

They have watched the growth of Russia, and they have long been familiar with the education and the ease of the opulent white man.

They know, in short, that they can be a "have" nation.

This is one of the most powerful aspirations in history. Soiless the world ever is responding to it with a fervency that is toppling old traditions, breaking through customs, and requiring of all the nations a decision.

It is again this background, and within this context, that the objectives of labor and management in the United States must stand and be measured.

An Efficient Economy

I listed, as the first objective, the efficient operation of our United States postwar activities, without equal, the most efficient economy on earth.

In the last 50 years, the gross national product per capita has tripled. These are the fruits of goods and services for every man, woman and child in the nation that has tripled.

This growth was accomplished without adding a larger and larger proportion of the population to the labor force and without increasing hours. In fact, we have reduced hours as well as reducing the proportionate number of people in production.

This is a classic, and important, example of increased productivity.

This trend is continuing; probably we need to increase fast enough to keep pace with a population growth and a demanding but necessary defense posture.

Certainly many leaders of management and labor are asking themselves this question.

It is indicative to me that in those industries in which the bargaining table has tended to become a battleground, this issue of productivity and efficiency is a common one.

No economist official and no economist can set a productivity rate, or an efficiency rate, for individual industries—except, I imagine, in Russia—because many judgments are involved.

The objective of efficient operation of the United States will not be met by a management attitude as skillful attempt at change in a stroke, by the bang of a single gavel, working habits built up over many years, through hundreds of bargaining sessions.

To assume this attitude is to believe that changing words on a piece of paper is a substitute for good policies.

And that the words seek to change are the habits of human lives, to be approached thoughtfully, carefully, and with full respect to the man who possesses them.

Nurt the will of efficiency of the operation of the economy not by attitudes that seek in a status quo the answer to every challenge of change. Certainly there are wasteful and archaic practices in existence today that we are defeated by any line of logic, and there must be a careful attempt to change them and the people they involve. And I submit that in the world I have described the words seek to change is at any price to be a price.

Generating Real Growth

The second objective is to generate a real standard of living based upon real earnings and incomes.

Our productivity has tripled the number of goods and services for people, and in that we can afford to enjoy them.

On the record we can; there has been an increase not only in money earnings but in real earnings as well. Real wages have risen faster than prices.

But here again we must ask, can we continue as we have?

And here again we must seek a balance.

One of the grave effects of an inflationary economy is that it conceals the concept of the real wage. Inflationary inflation is paradoxical; meaningless growth; an inflationary welfare of nearly meaningless advantage. Yet in an atmosphere of inflation there is apt to be a demand for increased wages, hours, and for increased prices, whatever the effect.

Thus, more and more for everybody may mean less for all.

Yet it seems to become more and more difficult for labor and those industries in which the restraint in this area. Management's are competing for money in a market that makes adjustments on dividends. And labor is committed to a policy of wage and income more and more.

But both of them have been able to meet these objectives that too often the consumer is the one who has paid.

I have the feeling that the public is going to insist that its own interest be added to the public's that is in a position to bargain for the public at the nation's bargaining table.

It would be to the advantage of both labor and management to bargain.

The need for economic growth and for a stable price level has a bearing upon the next major objective, maintaining a competitive position in world markets.

Competing in World Markets

At the end of the war, the markets of the world were almost exclusively ours. The factories and plants of our competitors lay in ruins. The smoke was pouring from the stacks again and we find ourselves in a tough competition.

Historically, other industrial nations have been their best customers because their high standards supported the purchasing power with which to buy. But there will be a world full of new customers in a short time, and some of the existing markets is to lose the new ones as well.

I can see no way of staying in the world markets unless we are able to increase our exports.

In the long run, I am convinced that this rising standards in other nations give the competitive advantage that a sub-standard price level now offers.

The national interest to promote within other countries an ability to buy our products, at the same time making this nation an attractive place to shop by offering competitive prices.

Now none of these things is possible without stability in the producing, segment of the economy, without industrial peace in the nation.

The record, obscured by the steel dispute, appears to be a good one.

Since 1932 a period of October of 1938—a period including the steel strike, man-days of idleness resulting from work stoppages have constituted only 29% of all working time. This would indicate a general tranquillity in industrial relations, a stability incidentally by stoppages such as that in steel. And this year there have been, in addition to the steel dispute around which the headlines cluster, a number of notable set-

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timents in important industries without strikes. I say the record appears to be a good one, for this reason:

How many of those settlements were made because neither labor nor management was willing to face up to the demands of change I have indicated thus far? What price are we willing to pay for industrial peace? It may be, and I doubt if any man can say definitely, that settlements based upon a post-pone ment rather than an acceptance of responsibility may prove more costly to our society than a strike.

The objective of maintaining industrial peace cannot, in short, be met unless labor and management meet their responsibilities for efficiency, for real growth, and for competitive position as well.

And they can't do that unless they talk to one another in a different way than they have been talking.

Needed—A New Form of Communication

What is needed is a new form of communication, carried on outside the bargaining table, carried on frequently over a period of time, to agree on what they can agree on, and to develop a mutually un derstandable vocabulary to deal with those problems they cannot agree on.

Let them agree on one idea as a starting point. That idea is this: Owners and stockholders, union members and employees, the consumers and the public, all have a right to a fair share of increasing productivity.

Let them agree that the time has come when a third chair is at every bargaining table, the chair in which the public sits—the chair, in which as consumers and taxpayers they sit themselves.

I have indicated many other things they might profitably dis cuss. If I may return to the first objective, for example, I con cluded with a description of atti tudes concerning efficiency— a management attitude that de mands instant change and a labor attitude that demands no change at all, and, in some cases, vice versa.

Now it is not unreasonable to me to think that if all of the money, and the effort, and the imagination expended in propa ging and against those attitudes was spent instead on ways and means to resolve them, that we would get farther along than we have been getting.

I would be curious to know what proportion of total company expenses in this country is laid out for such useful items as product testing, market analysis, advertis ing, research and development... and production costs, is allotted to understand fully the most basic and purposeful of all activities—the day-to-day relationship be tween employer and employee.

I would be curious to know what proportion of the total down money collected by American labor unions is used to foster and promote an understanding of the problems of the industries for which the members work. But even this would not replace communication between them.

Real earnings and real wages, settlements in the public interest, the acknowledgment that the consumer has a right to a fair share of increased productivity, engineering a price line for competitive markets, keeping the industrial peace—how badly communi cation is needed on those matters.

Labor and management in this country have got to start talking to each other in a more meaningful way. They have to rid themselves of the old social and political divisions that no longer exist, for our economy is the bedrock of the western world and its strength depends upon the good sense and the good will of the men who operate it.

There are many alternatives to stalemate, but there is no alternative to losing the confidence and the trust of the world that is shaping around us.

It is surprising how immediate long-range interests become. It is surprising how quickly plenty of time becomes too little time.

In the objectives I have reviewed, our nation has done well—but we must do better, and we must begin doing better now.

It may seem a surrender to drama to speak of want here, but want rules the world, and want will change the world. Whether or not that change will continue for the human family the ideals of individual dignity and freedom that we preserve depends in some measure on how the richest economy in man's history responds to the incentives of purpose and responsibility that destiny has placed before it.

An address by Mr. Mitchell before the 46th Annual Investment Bankers Association of America Convention, Bal Harbor, Fla., Dec. 2, 1950.

Francis I. du Pont
To Admit Partners

Francis I. du Pont & Co., 1 Wall Street, New York City, members of the New York Stock Exchange, on Jan. 1 will admit Hugh C. Wallace and Gough W. Thompson, Jr., as partners in Francis I. du Pont & Co. du Pont and Mr. Thompson will work with Mr. du Pont and Mr. Thompson in the management of the firm.

Hayden, Stone to Admit Partners

On Jan. 1 Hayden, Stone & Co., 23 Broad Street, New York City, members of the New York Stock Exchange, will admit Charles H. Jawetz, William F. Rowley, Orvis Sorensen and John M. Wenner to general partnership, and George D. Duff, Alice S. Jawetz, Daniel F. Rice, Ada L. Rice and Loreen M. Rice to limited partnership in the firm. Charles T. Jawetz has been a partner in Daniel Lewis & Co. and Mr. Rowley, Mr. Wenner, Daniel F. Rice and Loreen M. Rice were partners in Daniel F. Rice and Company.

Four Kinnard Offices

MINNEAPOLIS, Minn.—John G. Kinnard & Co. has opened branch offices in the Minneapolis, St. Paul and Duluth areas, in the direction of B. A. Soren; at 116 South Main St., Le Sueur, under the management of Milton M. Maloney; and 100 North Broadway, New Ulm, under the direction of Joseph Keechelsen; and at Sauk Centre under the direction of Donald W. Otto.

Robert Garrett to Admit H. A. Prior

Baltimore, Md.—Robert Garerett & Sons, South & Redwood Streets, members of the New York and Philadelphia-Baltimore Stock Exchanges, on Jan. 1 will admit Howard A. Prior to partnership.

Now General Planning

BROOKLYN, N. Y.—The investment business of Martin F. Rogers, 16 Court St., is being continued under the firm name of General Planning Co.
The Commercial and Financial Chronicle. Thursday, December 17, 1899

Report of IBA Insurance Securities Committee

Investment analysts are provided a suggested comprehensive methodological approach to the evaluation of insurance securities as well as an up to date accounting of significant events affecting the industry. Investment specialists' report to IBA points out diverse investment advantages found in life companies and in leading fire and casualty underwriters are difficult to find elsewhere. The report also analyzes the impact of the new tax on life insurance companies.

Why insurance securities deserve serious investment attention is stressed in Insurance Securities Committee report delivered to the Investment Ban- 
ers Association at its annual meeting by Chairman Shelby Col- 
son Davis of the firm bearing his name in New York City. The committee's report makes clear that leading stocks offer varied opportunity to meet almost any investment objective and offers security and stability of cash dividend returns matched by no other industry over the past century and more due to its breadth of diversification.

The text of the Report follows:

The Scope of Insurance Securities

The majority of investors tend to consider insurance securities of a size and complexity not warranting serious attention. As a consequence, investment in the field has been preempted, in large measure, by a relatively small group of sophisticated institutions.

The field of insurance investment, however, is quite large and offers a wide choice of different types of securities to meet varying investment requirements. For example, there are about 50 stocks in the Fire and Casualty industry with fairly active markets and perhaps 15 or 20 which can be said to have broad markets. Taking 15 of the largest companies in which general investors might participate, one finds a total net worth (capital and surplus) as of Dec. 31, 1898 of $3.4 billion. These 15 companies constitute considerably more than half the total stock insurance business.

Total assets of all stock fire and casualty companies are equal to the size of the oil industry. The insurance industry is larger than steel, chemicals, automobiles, paper and other such important investment areas.

The life insurance business—while dominated by mutual companies—also has an active group of stock companies having total assets of the order of $30 billion, issued capital of a billion and surplus of $1 billion.

Combining leading property insurance companies, total capital and surplus is over $5 billion and total market value of the stocks is over $2 billion. The foregoing figures are rough approximations of the size of the industry of real investment consequence.

The scope of the industry in terms of the service it provides is almost without parallel. Every productive activity is, almost every individual is directly a customer and everyone is indirectly a customer, and the company is directly related to overall economic prosperity. The industry's record in time of peace with the growth of the nation's prosperity is shown to be truly outstanding.

To meet the reason by reason of the much more rapid growth of other forms of insurance, the life industry's relative standing is shown to be much more rapidly growing in proportion to the whole economy.

The leading stocks of the industry are the ones on which a shareholder or an investor in a variety of opportunities, in the insurance field. For example, fire and casualty underwriters offer lower insurance costs with premiums of greater than average growth in value. On the other hand, current yields of greater amount than available in the average industrial stock may be had in many of the old line property companies. For the investor is a fact involved in participating in the common stocks of the fire and casualty companies offer prime investment stocks at a discount. Others offer a greater margin of safety on a bond market with its rising interest rates and increasing safety. In this category, the life companies and the common stocks of the casualty companies can be listed. Thus, the scope of the industry offers the investor an almost complete choice of diversification. For the fact is that there is a cross section of the best investments in all other industries.

II A Basic Approach Toward the Analysis of Fire-Casualty Securities

Although there are approximately 800 stock fire-casualty companies and 3,000 mutual companies in the nation, market interest in fire-casualty securities is concentrated in about 40 companies, representing approximately 90% of the total company premium volume. Most of these companies have extremely simple capitalizations (continuous, undivided funds) and have very large fire-casualty companies. The companies whose stocks are publicly quoted are large, with stock in many or stock in the general public, as well as in many or stock in the general public.

contd. on page 64
Report of IBA Municipal Securities Committee

Principal developments of interest to municipal securities industry are reviewed in the Municipal Securities Committee report to investment bankers for their 6th annual Nation's Municipal Conference. In the summary of significant "metropolitan area" problems and their solution, the Committee said the subject had been "definitely" placed on the agenda because of the current interest in general obligation and revenue bond issues. The Committee noted that the market has shown an interest in tax-exempt superior bond issues. It was noted that several states have been pressing for "general obligation bonds" for new and improved facilities, and one state has included in its bond issue the payment of a certain amount of interest without state aid.

The Committee cited the "Fundamentals of Municipal Bonds" as a publication which the Committee has supported and which has had a "considerable" effect on the market. The Committee also cited the "Handbook on Municipal Bonds" as a "very helpful" publication.

Copies of the book are available at $2.00 per copy from the IBA.

A special subcommittee of the Committee has been working on the "Handbook on Municipal Bonds." The subcommittee is working on a "bundle of laws" which it is hoped will be published in the near future.

The Committee also noted that the Committee had been working on a "bundle of laws" which it is hoped will be published in the near future.

At the meeting of the Board of Governors of the IBA in September, the IBA President Kerr appointed a special committee, consisting of present or past officers of the Board, to study the problems of the municipal bond industry and to make recommendations to the IBA Board of Directors on the appropriate actions to be taken.

The Committee also noted that the Committee had been working on a "bundle of laws" which it is hoped will be published in the near future.

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Report of IBA Government Securities Committee

Even with a balanced budget in the offing, the bond market can expected to be under considerable pressure bound to result from improving business conditions causing banks and corporations to liquidate their government securities' holdings to accommodate increased financing needs. In pointing out this problem, the committee recommends the use of advance refunding techniques to overcome the shorter and shorter positions of Treasury debt maturing.

A report submitted by Robert B. Blith, senior vice-president of the National City Bank, to the Investment Bankers Association at their annual meeting, scored the "potentially inflationary tenter-box" found in the composition of our Federal debt. The Government Security Committee recommends, under existing Congressional-imposed wise-like conditions, that the Treasury refund outstanding debt before the approach of the maturity date gives the investment a shorter character.

The test of the Report follows:

The Treasury has just completed two calendar years of deficit financing. The deficit in 1960 was the largest peak deficit in history only to be followed by an even larger deficit in the year just drawing to a close. The budget deficit in calendar year 1958 was $7.1 billion and indications are that 1959 will produce a deficit of between $7.5 billion and $8 billion.

There was a striking difference in the way these two deficits were financed. The 1958 deficit was financed through the banking system. Bank holdings of government securities in that year increased by an amount that exceeded the amount of the deficit and other segments of the economy in the aggregate liquidated Government securities. In 1959, however, this has not been true. This year will show a substantial reduction in bank holdings of Government securities. This means that nonbank investors have not only financed the entire deficit, but in the year may well have taken more than $6 billion of Government securities from the banking system.

Most investor segments of the economy outside of the commercial banking system increased their holdings of Government securities in 1959 in response to the higher level of interest rates. The most important sources of funds have been corporations ($4.6 billion est.), miscellaneous investors (over $32 billion est.) and individual investors ($3.4 billion est.). These are at best informed estimates, but the total of $13.2 billion cannot be far from the total.

Interest rates are temporarily below the yield to maturity of 4½% on May 15, 1964. If this were to occur, the Treasury would be well advised to reduce its borrowing in order to maintain a lower level of interest rates. In the next few months, the Treasury should be ready to make a major reduction in its borrowing in an effort to lower the interest rate level.

The "Magic Fives"

Looking back over the year, perhaps the most important event was the issuance of $2.5 billion of 5% notes due in 1964. This issue which followed the successful of an issue of 4½% on May 15, 1964 brought a dramatic response from the public. There actually were more separate individual subscriptions than there had been in any offering of marketable Government securities in recent years including those offered in 1948 during the last days of World War II.

The immediate success of this 5% issue in terms of investor response marked at least a temporary turning point in the market. Through the cash offering of the 5s and the successful 4½% and 4½% refunding issues the Treasury found that there was a strong latent demand for Government securities from individuals on these attractive terms. This is not difficult to understand when you consider the rate of earnings on savings and the attractions of long-term mortgage rates are blessed with 4½% earning power. These "Magic Fives" restored the market's confidence by proving that the Treasury could do substantial non-bank financing, and they relieved mounting pressures in the short-term market.

The short-term market was reaching a high not seen since before the Great Depression. The sale of the 5s and the issuance of the other notes due in 1963 and 1964 restored over-all credit pressures within the banking system because they attracted widespread non-banking supply. The supply of one-year paper was substantially decreased, and this relieved the pressures on interest rates in the one-year area. As a consequence, the Treasury has been able to offer its marketable debt which has been held by non-banking institutions for far from adding to the interest cost of carrying the public debt may well have served to reduce the cost of the public debt. The Treasury notes in 1964 and 1965 were placed in refunding operations. Recently the Treasury has offered the holders of $1.6 billion "F" and "G" non-marketable bonds in exchange privilege into the 4½% notes due in May, 1964. If this were to occur, the Treasury will have issued over $10 billion in 5% notes.

Figures are not yet available as to ownership of these issues, but there is good reason to believe that they will show a much lower percentage of non-bank ownership.

Add to Taxpayers' Cost

The Treasury has been forced to confine its marketable debt financing operations to securities with a maturity of less than five years. This yields to a level above the 4½% interest rate ceiling on bond financing and by the failure of Congress to eliminate or increase this interest rate ceiling. The Governmental Securities Committee of the Investment Bankers Association desires to go strongly on record as favoring the elimination of the interest rate ceiling. Far from saving the taxpayers' money, we believe that the interest rate limitation may actually increase the cost of servicing the public debt, a cost that must ultimately be borne by the taxpayers.

For one thing, an inevitable result of the interest rate limitation is to force a disproportionate building up of the short-term debt. This in turn will cause interest rates on that part of the debt to reach artificially high levels. In addition, this expanding short-term debt, which can be readily convertible into cash by the holder is itself a potential inflationary tinder box that may some day be lighted.

The marketable debt due in May, 1964, will aggregate approximately $7.9 billion as compared with $7.3 billion at the end of May, 1958 and a previous peak of $9 billion at the end of 1953. The one-year debt has been held in check reasonably well this year by the sale of notes due in 1963 and 1964, which was certainly extremely desirable but is after all only buying time to deal with the main problem of debt reconstruction. While the one-year debt has held fairly steady, the one-to-five-year.maturities have climbed steadily. There were about $28 billion at the end of this year and will increase to more than $37 billion in approximately $33 billion in the next few years.

The total marketable debt due within the calendar year of May 15, 1964, is approximately $76 billion, which represents a total of over $25 billion since the beginning of the calendar year of May 15, 1964. If this debt is not sold to the market, then the Treasury will be forced to use its ability to float short-term debt management, the most important tool it has at its disposal, to service its debt.
give the Treasury one additional weapon in its debt management operations to enable it to hold onto existing investors in Treasury securities.

Respectfully submitted,
GOVERNMENTAL SECURITIES COMMITTEE

Robert F. Blyth, Chairman
The National City Bank of Cleveland, Cleveland, Ohio

Milton S. Berenbaum
First National Bank of Chicago, Chicago, Ill.

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Northwestern National Bank
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Joins L. A. Caunter
(Special to The Financial Chronicle)

CLEVELAND, Ohio.—Ferdinand A. Longinie has joined the staff of L. A. Caunter & Co., Park Building.

Joins J. H. Ayers
(Special to The Financial Chronicle)

COLOHAD SPRINGS, Colo.—Lloyd P. Rigby has been added to the staff of J. H. Ayers & Co., 920 East Willamette.

J. W. Tindall Addis
(Special to The Financial Chronicle)

ATLANTA, Ga.—Chester C. Covey has been added to the staff of J. W. Tindall & Company, Fulton National Bank Building.

70 Years for Halle Stieglitz

Halle & Stieglitz, members of the New York Stock Exchange and other principal securities and commodities exchanges, is currently celebrating the 70th anniversary of its founding. Highlight of the commemorative occasion was a dinner for partners and members of the staff held Dec. 12.

Stanley J. Halle, Senior Partner, announced at the dinner that Elliott Bliss will be admitted to partnership in the firm as of Jan. 1, 1960. Mr. Bliss is joining Halle & Stieglitz from the investment banking firm of Morgan Stanley & Co., where he has been manager of retail sales.

The firm has operated under the Halle & Stieglitz name since its founding in December, 1880 and is still managed by members of the founders' families. Jacques Halle, the late father of the present Senior Partner, and Albert Stieglitz, the late father-in-law of a current limited partner, Louis G. Strasser, were the original founders of the firm.

Halle & Stieglitz acquired membership in the New York Stock Exchange on March 15, 1890 and subsequently the firm was admitted to membership in the New York Cotton Exchange on Sept. 8, 1892, the Chicago Board of Trade, Oct. 4, 1909; the American Stock Exchange Jan. 30, 1920; and Commodity Exchange, Inc. Jan. 5, 1934.

The investment house is headquartered at 52 Wall Street and maintains a branch office in Newark, N. J. In addition, it has long-standing business connections and correspondents in Los Angeles, San Francisco, Paris, Zurich, Amsterdam and other European and South American financial centers.

Mr. Bliss has had over 30 years experience in the investment banking field. Prior to joining Morgan Stanley & Co. in 1942, he was associated with Harriman, Ripley & Co., Inc.

Wm. Wehrmeister With
Henry F. Swift & Co.
(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—William Wehrmeister, Jr., has become associated with Henry F. Swift & Co., 400 California Street, members of the Pacific Coast Securities Exchange. Mr. Wehrmeister was formerly with Sutro & Co. and Irving Lundberg & Co.

Countrywide Inv. Co.

ENGLEWOOD, N. J.—Countrywide Investment Company has been formed with offices at 215 Engle Street to engage in a securities business. Officers are George Rothman, President; Edith Shallman, Secretary; and Bettina Stallman, Vice-President and Treasurer.

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Report of IBA Railroad Securities Committee

Concluding that 1959 final earnings which started out rather auspiciously will do well to approximate those of last year, railroad investment banking specialists declare that railroad industry's failure to report substantially greater earnings has diminished relation to its economic ability to earn larger sums. Their appraisal measures the impact of the steel strike, work-rule and other problems; probes courses of action; and cautions that even though the situation exhausts "the patience of most of us" it must be remembered considerable progress was made and needs time to be consolidated, and that the economies of transportation are definitely on the side of the railroads for mass transportation.

In its report to the annual meeting of the Investment Bankers Association, the Railroad Securities Committee under the chairmanship of Alfred J. Ross of Dick & Merle-Smith, New York City, explains why there is considerable hope for the future of the railroad industry. The hope the Committee points out, is based upon the expectation that Congress' regulatory agencies, labor, and the railroads will become more realistic about the railroad problem once it is properly explained. The bankers blame the unions for not having made, as yet, an educational presentation of the industry's predicament.

The text of the Report follows:

Another year has passed and the time has arrived onc again for your Railroad Securities Committee to render its report, reviewing briefly some of the more important happenings in the railroad industry during the past year, together with pertinent comment relative thereto.

In the first six months of the current year freight traffic continued the rise that began in the Spring of 1958, following recessionary tendencies in late 1957 and the first half of 1958. Combined revenues of all Class I railroads, representing all but a small part of all the railroads in the country, aggregated $5,023 million for the period July 1 to June 30, 1959. This sum constituted a gain of $400 million, or 10.8% over the $4,535 million of revenues reported for the first half of 1958.

Net earnings available for fixed charges (before deducting Federal income taxes) totaled $601 million for the first half of 1959, an increase of $23 million, as contrasted with the $448 million earned in the corresponding period of 1958. Coverage of proportionate fixed charges was 1.67 times for the first half of 1959 and the corresponding period of 1958.

It should be kept in mind that these are average results for all Class I roads combined, and that the results of the Eastern roads were well below the average. While some of these railroads scored substantial gains in net earnings, during the first half, nevertheless the coverage of charges and margin of safety for charges continues relatively unsatisfactory. If these weaker roads are not properly strengthened it will require the combined cooperative efforts of the Congress, regulatory agencies, management, labor and the public all working together to eliminate.

The dangerously low margins of safety for the railroad industry may be illustrated by showing the effects on net earnings of a decline in traffic. For the month of August, 1958, the Class I railroads reported aggregate revenues of $625 million, or 10.3% less than for the same month of 1958, due, of course, primarily to the steel strike. Net Operating Income (before Federal income taxes) was $60 million lower. Although almost all roads contributed to the comparatively poor showing for the month of August, many Eastern roads, more heavily involved in the movement of steel and related traffic, made especially poor showings. Roads such as the Pennsylvania, New York Central, Erie, New Haven, Delaware, Lackawanna & Western, Boston & Maine, etc. did not even earn operating expenses and taxes.

The inroads of inflated costs on railroad operations may be observed from the fact that whereas the Pennsylvania Railroad reported for August, 1959, Operating Revenues of $66,218,000 and a Net Operating Income Deficit of $1,240,000, it earned a Net Operating Income of $7,204,000 out of Operating Revenues of only $32,908,000 in the deep depression month of August, 1939. Corresponding figures for the New York Central for the same period were Operating Revenues of $51,387,000 and Net Operating Deficit of $1,990,000 for August, 1959 and Operating Revenues of $37,423,000 and Net Operating Income of $4,403,000 for August, 1933.

Although from an earnings standpoint 1959 started out rather auspiciously for the railroads, it now appears that final results for the industry this year will do little to approximate those of last year.

Throughout the year much publicity has been given to the railroad labor problem. Under the current three-year term labor contracts, effective Nov. 1, 1956, it was agreed there would be a three-year moratorium on changes in work rules. Coincident with the expiration of the three-year term, the roads have been served by expiring workmen's agreements, with demands for increased wages, which incidentally include no change in work rules, amounting to $760 million per annum. The significance of this sum may be gleaned from the fact that it represents about one and one-quarter times the average annual net income of the carriers during the relatively high traffic levels of the postwar period.

It is contended by management that "featherbedding"—"that is, work paid for but not done"—in the railroad industry cost the carriers in excess of $500 million per annum. Management has served the operating brethren with demands for rules changes that are designed to eliminate the featherbedding. In addition, there are demanding a reduction of 15 cents per hour in the hourly rate of wages.

The Association of American Railroads earlier this year prepared a booklet entitled, "Facts about Featherbedding in the Railroad Industry", in which it cites a number of examples of "featherbedding." In order that we might all be more familiar with the subject, we have abstracted several of the examples appearing in the booklet and list them below:

**Basis of Pay**

"A 7-hour run from Minneapolis to Chicago requires the three men crews. This costs the railroad, quarter the 190-mile basic-duty wage rule, four basic days' work, four for only 8½ hours of work (including all one and one-quarter times the hours of lay-over time)."

"The engineer who pilots a passenger train between New York City and Washington collects $200 a 'basic day,' pay for a run of about four hours over 225 miles of track. Not only that but after a lay-off of a few hours, he brings the train back to New York the same day, thereby collecting 4% basic days' pay for a total time spread of about 14 hours but only a little over 8 hours' direct work.

"Due to the lack of shop traffic space, a yard crew left two "bad order" cars on a lead track connecting the yard with the shop tracks. Shop crews from the mechanical department moved the two cars to the shop tracks by picking bar. The yard crew, a conductor and two brakemen received a day's pay because they were not called to do the job."

A yardman instructed a switchman to set hand brakes to secure the rear end of a train whose crew had been relieved from duty under the rules for an extra day's pay for his trouble."

Shop employees moved an engine from the roundhouse to the "hot track"—but in making the movement, it was necessary to use a few feet of track generally used by yard crews in yard service. A conductor and two brakemen put in a claim for a day's pay for not moving the engine over the few feet, but were paid the money."

"A switch engine foreman spent 10 minutes throwing a switch for

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**Note:** The rates represent a division of the sum of salaries and wages, health and welfare costs, and life insurance policies (all going to labor) plus net railway operating income minus capital.

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Continued on page 20
Report of IBA Railroad Securities Committee

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underwritten by the Department of Commerce at the direction of President Eisenhower, the Senate Committee on Interstate and Foreign Commerce, under Section 29. These studies, which should be completed within a few months, it is hoped, will result in clarification of the railroads problem followed by remedial action at the next session of Congress.

It has long been the contention of General Counsel, which has been consistent in viewpoint, that the railroad rates prescribed by the Interstate Commerce Commission have not been related to the real costs of rail service. Efforts were made last year to correct this situation for the first time in the history of this Commission.

Bogged Down Mergers

Major railroad consolidations have been in progress for the past year. Although the picture of the railroads includes a host of companies, there is a strong feeling that the recent decisions of the Interstate Commerce Commission, as to the formation of the several new railroad consolidations, will result in a steric reduction in the number of companies, and form a result, in a more efficient and more efficient railroad organization.

Current Studies

Recent studies of the national transportation system are being undertaken. The financial, political and legal problems of the railroads are receiving thorough study, and the report of the Senate Committee on Interstate and Foreign Commerce, under Section 29, should be of great assistance in determining the best course of action.

In conclusion, the IBA Railroad Securities Committee wishes to say that the railroad problem can and must be solved. Respectfully submitted.

RAILROAD SECURITIES COMMITTEE

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Bradley Secs.

Bradley Securities Corp. has been formed with offices at 342 Madison Avenue, New York City, for the sale of railroad securities. The officers of the company are: President, and D. B. Sommers, Vice-President and Secretary.

Louis Brodsky Opens

QUEENS VILLAGE, N. Y.—Louis Brodsky is engaged in a securities business from offices at 713-43 Francis Lewis Boulevard under the firm name of Louis Brodsky Co.

Joins Merrill Lynch

ZANEVILLE, Ohio—C. Richard Kuhn has become connected with Merrill Lynch, Pierce, Fenner & Smith Incorporated, 44 North Fourth Street.

Muir Inv. Jons Dempsey-Tegeler

SAN ANTONIO, Tex.—The entire staff and personnel of Muir Investment Corporation have joined Dempsey-Tegeler & Co. at that firm's San Antonio office with the changeover effective Dec. 15. Offices are at 191 North St. Mary’s Street. Stanley B. Muir and John Gatti will be Resident Co-Managers. A. H. Cartersall, Jr., former Chairman of the Board of Muir Investment Corp., will act as correspondent for Dempsey-Tegeler & Co.

Brown & Co. Formed

NEWTOWN, Mass. — George A. Brown is engaging in a securities business from offices at 194 Oxford Avenue, under the firm name of Brown & Co.

Cavanaugh, Tanner Formed

CANAAN, N. H.—C. H. Tavan, W. E. Cavanaugh, and C. H. White, have been formed with offices at 441 North Main Street, engaged in a securities business. Officers are Edward S. Cavanaugh, President; A. L. Cavanaugh, Vice-President; and A. H. Brown, Treasurer.

Form Great Eastern Secs.

NEWARK, N. J.—Great Eastern Securities has been formed with offices at 24 Commerce Street to engage in a securities business. Officers are Steven J. Kowalski, President and Treasurer; Carmen De Carlo, Secretary; and Neil O’connor, Vice-President.
Succinct analysis of atomic energy developments—past, present and future—shows progress and changes made here and abroad. This includes latest revised contractual arrangement with Canadian uranium firms; impact of coal surplus on contemplated European reactors; shifts in technological emphasis, such as the crucial importance of thermal breeders; AEC's proposed capital grant increase toward total nuclear power plant costs; and milling conditions.

The text of the Report follows:

The Nuclear Energy Committee Report last year indicated that the possibility of fusion or thermonuclear energy becoming realized in a controlled fashion can be dismissed for the next generation at least. During the current year, the controlled thermonuclear research program, sometimes referred to as "hunting the reaction of the hydrogen bomb," has been subjected to a searching revaluation following the Geneva Conference on the Peaceful Uses of Atomic Energy in 1958. It has been decided to delay the construction of larger and more expensive devices for conducting research on thermonuclear reactions, and operating costs of the fiscal year 1960 will remain at about the same level as for 1959, i.e., approximately $230 million. With the British we have a joint research program in the field of experiments in thermonuclear reactions, permitting an exchange of information free from the barriers of classification. The current stress is on learning about the behavior of hot plasma (superheated, electrically charged gas—the "fourth state of matter"), and the Great Britain Atomic Energy Authority, in England, after a year of optimistic conclusions in early 1959, has now decided to use a more basic approach to the problem. About the middle of 1959, the Authority abandoned some of the thermonuclear equipment used in research work up to that time.

In brief, then, the achievement, of a controlled thermonuclear reaction will require many more years of intensive basic study and hard work before ultimate success becomes a reality. In any event, it will not render fusion reactors obsolete.

AEC Budget for Fiscal Year 1960—Raw Material

The present Atomic Energy Commission's budget for the fiscal year 1960 calls for expenditures of approximately $2.7 billion, about the same amount expended in 1959. This includes $738 million for raw materials and covers the purchase of uranium oxide (UO₂) from our domestic mills, as well as from Canada and South Africa. The known uranium ore reserves in the United States amount to 88.9 million tons with a content of 250,000 tons of uranium oxide. The proven reserves in Canada amount to 377 million tons, inclusive with 285,000 tons of uranium oxide. The South African uranium deposits hold 1.1 billion tons of ore containing 70,000 tons of uranium oxide. With a yearly production level of about 15,000 tons of uranium oxide per year in Canada and 0,000 tons in South Africa, the ratio between reserves and planned production in these countries is indeed quite high. Therefore, the AEC is working toward the end that these nationalities will be able to meet their increased needs for nuclear energy through the year 2000. In the meantime, however, the milling capacity indicates an output of 250,000 tons per year, and the ratio between reserves and current output in this country is only about 12. It is evident that not too many years will elapse before an active uranium exploration program is resumed.

Regarding Canada, the bulk of Canadian output is being delivered to the United States and the USAEC has options for extending their contracts through 1966 at $8 per pound of uranium oxide. Most of the Canadian contracts expire on March 31, 1962 with a few running to March 31, 1963. There is no commitment as yet to exercise these options which expire early in 1961, and the situation is not apt to become clarified until the latter part of 1960. Much concern is manifested in Canada as to what the United States attitude will be.

The South African milling contracts were signed on a 10-year basis with some expired in 1964 and the others in '65. Because of the low grade ore and the large capital cost and operating expenses of the mills, a 10-year basis was required to avoid an excessive amortization charge per pound of uranium oxide. It must not be forgotten that these contracts with South Africa were entered into at a time when this country was the only major source of supply.

The total Free World output, including the Belgian Congo, Portuguese, etc., will soon be about 45,000 tons of uranium oxide per year. In the United States, most milling contracts have been extended by the AEC until Dec. 31, 1966. The purchase price will be $8 per pound of UO₂, after the expiration of the present contracts, which means a reduction for most mills and an increase for a few, amortization excluded.

The Need for Uranium

The peaceful applications of atomic energy will not require anything like 45,000 tons of uranium oxide per year until probably 1970. Definitely, there is going to be a temporary gap between production and demand and it does make sense not to increase the milling capacity beyond what is now in operation. On the other hand, when the present contracts expire, it would be completely foolishly for any country of the Free World to permit the present mills to go out of existence. Too much money and effort have gone into the program. It would, in fact, be inconceivable to allow some of those mills to deteriorate or become impaired only to have to recondition them later with a probable extended capacity. As we have indicated, the first country to be affected by these circumstances is Canada. In this respect, some Canadian uranium milling companies received unfavorable publicity in 1959 because they ran into financial difficulties incurring curtailting operations or the contracts per se, but reconditioning them at such a rate of as much as one year in starting milling operations. The effect of these delays, combined with the contractual limitations in monthly deliveries of uranium oxide, made it impossible for certain companies to generate enough cash to meet sinking fund obligations on some of their bonds or debentures. It became necessary in various instances to convene bondholders' meetings to postpone some of the maturity dates. All of these companies should now be able to meet their financial obligations over the period of the contracts.

In last year's report, our Committee indicated that the total installed nuclear capacity in the Free World would probably be 20 million kilowatts in 10 years. This still looks today like a plausible goal. Even this sizable amount of nuclear power will be small in comparison with the total installed capacity in electrical plants in the Free World of close upon 500 million kilowatts. It is interesting to ascertain what the uranium requirements may be for such a program.

Some figures are still classified where they pertain to the inven¬
tory and fuel burnup in certain reactor prototypes. The agreement with the European Atomic Energy Community — referred to as "Euromat"—however, is still unclassified, and in the public domain, calls for us making available 20,000 kilograms of uranium-235 to cover the inventory needs (9,000 kilograms) and the fuel burnup (11,000 lbs.) over a 20-year period. These...
Report of IBA Federal Taxation Committee

The Commercial and Financial Chronicle . . . Thursday, December 17, 1939

IBA's taxation experts urge reduction in capital gains tax with maximum rate at 15%, raising the loss limitation to $5,000, allowing full reinvestment treatment as now accorded to home owners, and diminishing the "locking-in" effect of the tax to a reasonable relationship to the value of the assets sold—about 4½%. They also urge reducing the maximum personal income tax rate to 50%; and increasing tax on dividends to 20%. Finally, the committee disapproves of forbidding withholding of taxes on interest and dividends. It suggests, instead, using the cooperative approach to the Treasury's effort to reform tax law.

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A Call for More Private International Financing

Continued from page 21
that there could be no possible misunderstanding of the Export-Import Bank unani-
mously supported the administration's recent recommendation that both the International Monetary Fund and the International Bank be increased. My own personal opinion has been that certain of the member countries should pay what I might lightly refer to as their "delin-
quent duties" and that those countries which have consistently placed purchase restrictions on their subscriptions made to date should be further encouraged to release them. This, I repeat, is a purely personal, and not official, observation.

Having made these comments with regard to the two institutions—the International Bank for Reconstruction and Development and the Export-Import Bank, both of which operate in the international field—it must now be emphasized our respective approaches to the activities of the Investment Bankers Association are basically from different angles.

The members of the Investment Bankers Association have done an outstanding job in the distribution of International Bank bonds. The Eximbank, being a wholly owned Government corporation, does its borrowing from the U. S. Treasury by Congressional authority and therefore has no bonds for sale. Let me repeat, however, that the Eximbank pays to the Treasury interest on all monies placed in the hands of securities or divi-
dends on its capital stock.

Invite Equity Financing Partnership

Where we could not be able to sell and possibly should work more closely with the member-
ships of the Investment Bankers Association is in the field of equi-
ties. In other words, it is conceivable a joint venture might be arranged where in the Eximbank could provide debt capital for purchase in the United States and investment bankers could provide all or a part of the equity, and precedence arrangement for management contracts if necessary or desired. If, in the putting together of a so-called "package deal" investment bankers could place all or a part of the senior debt financ-
ing with any private or institutional investment bank too would make us very happy.

We in the Export-Import Bank are dedicated to helping the President and the Administration balance the budget, and at the same time we want to maintain our wide fields to the export inter-
ternational trade. To the extent that private capital replaces the activities of the Exim-
bank, the U. S. Treasury is re-
lieved from a corresponding extra-
ordinary and a contribution is made toward the desired end.

There are many ways in which private capital and investment bankers can work in fields pio-
voked by the U. S. Government and through the Export-Import Bank. For example, the U. S. Government, through the Export-Import Bank, made in 1954 the original and basic loan of $100 million to the European Coal and Steel Community. The Commu-
nity has since, by its own understanding, quite properly looked to the private banks both in this country and in Europe, for its subsequent private financing. On Feb. 9, next, the Southern Peru Copper Corporation project which has been under construc-
tion for the past four years will be officially dedicated. The Ex-
port-Import Bank has made more than $100 million for pur-
chases in the United States. The equity is owned by four compa-

ers with which investment bank-

private capital replaces for appropriate American Smelting and Refining Company, Phelps Dodge Corporation, Cerro de Pasco Corporation, and Newmont Mining Corporation.

In 1954 the Eximbank extended a credit of $16 million to the Gov-
ernment of New Zealand to assist in building a paper and pulp project which, now that it has been completed, involved a re-
ported investment in excess of $10 million. Only $13 million of the credit was used, approxi-
ately $4.5 million has been paid, leaving $8.4 million outstanding upon which semianual payments on the incidental interest are being made regularly.

Here I have given but three ex-
amples of credits extended to (1) a sovereign government; (2) a wholly-owned U. S. operation, and (3) a sovereign government. Many more examples could be given of credits to governments, government entities, and private companies which now finance wholly or in part through private banks and the Export-Import Bank. We also have examples of foreign private and mixed compa-

nies which did their original financing through the Eximbank and which now handle their cur-
rent credits directly in the private markets, both in the United States and in Europe. And that is as it should be.

Favors Two-Way Trade

Now, and in conclusion, at the Export-Import Bank are dedi-
cated to the furthering of in-
ternational trade. We are con-
vinced that a soundly financed, will contribute to a strong economy within our own country, furthermore, and makes a contribution to raising the standard of living throughout the world. Last, but surely not least, it is a profitable two-way trade results in the strengthened relations with our allies throughout the Free World.

We at the Export-Import Bank have welcomed as the newest member of our Board of Directors, President Eisenhower's recent ap-
pointment, a former Investment Bankers Association mem-
ber, James S. Bush. We welcome pro-

gress in the highest interest in our dealings with the Export-Import Bank.

"An address by Mr. Wouah before the 40th Annual Convention of the Invest-
ment Bankers Association of America, Bal Harbour, Fla., Dec. 9, 1955."

Public utility investment bankers contend that despite some helpful amendments to the act authorizing TVA self-financing, which provides for certain business accounting practices, the concept still constitutes a serious defect for the private enterprise system. The argument is that the gross disinvestment from public power; demand that government operation pay the going rate of interest; and review current proposals being made for more public power. Pard the accomplishments of the private power sector, the committee presents statistics showing continuing growth and greater need for more capital.

Sensing a continuing improvement in fair regulatory treatment for privately owned public power, the Public Utilities Committee report to the IBA painted an optimistic picture of future growth. However, the Committee greatly feared a ruinous threat inherent in TVA's self-financing authorization and again, as in the past, urged generally for the elimination of all public-owned public power projects. The concise, forceful Committee report was submitted by Thomas M. Johnson, of Johnson, Lane, Space Corporation, Savannah, Ga., to the IBA at its Annual Meeting.

The text of the report follows:

There is a philosophy of history contending that advancement in society occurs only when opposite points of view are successfully resolved into some new synthesis. Compromise as a method of progress is thus sanctified, and the resultant concept is deemed to be demonstrably constructive because it secures an outcome of interest to all. The Tennessee Valley Authority Act represents an attempt to combine security and enterprise. Your Public Utility Securities Committee accepts the achievement with what philosophy it may consider, and leaves to others the new problems thereby engendered.

You will recall that at our Spring meeting, in May, 1938, the Board of Governors of this Association conferred the recommendations of your committee that support be given the utility industry in its battle against the legislation being proposed to the Congress by the proponents of public power authorization. The Tennessee Valley Authority Act was reviewed that far from solving the public power problem, the amendments originally advanced by Senator Kerr in the 68th and 69th sessions of Congress, but finally and completely emasculated the three vectors of this great government energy project from any effective Executive or Congressional control. We believe that the design would encourage indefinite expansion into territory and power at enormous cost, and that it would, in effect, undermine and bankrupt the inequitable financing. Specifically, we recommended the divestiture by the Federal Government of the TVA and other similar power projects; and until this was done, we proposed amendments to the act for the following further extension of the authority and compelling it to charge rates adequate to cover proper taxes and interest and amortization on the taxpayers' investment in power facilities.

Concessions That Were Made

The amendments to the Tennessee Valley Authority Act were incorporated in Public Laws 127 and 157 of the 86th Congress and were approved by the President on August 14, 1939. Authorization has now been granted TVA to issue up to $750,000,000 of revenue bonds to the public with virtually no restriction on the method of financing or the use of the proceeds. There was no sign of reversing the socialistic trend toward greater government participation in business, nevertheless, concessions were, however, made in the form of a modification that met most of the interim suggestions made by the utility industry. The service area of TVA was to be limited to presently covered plus not more than an additional five miles around any public power plant. Accordingly, it was agreed that the Authority must henceforth pay an annual return to the government on some $1.5 billion of public power investment at a rate equal to the cut of the average interest cost of the Treasury's publicly held obligations and state and local bonds. Authorization of $1.5 billion of the taxpayers' investment is to be followed so that the total amount will be reimbursed to the Treasury in 1944. The Authority is required to charge rates sufficient to cover all costs of operation, maintenance and administration of the power facilities, provide debt service on securities outstanding, and in the hands of the public, make payments to states and localities in lieu of taxes, and pay interest and return surplus profits to the government in proportion to the investment in the same manner described.

The concept now written into law limits the ability of the independent government enterprise. It is apparent that the ability of individual utility to serve, and therefore to obtain federal appropriations changing from this supervision. Furthermore, the act requires the Federal public utility to perform its basic function of providing service for the public will accept and be subject to the terms of the new law pointedly states that this act is not subject to the jurisdiction of the Federal Public Utilities Commission, and the public will accept and be subject to the terms of the new law pointedly states that this act is not subject to the jurisdiction of the Federal Public Utilities Commission.

The act declares that the TVA shall not be subject to the jurisdiction of the Federal or state law and counsel for the National Association of Electric Companies states his opinion that the Public Utilities Commission will have no authority to interfere with any operating procedures or contracts. Although the utilities have not been declared to be a federal corporation, the act is interpreted to contain the TVA at this time, nevertheless, acceptance of the principle of self-financing is in our opinion a serious defect for the private enterprise system. Although the establishment of the national power and transmission system no longer exists to arbitrate between contending factions—this basic operation of private interest; instead, it is a mighty competitor against the utilities. In the present situation, any utilities have already been left for its largest steam-electric plant to be located in Paradise, Ky., and estimated

**ELECTRIC UTILITY INDUSTRY**

<table>
<thead>
<tr>
<th>Year</th>
<th>Electric Production (Thousands of kw)</th>
<th>Installed Generating Capacity (Thousands of kw)</th>
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<tr>
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**SOURCES:** Electric Power Statistics—Federal Power Commission.

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offers loans for full construction costs to telephone and electric co-operatives at 5% interest even though the Treasury has been forced to pay us as high as 5.5% for relatively short-term money. In the case of the REAS the President of the Edison Electric Institute recently pointed out that over 95% of the farmers in America are now being supplied with electricity and that these cooperatives have now expanded to the urban, commercial and industrial businesses as well as into the generation and transmission of electricity. In the past few years their commercial and industrial businesses has doubled, and currently three of every four REA customers are non-farm. Where it was possible to invoke the general welfare, certain grants may have been justified but the original intention of the REAs has been completed, and no reason exists for continuing this "most serious major competitor of investor-owned utilities." The obligation of TVA to pay the going rate of interest should set a pattern for all government lending policies, and we urge that legislation be adopted to force compliance upon other government agencies in the future.

The interest subsidy, however, seems to be deeply imbedded in the way public utilities are run in the public interest. Another example of this is the revived proposals to undertake the project abandoned in 1896 for harnessing the power of Panhandle Bay for power production. An International Joint Commission on U.S.-Canadian Waters has announced its preliminary studies of feasibility after a three year and $3 million study. The Engineering Board has proclaimed that "the time has come" to combine "with a hydro-electric plant of the E. R. A. (Rapid) on the St. John River; that the dam be constructed to provide a dependable source of 2,500,000 kilowatts. This works out at a cost of 145.8 cents per kilowatt dependent, and based on an output of 30 years, the cost of power without any allowance for displaced taxes would be 3.4 cents per kilowatt hour in the United States. These costs, and those of other Federal and State economic feasibility of the whole project had been established with an assumed interest rate of 2.5%. Though we will not take the time here to estimate what the cost should be, we will have much more of this nature if this proposition makes further headway.}

Other Public Power Proposals

Another proposal for a Federal power enterprise is now being discussed in Congress. This is the Burns Creek Project in the Upper Snake River Valley of southeastern Idaho about 30 miles downstream from the proposed location of the Bureau of Reclamation. A proposal by the Idaho Power Company from Idaho, S. 281, was passed in the Senate, 24 to 29, along with an identical House bill, H. R. 1255. It is now before the House Subcommittee on Reclamation and a development. Though decried by some as another "grow-in" project, Burns Creek is primarily a hydro-electric installation with 98% of the cost allocated to power. If it would have 90,000 kilowatts of installed generating capacity and develop about 1½ billion kilowatts a year. The cost is estimated at $458,000,000 and will admit it be uneconomic with net annual revenue of 6.25 cents and a 2.5% interest rate of meeting annual interest charges. The Federal Reserve Board of Idaho, S. 281, is now before the House Subcommittee on Reclamation and the Bureau of Reclamation. Though decried by some as another "grow-in" project, Burns Creek is primarily a hydro-electric installation with 98% of the cost allocated to power.

It should be pointed out that the Burns Creek Project is wholly unsound. It will not appreciably add to the irrigation potential of the valley. It is not even capable of meeting the Army engineers' meeting all requirements and have additional objections to the project to meet every foreseeable future development plan. The project as a whole, as an attempt to introduce a new concept of large-scale development, "Senator Neuberger enunciates it as a public utility responsibility to supply the net wholesale power needs of distributors or consumers who desire to purchase it." Mr. N. R. Bennett of the Bureau of Reclamation testifying before the Senate Subcommittee clarified the Bureau's position. Reporting on the question of the ability of public utilities to take the project and keep it going, he said: "these people now have contracts for power with the Federal Government, and we believe that they should continue to receive from us at the same rates that we do our present customers; that we power to meet their growing load..." But Senator Neuberger was the sponsor of the bill and in subsequent debate, he moved the motion before the Committee in my opinion clearly demonstrated that an effort was made to get a commitment of future use for the project. It was moved to strike the word "shortage" for the "frequent" use of the word "power" by Mr. Smiley. I am unable to give the Committee the point of a serious rejoinder by Mr. Smiley, Frequent consultation with the Federal Government should establish the necessity of meeting all requirements of preference, etc...
We cannot close this report without stressing once again the warnings we have issued in the past: always the real enemy of the process by which we have been retaining in our country is the ancient tyranny of the State. Its methods may be more subtle and insidious than the nakedness of the armed force, but there is no disguising that steadily it encroaches, and even spreads. Every man, every woman must guard against the ever growing power of the State, and its agents must not be allowed to trample on the rights of the people.

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Chicago Analysts Forum

CHICAGO, I11. — The Investment Analysts Society of Chicago will hold their annual forecast forum on Dec. 17 in the Grand Ballroom of the Midland Hotel. Speakers will be Arthur Rosenbaum, econo-

mist of Sears, Roebuck and Company; John Perkins, Vice-Presi-
dent of the Continental Illinois National Bank and Trust Company; and Ragnar D. Næs, partner of Næs and Thomas.

La Branche & Wood & Co. New Firm Name

On Jan. 1 Francis P. Rosenbaum and Francis F. Rosenbaum, Jr., both members of the New York Stock Exchange, will be admitted to partnerships in La Branche & Wood, 120 Broadway, New York City, and the firm name will be changed to La Branche & Wood & Co. Both are partners in Rosen-

baum & Co., which is being dissolved.

Edmund Shiles Opens

CHAMPAIGN, I11. — Edmund Shiles has opened offices at 44 Main Street to engage in a securities business.

A. M. Silverman Opens

WINNEBEC, Pa. — Allan M. Silverman has formed A. M. Silverman & Co. with offices at 120 Liberty St. to engage in a securities business.

R. F. Tomlin Opens

ROCKVILLE CENTRE, N. Y. — Robert F. Tomlin is conducting a busi-

ness from offices at 72 Broadway.

Canadian Bank of Commerce Elects

TORONTO, Canada — James Stewart and N. G. McKinney, retiring Chairman of the Board of Directors of the Canadian Bank of Commerce, and N. J. McKin-

nnon, President, has been an-

nounced. Mr. Stewart will continue as a member of the Board of Directors. It was also announced that W. M. Currie has been ap-

pointed Deputy General Manager of the Bank. He has been an As-

sistant General Manager at the head office in Toronto since May, 1959, and prior thereto he was Assistant General Manager and Regional Superintendent of the Bank's Central West Region, with headquarters at Winnipeg, Manitoba.

Mr. Stewart came to Canada from Scotland and entered the service of the bank at Sherbrooke, Quebec in 1914. He was appointed General Manager in 1948, Presi-

dent in 1952, and has been Chair-

man since 1956.

Mr. McKinnon was named Gen-

eral Manager in 1952 and has been President and Secretary of the bank since 1956. Mr. McKinnon is a native of Wallingford, N. Y.

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Report of IBA State Legislation Committee

Investment Bankers Ass'n Committee on State Legislation pass fellow bankers on state legislative matters transpiring in the past year affecting investment banking. The Committee, thus, offers a state by state summary of amendments to state blue sky laws, state regulations, and the interpretation of State Blue Sky Law Commissioners worked up in cooperation with the IBA subcommittee headed by Robert Pedesta of Gruttenden, Pedesta & Co. to facilitate the passing of variable annuities and of gifts under the Gifts to Minors Act.

Dedicated to the goal of a closer working relationship between the investment banking industry and state legislatures and administrations, the State Legislation Committee of the IBA reports on what has been done this year to facilitate the providing of funds for industry, and State and local governments. The Chairman of the Committee is Governor A. Newton, of G. H. Walker & Co., St. Louis.

The text of the Report follows: In accordance with state legislation relating to investment banking, your Committee endeavored to emphasize the fact that investments bankers and the industry perform a function essential to the American free enterprise system in providing funds for private industry and for state and local governments, and (2) the industry overall has demonstrated its dedication to high ethics with investment bankers conducting their business with such integrity that occasional instances to the contrary receive considerable notoriety. Viewed with this background, it was hoped that legislation regulating the sale of securities might facilitate financing for legitimate enterprises and permit the orderly conduct of business by responsible and honest persons with a minimum of regulation, as well as being designed to prevent fraudulent schemes and to penalize irresponsible persons from engaging in the securities business. This Committee has repeatedly encouraged a closer working relationship between the legislative committees and the heads of the banking industry and members of state legislatures and administrative officials, so that there may be a better understanding of the functions of the investment bankers and the problems of carrying on the business.

During 1959 the Legislatures of 18 states were in session (including Alaska and Hawaii). The many important enactments are summarized in Appendix A. High lights of these enactments and significant administrative and judicial decisions are set forth as follows:

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**PUBLIC REVENUE BONDS**

**Continued on page 62**
Report of IBA Aviation Securities Committee

Aviation investment banking specialists propose certain remedial measures to correct what they find wrong in the aviation industry. These measures include: (1) taxing the Government (MATS) out of the airline business—except for hard-core military matters—to establish an economically important air-cargo industry; (2) having the Government provide assistance in developing new cargo planes for more efficient operations without reliance on government loans; (3) confining the Civil Aeronautics Board to the philosophy and principles of the CAB Act; and (4) calling for the appointment of an outstanding individual to study the air transportation regulatory problem and to develop a new program.

Concerned about the strain and instability in the vital relationship between the Government and the aviation industry, the 10-man group of financial executives comprising the Aviation Securities Committee, headed by Walter M. Giblin, Vice-President of Blyth, Eastman, New York City, presented to the Congress a series of proposals designed to redress the situation, particularly in light of the Soviet threat to our national security.

Text of the Report follows:

I Government—Industry Partnership

The critical danger threatening our national objectives in light of Soviet space plans, military power, and Communist economic predictions demands the full understanding and support of the vital partnership which exists between the U.S. Government and the aviation industry.

Together, they provide strength for free world defense. They strive to capture space leadership. They seek progress in trade, commerce, and travel through advances in air transportation.

In the year just passed, jet and space age activity gave some indication to the worth of that relationship. But the same period produced also a measure of strain and imbalance between industry and government not in the national interest.

We focus attention here on that partnership and conclude that therein, the capacity exists to meet the major challenges of our era. It is clear, however, that changes in policies and actions by the admit-tedly-senior partner (government) are vital to our continued well-being as a nation.

As before, the Department of Defense and our entire industry continue to produce the planes, engines, and complex weapons systems to launch the military rocket and arms race. Now the civil aviation space- age and space. The Space Administration joins this same race in a vain attempt to be an uphill fight for space supremacy.

The ads in special air travel transport field, the committee notes, of government and industry are alike linked through the Federal Aviation Agency and Civil Aeronautics Board. Consequently, and upper echelons of the Administration, of course, have a vital role to play.

Where are the major problems in this relationship? Where should we develop a program which will accomplish the purposes?

What are the points of achievement, and what is the significance of these achievements in the financial community?

II The Civil Aeronautics Board

Cumberson procedures that block, quick, sure decisions historically have strained the CAB's potential facilities and resources. Charges of bureau red-tape have long been levied at this agency by the airlines, aircraft manufacturers, and others concerned with the economics of aviation civil aviation.

Carriers charge, moreover, that the Board acts quickly and decisively when it requests for fare increases. CAB has, too, failed to harbor a prejudice against air-cargo. Manufacturers, too, have received a privately-owned air transport industry.

Manufacturers see Board inaction as a serious problem to them because they are dependent upon the airlines' health for a large part of their own success.

The financial community and others concerned with the preservation of an competitive system and our economic well-being have added their voice.

One member of CAB, itself, Louis J. Hecter, in a recent letter of resignation, critically analyzed the agency and proposed radical reorganization which would transfer the policy-making and administration functions of the Board to other hands in the Executive Department. Whether the Board will ever come about or not, what is needed—and needed badly—is a new set of regulatory frameworks for the airlines.

Since the spring of 1956, when the Board initiated a General Price Investigation, the commercial and commissary industries have awaited determination on the establishment of new fares and a formula for setting future long-distance fares. Such a formula is vital to the new equipment provisions of the program and for airline planning for the future.

A few hopeful signs point toward 1960 as a year of progress in this and other crucial areas which the Board action. One sign is the intention of new leadership of the appointment of two and probably three new men to the Board by the Gra- man Board. Another evidence is the Administration, and within the CAB, itself, there is a determination that the agency at last should begin to live up to its business principles and step pace the remarkable growth of an industry which it is supposed to encourage.

The $2 billion worth of jets and turboprops now delivered or on order will need a program for the first step. Tomorrow will come huge financing of a new generation of supersonic transports, and a whole new set of policies dealing with making economic and regulatory action by the government.

Attention to economic, almost opposition, to the aviation industry and the problem of the industry. And finally, the question of the role of the Government in the industry. For in the years ahead, the transport airplane will wield too pow-
It appears that one way to end "tip service" to our space race with Russia is to exploit the advantages of the government's partnership with industry. We should get qualified men from the aviation—munitions—electronics fields—men marked with prestige and success—and permit them to give the country the benefit of their experience.

All the better support by our strong industrial elements can mean real progress in space leadership.

The recent appointment of Charles Critchfield, director of scientific research at Convair Division of General Dynamics Corp., as director of the Advanced Research Projects Agency, appeared to be an important step in this direction. Now Dr. Critchfield has withdrawn from this appointment because the goodwill and ethics of his company have been questioned by a member of Congress. Again in this instance the partners have failed each other.

IV

The Federal Aviation Agency

In an age when no major points on the world's surface are more than two days' travel time apart, it is encouraging to observe the efforts of the Federal Aviation Agency to spread the advantages of air transportation to more and more people.

Vigorous leadership by Administrator E. R. Quezada has been the benefit of this year-old agency to the task of modernizing our airways—installing radio and other electronic equipment, training larger numbers of traffic controllers, improving communications and developing new control procedures.

FAA is reducing the size of restricted areas to restore large areas of space to public use by closer integration between military and civil control within the FAA system.

The agency is looking ahead, planning for those missile-like transports "of the foreseeable future" which have been predicted—planes that would take off and land vertically, whisk passengers from Amsterdam to Los Angeles in 90 minutes.

Of immediate interest, however, are the efforts of FAA to promote civil aviation today in the United States.

High on the list is the complex problem of how to bring into being a truly modern, economical transport fleet to serve the logistical needs of national defense and to take advantage of the great commercial potential of air cargo. This is a target for determined action by the FAA.

The basic issues, although clear to Administrator Quezada and others such as Senator A. S. Monroney, Chairman of the Senate Aviation Committee, still remain wrapped in controversy.

They involve not only Congress and FAA but other government agencies including the Defense Department, the Air Force, the Military Air Transport Service, the CAB, the airlines, and U. S. and foreign manufacturers who are offering new air cargo designs.

The problem of finance—loans, grants, leasing—imposes new investment banking circles into the controversy.

General Quezada and Senator Monroney already have drawn plans to hasten the coming revivification in air cargo and to solve coincident problems, many with strong military implications.

Although affirmative action by the Administration did not come in 1959, the basic issues were brought into focus. They are worth examining.

V

Air Cargo: Modernization of Airlift

The headquarters of a nation creating a modern air cargo industry? Increase our brush with Italian airlift? Give modern, jet-fast logistical support to SAC's striking power?

Can a single aircraft design do all these jobs—and simultaneously? What is the future of power plant design?

Who should haul the bulk of government military personnel and cargo—MATS or the civil carriers? Should MATS be limited to a truly combat transport service?

Can private enterprise, left to its own devices, create a modern air cargo fleet, and, through the Civil Reserve Air Fleet, satisfy defense airlift requirements; or,

-is government assistance needed—money, guaranteed loans, to help cover development costs to reduce unit costs of such aircraft, through placement of government orders, or to provide subsidies, loan guarantees, etc.

What combination of government and private efforts could combine to get the program underway without delay?

How will the current orders for foreign-made cargo aircraft of this type force government attention to MATS?

Will Congress, beginning in January 1960, attempt to legislate solutions?

Concretely proposals, which cut across the lines of these basic issues, come from many quarters in government and industry.

What these proposals boil down to is: get the government (MATS) out of the airline business, let the Post Office move mail by air where it is economically feasible, lend government assistance in various ways to bring into being modern cargo transport airplanes, and thus create an entire new industry in the transportation field. Finally, solve the long-neglected problem of adequate military airlift.

Of late, the controversy has centered about one concrete proposal. This would provide U. S. Government guaranteed loans for civil operators purchasing new cargo aircraft.

(a) The Quezada Plan

Under this plan, loans would be guaranteed by the U. S. Government if the planes meet certain design requirements (consideration of civil and military needs). CAB would certify that the borrower is responsible. The government would insist that some risk be taken and therefore has set minimum limits of 25% equity interest in each plane. The loan would be a $50 million aggregate maximum guarantee for any one carrier. Government would guarantee a maximum of 90% of each loan.

General Quezada, in a talk before the Aviation Securities Committee of the Investment Bankers Association, compared this proposed governmental assistance with that provided to build the U. S. S. United States. In that instance, the ship was built to government specifications at a cost of $70 million of which the government contributed $40 to $50 million. In addition, the government loaned about 80% of the remainder at a 3% rate.

The FAA Administrator believes that an adequate jet or jet-prop cargo industry can be

General Quezada had sought unanimous Administration agreement to his plan during the fall of 1958 but met with Air Force resistance.
Report of IBA Aviation Securities Committee

Continued from page 39

obligation to the guaranteed loan program as proposed.

(b) The Air Force Position

While critics charge that the Air Force blocks an Administration program on loan guarantees as a price for getting "fancy passenger type jet for MATS. Air Secretary James Douglas denies it.

"The Air Force and the Department of Defense," Douglas declared, "are favorable to the encouragement of the development of air cargo planes which could be used for defense and commercial operations. They are also favorable in principle to the use of guaranteed-loan agreements. The concern of the Air Force is with any implication that when such aircraft are developed, MATS could stop replacing obsolete equipment or that the military carriers could do the whole job."

The Secretary points out that the Air Force has always encouraged the development of useful cargo aircraft and cited the development funded by the Air Force of the T61 turboprop engine which could be used in the Super-Hercules cargo transport.

The major bottleneck in the effort to bring about loan guarantees has been the failure to convince Secretary Douglas that proposed legislation in this field is not an alternative to a strong, efficient

Military Air Transport Service but is complementary.

(c) Senator Monroney's Position

The Senator, generally sharing the views of FAA Administrator Quadeaux, remains convinced that he can persuade a Congress that is not intent on giving any new form of government guaranteed loans during the next session of Congress.

Senator Monroney has stated many times that he is not against MATS modernization and that MATS today does not have enough airlift. In terms of quantity, every aircraft in the military that claim that MATS, with its aging and obsolete fleet, has enough airlift in terms of quantity.

What the Senator proposes to a confused and sometimes-irked Congress is that MATS modernization should be based on its strategic needs—not on buying planes to "run an airline."

The Air Force should modernize MATS in terms of its hard core military mission. Also, the Air Force would finally agree that a vast area of similarity exists between civilian and military requirements for airlift.

The Senator's mission, then, is to get Congress and the Administration to work together to bridge the gap from an airline which will do both jobs in terms of standardization, interchangeability and common capability.

We agree with the Senator's top aviation expert that a true cargo-aircraft carrying aircraft design can be tailored also to meet civil and military requirements. Beautiful aircraft in the hands of the CAB—Airline Transportation Corporation (A.T.C.) through the Civil Reserve Air Fleet, Inc. (C.R.A.F.I.) could be placed in service.

Meanwhile, this commercial fleet of MATS would only take the logistics under contracts with MATS.

It seems logical that MATS could and should operate a small fleet of MATS's modern business-type airliners that—with relative low utilization rates, a constant alert status, strategically located, and with crews in a high state of readiness—could, in the event of a national emergency, bring airlift to the point of the national emergency. It could be done at a relatively low financial cost to the government.

The Monroney program would consist of selling the fleet of modern cargo airplanes MATS has proposed to Congress and supplying MATS wartime requirements. Since ability to fill these requirement would be a prerequisite to qualify the airplanes for loan guarantees, Senator Monroney feels that this package makes sense.

(d) The CAB—Airline Position

The Civil Aeronautics Board, heir-apparent as administrator of MATS, has long supported the idea of a Super-Hercules cargo transport.

The CAB and the Department of Defense have been in constant alert as to whether MATS can and should stay in the air.
The Investment Companies Committee has ordered the Federal Reserve Bank of St. Louis to issue a report on the continued expansion of investment company activities and to compile data on the growth of investment companies and their influence. The report will be based on the results of a survey conducted by the Committee last year.

The survey, which was designed to assess the impact of investment companies on the economy, included interviews with 500 companies and a review of their financial statements. The results showed that investment companies have grown significantly in recent years, with assets reaching $5 trillion in 2019.

The report will also include a detailed analysis of the factors that have contributed to this growth, including the popularity of mutual funds and the increasing use of investment companies by retail investors.

The report is expected to be released in early 2020 and will be available for download on the Federal Reserve Bank of St. Louis website.
Report of IBA Investment Companies Committee

Continued from page 41
the Institutional Studies Commi-
tee of the National Association of
Securities Dealers.

Variable Annuities
Another Committee will un-
questionably report on the Variable
Annuity developments during the
year, leading to the Supreme Court decision in effect, ruled that they constituted in-
vestments not subject to Federal reg-
ulation. Certain variable annuity
companies have sought exemp-
tions to various sections of the
Investment Company Act of 1940
and hearings have been held be-
fore the Securities & Exchange
Commission on this matter. As
this report is written, the extent
to which exemptions will be
granted is not known.

In New Jersey, the insurance
law has been amended to au-
thorize issuance and sale of variable
annuities and laws to regulate such
by the Insurance Department
of that State.

These are matters of more than
ordinary concern to your Commit-
te and, in fact, to the Association.

1959 Distribution Developments
(1) Sale of Management
Stock. Following a recent
court decision, which permitted
the public offering of com-
panies acting as investment ad-
visers and/or distributors of in-
vestment company shares, public
offerings of this nature have been
made. Thus, for the first time, public participation to any
significant degree in these phases
of the investment company busi-
ness has been made possible. Mem-
bers of this Association have un-
derwritten such offerings and, as
this writing, additional offerings
are in registration.

(2) Retail Distributing Organi-
zations. In 1959, there has been a
considerable increase in the num-
ber of so-called "beneficial owners" of
proxies held by persons other than
the registered owners or share-
holders. Many companies have
reported that this practice is being
employed exclusively in the sale
of open-end investment company
shares—predominantly by means of so-called contractual
plans. Your committee reports it
as a matter of interest to members
of the Association.

Federal Securities Legislation
While no bills in which the In-
vestment Companies Committee
was interested passed the first
session of the 86th Congress, there
were many of interest and they
will be before Congress at its forth-
coming session in January.

Changes in the Investment Com-
pany Act of 1940 have been pro-
nounced by the SEC in the past and
new bills with substantially the
same proposed changes were in-
troduced in 1959. Your past Chair-
man, Mr. Charles F. Eaton, Jr.,
testified at public hearings on these
new bills in June before the Subcom-
mittee of the Senate Banking and
Currency Committee. In July be-
fore the Commerce and Finance Subcom-
mittee of the House In-
vestment Committee. The position he
took on behalf of the National
Association of Investment Com-
panies was in opposition to
SEC Surveillance of investment
plans that covered transfers of own-
erships on the groups from which
eligible directors may be drawn.

An amendment to the Federal
Exchange Act of 1934 has been
approved by the SEC. This am-
mendment provides "beneficial own-
ers" of proxy soliciting materials
in exchange stock sales. Relying
upon the SEC's recent action, the
Committee on Securities and Exchange
and the Board of
Governors of the Federal Reserve System,
also case deals primarily with the defi-
cition of "security holders".

Issuance Tax
Federal tax legislation develop-
ments included the proposed new
income tax law of 1959, wherein the
tax on issuance of investment com-
pany shares has been substantially
increased. One of these bills, if
adopted, would impose an issuance
tax on future offerings and will be
pending before the Senate Banking
Committee in January which will reduce the tax
from ten cents to four cents per
$100 of actual value.

Keogh-Simpson Bill
Technical changes in the
Keogh-Simpson Bill (passed by the
House in 1959 but held in
Committee by the Senate) have
been amended by the SEC so
that, when retirement plans for
investment company shares, a
particular company may be a cus-
tomer rather than a trustee.

The Committee has expressed
support of this change as
has the Treasury Department.

Municipal Bond Fund Bills
designed to implement the
municipal bond fund concept has
been pending before the In-
vestment Companies Committee.
Your Committee supports the
principle that all regularized in-
vestments of the Committee are
intended to make tax-exempt distributions
of net income derived from hold-
ing of municipal or other tax-
exempt holdings. It is felt such
tax treatment would broaden the market
for state and municipal
issues.

SEC Rules
In December of last year, Rule
22d-1 was adopted as a clarifica-
tion of Section 22 (d) of the
Investment Company Act
which requires that all brokers and
dealers in securities must be regis-
tered in order to transact business
in their lines of activity.

Rule 10-13 was also adopted which
permits the use of the IBA signatu-
res for the purpose of certifying
that some certain qualified
institutions have as little as 50
shares in the issues to which
these signatures may apply.

State Blue Sky Matters
An important development dur-
ing the year was the establish-
ment of working liaison between
investment companies and the
North American Securities Ad-
ministrators. Three joint meetings
have thus far been held
fostering of understanding of
problems and interchanging of
information is hoped for as these
meetings continue.

The state of California's Secu-
rities Commissioner has adopted a
rule that all investment com-
panies must require out-of-state
corporations selling shares in the
State to provide a descriptive
brochure and to hold a com-
mulative voting or provide a major
ative voting or to provide a major
display in prospectus of lack of
it. This was opposed by the IBA.

In Illinois, the Securities Com-
missioner was concerned with in-
terlocking directorates wherein
officers or directors of one invest-
ment company or its advisor also
hold a position in another.

It has long ago been recognized
that a proprietary interest in
somebody's portfolio is a serious
moral problem which needs to be
clarified. Your Committee has
acted to recommend to the Educa-
tion Committee and the Board of
Governors that various phases of
Investment Company operations
which are of interest to members of the
Association be made a part of the
regular curriculum for each class
at future IBA schools.

Forum on Finance
The IBA and other financial
organizations participated in the
Forum on Finance of the Joint
Committee on Education. A
group of some 35 senior profes-
sors of colleges throughout the
country were in attendance for
three weeks in New York and, as
part of the presentation, members of
this Committee talked with them
and provided tours of invest-
ment company offices for them.

"Story of Investment Companies"
A book with this title by Hugh
Bullen, editor of the National
Association of Investment Com-
panies publication, "IBA seminars.
This Association, was published in
October, 1959, by the Columbia
University Press. It encompasses the
history of investment compa-
nies and related legislation and
has been used as a textbook
on the subject published in many
years.

Education Aids
On television and radio, invest-
ment Company officials appeared
in several programs broadcast by
regional groups of the IBA—In-
New York, Chicago, and Southern
and regional groups of the IBA—In-
New York, Chicago, and Southern
and Regional Groups of the
IBA.

Investment companies were dis-
teaching with a view toward their
better understanding by the view-
ging public as to the place in
financial programming.

The industry now has a number of
educational aids which are avail-
able to IBA members. The National Association of Invest-
ment Companies has produced and has available a color cartoon, "The
Hope That Jack Built," which tells the investment company story
in terms of the place for their shares in
financial planning. It has now been
seen by over 3 million people
in moving picture theaters
throughout the country and its
advertisements via television sta-
tions, both black and white and
color reproduction, is beginning.

In addition, there is a film strip
titled "Institutional Investment
Business" now available. The
IBA has produced a publication of
this publication has been
distributed.

Another publication that may be of
interest to you that bear
mention is "Seven Reasons For
Investing in Mutual Funds," which
now produced by the National
Association of Investment Com-
panies, has a number of articles on
"Investment in Mutual Funds" and the
Mutual Fund Shareholder—A
Comparison of the Share-
holders of Closed-End Investment
Companies," and a revised history

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BOOKLET OF THE NAIC

News Coverage
You have no doubt noticed the increasing public interest in investment companies evidenced not only by the facts and figures which are presented but in the amount of newspaper and magazine coverage. Regularly weekly columns on the industry now appear in six newspapers—The San Francisco Chronicle, The Los Angeles Examiner, The New York Times, New York Herald Tribune, The World-Telegram and Sun, and the Los Angeles Mirror-News. In columns devoted to general investment items, or to individual issues, such as Sam Shatisky's coverage in The New York Times, and William Doyle's "Daily Investor" columns, considerable space is devoted to explanations and the utilization of investment company shares.

Conclusion
The foregoing report is indicative of many—but far from all—of the significant developments in the investment company field during the past year. It suggests that the year ahead will be an unusually eventful one in this area.

Your Committee, through the diversity of the affiliation of its individual members, will endeavor to observe and report on such developments of interest to this Association and maintain close liaison with other groups in the investment field and with Federal and State regulatory authorities.

We wish to acknowledge cooperation and assistance not only of the IRA's staff but of committees and individual members in the NASD and other securities associations.

It is clear that the stature of the investment company industry enables it to play a significant part in the growth of American share ownership and the functioning of our investment markets. And with its growth, it must accept not only the privileges but the responsibilities that go hand in hand with it. We have every confidence that investment company management will continue to play a constructive role in maintaining the integrity of the securities business.

Respectfully submitted,
INVESTMENT COMPANIES COMMITTEE
Robert E. Clark, Chairman
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Robert W. Baird & Co., Incorporated, Milwaukee, Wis.
Harold R. Wilson
J. M. Dalh & Co., Inc., Minneapolis, Minn.

With Schirmer, Atherton (Special to The Financial Chronicle)
PORTLAND, Me.—Mrs. Seba O. Chase and Charles H. White have joined the staff of Schirmer, Atherton & Co., 634 Congress St. Street.

JOINS DRAVER, SEARS

JOINS DRAVER, SEARS (Special to The Financial Chronicle)
BOSTON, Mass.—Samuel S. Robinson has been associated with Draper, Sears & Co., 50 Congress Street, members of the New York and Boston Stock Exchanges.

Paine, Webber Adda
(PAIKEW SCHURTER)
B O S T O N, Mass.—Edward E. Dwight has been added to the staff of the firm, Webber, Jackson & Curtis, 24 Federal Street.

With Townsend, Dobney

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SPRINGFIELD, Mass.—Lawrence H. Debe, Arnold C. Hall, Thomas M. Maroney and William J. Pomroy are now connected with Diroma, Alexik & Co., 1071 Main Street.

MERRILL LYNNCH ADDS (Special to TheFinancial Chronicle)
OMAHA, Neb.—Robert A. Danitz has become affiliated with Merrill Lynch, Pierce, Fenner & Smith Incorporated, 305 South 17th Street.

Now With G. R. Harris (Special to The Financial Chronicle)
DEER PARK, Colo.—John C. Kennedy III has become affiliated with G. R. Harris & Co., National Bank Building. He was formerly with J. B. Henri & Co.

With Semple, Jacobs (Special to The Financial Chronicle)
ST. LOUIS, Mo.—Michael C. Selig has been added to the staff of Semple, Jacobs & Co., 711 St. Charles Street, members of the New York and Midwest Stock Exchanges.

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Report of the Industrial Securities Committee

Hailing the subject of their research as the fifth largest and as a fast growing industry with great growth potential, a group of investment experts sample their concerns of the electronics industry for the benefit of their colleagues. In their analysis they single out for attention the youth and aggressiveness of management, and the extent of research and development employed. The bankers also comment on the present market and the outlook for electronics issues.

The Industrial Securities Committee of the Investment Bankers Association, chaired by Michael Pesceillo of the First National City Bank of New York, New York, devoted itself to an analysis of the electronics industry. Not unaware of the correlation between its growth and earnings, the Committee supports its optimistic outlook conclusions for this dynamic industry where there is no shortage of imaginative individuals.

The Report, in part, follows:

Summary and Conclusion

The electronics industry develops a very strong growth trend with a present value in excess of $14 billion. This is not readily apparent to most people. So much of its activity is concerned with science and there are so many other gadgets and equipment that it is difficult for the average person to realize its significance and importance. There is a great diversity of products most of which are scattered away in black boxes or cabinets and never seen by the public, or if they be seen, remain unrecognized and their function shrouded in deep mystery.

A microwave antenna might possibly be mistaken for a modernized outdoor clothesline. A travelling wave tube, one of the significantly new advances in the industry, could just as well be to the unknowing a new gadget used by the hairdresser.

Electronics now accounts for about 3% of the gross national product. This percentage is expected to grow in the next five to ten years. Gross national product estimates of growth in the next ten years indicate an increase of 100%.

In broad outline the industry serves four general areas — the home entertainment, communications and industrial and commercial controls. A very large part of the industry's volume is for the account of the military establishment. The basis for this business is the budget for defense which now accounts for about 35% of the total Federal expenditures. This volume can and does change — in magnitude and in kind. The industry is much more than a product. It is very likely that the size of expenditures will not be reduced and probably will be expanded in the next several years at least. The areas in which these expenditures will be directed within the electronics industry are of considerable importance. They may be the key to the industry's success, because of advances in the science of electronics and by reason of changes in military strategy and plans. None of these factors can be determined with any degree of accuracy in advance. For this reason, it is an element of risk present not generally found in the ordinary course of business.

The industry and most companies in it are difficult to assess accurately. The source of the business varies considerably from company to company. Some companies have made their sales run hundreds. Some are smaller, higher precision items that sell for a high price where others can be purchased on a fast moving production line.

New developments and new investments in electronics and transistors are having a very significant effect on industry. The science and techniques of warfare research have changed. Missiles are playing a key role in this change and missiles are electronics in action. The Polaris missile program of the Navy will bring the $600 million a $1.9 billion if a war is authorized. Transistor production is expected to reach a rate of 500,000 per week by 1960.

Research is playing a very great part in the electronics industry. Since many new products and advances are large both by industry and by the United States, the possibilities are infinite. Competition is keen and is becoming more intense. A typical electronic company is particularly interested in the new and the better. The new vintage derives about 25% of its total expenditures for research.

Production is expanding and will continue to increase very rapidly. Both the home entertainment market and the military market are rapidly expanding. Production of radios and TV sets, for example, are both branches of the industry that are extremely competitive and rely on the American public for their continued growth.

Industry has a dollar volume of some $14 billion. With increases of 30% or more in the next few years, this figure is expected to grow to over $20 billion.

For convenience, the electronics industry may be separated into five principal segments. The segments are radio and TV, production of radios and TV sets, air conditioners, and some other small appliances. A broad view of the industry — past, present and future — in terms of dollar volume may be obtained from Table I. To summarize briefly, the industry's total volume of business has increased from $4.8 billion to some $14 billion estimated for 1959. In the next five years, the volume of business is expected to reach over $21 billion.

The entertainment market for electronics products has to date used and continues to use only a single market. It now represents a volume of $2.6 billion and is expected to continue to grow at a rate of $1.5 billion in the next five years. Home radio and TV sets account for some $300 million of this market. In prospect is a new adventure in color TV, the single market, which represents a new and further developed and improved

<table>
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<tr>
<td>Electronic Industry Dollar Volume of Business (Million $)</td>
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<tr>
<td>---</td>
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<tr>
<td>Total sets &amp; other home amusement devices $2,531</td>
</tr>
<tr>
<td>Phonographs and services $658</td>
</tr>
<tr>
<td>Total radio and TV broadcasting revenue $1,940</td>
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<td>Total $4,997 $14,148 $21,744</td>
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and costs reduced. Volume from this source alone is expected to increase by $500 million in the next five years. This means that some five and a quarter million color TV sets will be in use in the United States by 1965 compared to something over one-half million in use at the end of this year. There are now over $3 million in sales of color TV sets. It was estimated that this figure will grow to 72 million by the end of 1965.

The plan of the home entertainment market is comprised of microphones, tape recorders, phonographs, and gene- rators, magnetic tape and recorders, and high-fidelity components, and now represents a market of some $775 million. This market is expected to grow to about $1.2 billion by 1965.

In the fields of health and education, the market for electronic products is growing at a rate comparable to those in other markets. Testing and measuring equipment, for example, though not confined solely to these two market areas, are expected to have a total value of some $250 million this year. This is in addition to industrial controls with a volume of $100 million. Medical and therapeutic equipment are expected to have a volume of $145 million this year. In this market the introduction of the television microscope is indicative of the way in which one advance leads to another. The television microscope itself is a new product or as aids in new developments. The electron microscope makes possible magnification up to 200,000 times greater than the original object. The best optical microscopes magnify up to 4,000 times. It is thus possible in medical research to detect viruses not heretofore possible to see.

The electronics industry is expected to be a major new industry may be compared to the infant auto and textile industries in the 1920's and the airlines in the 1930's. There are, however, some notable differences. The number of companies involved in this industry is expected to exceed 500. Closely tied to this group are the 5,000 suppliers feeding out components and parts of various kinds and phases of electronic activity are more than 500. Closely tied to this group are the 5,000 suppliers feeding out components and parts of this phase of the business activity.

This is comparable to the automobile industry as it expanded, and as more cars were put on the highways, resulted in numerous other enterprises springing up to supply, service and supplement the automobile industry. These included parts manufacturers, garages, service stations, oil company operations in every phase of production, reining and marketing and road building comprising thousands of miles of highways, bridges, etc.

Similarly, and in many direc- tions such as broadcasting, electronics has resulted in a host of new enterprises that are still growing, creating new markets or greatly expanding the volume of business and employment. Total radio and TV broadcasting revenue alone will amount to $16 billion this year. The figure is expected to increase to $58 billion in the next five or six years. In 1959 the number of TV stations has increased by almost 2,000, while revenues have trebled.

Research and development is a major activity in the electronics industry. It shares with atomic energy and antibotics the top position in the amount of effort and money spent annually on research and development. At least 10 times greater than 1952 1965. Effort in this industry is increasing at the rate of 10% annually. Many major companies and small ones are increasing spending amounts the pace of competition becomes faster. The U.S. Government is the major customer for electronics research. Last year, Federal expend¬tures for electronic research and development in 1965 were $1.2 billion. This is expected to be $2.8 billion in 1965, the year anticipated. The Health, Education and Welfare Department alone has 1.8 billion available for electronics research (plus the Health, Education and Welfare Department, the Department of Defense, and the Atomic Energy Commission). At least $2.1 billion is expected to be available in 1965 for the National Aeronautics and Space Administration.

The automotive industry is expected to be a major consumer of electronics as it has been for many years. The automobile industry in 1959 used about $1.2 billion of electronic equipment and products. This number is expected to be three times as large in 1965. Total value of all automotive electrical equipment and products is expected to be $13.5 billion in 1965, compared to $1 billion in 1959.

Military Electronics

An important characteristic of the electronic industry is the fast pace in which technical advances are being made. Another is the volume of business being done for the account of the military establishments. These factors require that competition in the electronic market must have a high degree of technical compa¬bility with the technical pace of the military industry. It shares with atomic energy and antibotics the top position in the amount of effort and money spent on research and development. At least 10 times greater than in 1952. Effort in this industry is increasing at the rate of 10% annually. Many major companies and small ones are increasing spending amounts the pace of competition becomes faster. The U.S. Government is the major customer for electronics research. Last year, Federal expend¬tures for electronic research and development in 1965 were $1.2 billion. This is expected to be $2.8 billion in 1965, the year anticipated. The Health, Education and Welfare Department alone has 1.8 billion available for electronics research (plus the Health, Education and Welfare Department, the Department of Defense, and the Atomic Energy Commission). At least $2.1 billion is expected to be available in 1965 for the National Aeronautics and Space Administration.

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extraneous oil production at the United States should be raised substantially to offset the effects of large imports into Eastern Canada. The Commissions in its report set a target for Canadian crude oil production of 700,000 barrels daily by the end of 1960. Failure to achieve this goal could result in an extension of the present east-west pipe line system to Montreal which would exclude the important area as a market for foreign oil.

**Manufacturing Developments**

Among the manufacturing industries deserving comment is the forest products industry. This industry accounts for 29% in dollar value of all Canada's exports, exporting over $1.4 billion annually, of which over 90% goes to the United States. If the forecasts contained in Canada's "Gordon" Report are to be realized, substantial amounts of new capital will be required by the forest industries in future. In recent years, the iron and steel industry has been notable for its' growth and for a sizable portion of capital expenditures made by industry as a whole, Canadian steel capacity has increased from 4,857,000 net tons at the beginning of 1954 to about 6.3 million net tons in 1960. It has been estimated that steel capacity in Canada will be increased by a further eight million tons by 1960. If such is the case, it is a reasonable assumption that expenditures of about $2 billion on new plant and equipment will be necessary for a program of this magnitude. Notable among the presently proposed programs is that of Sorgenies Limited and Dominion Steel and Coal Co. to build a mill near Montreal, the first stage of which it is estimated will cost in excess of $60 million.

**Amazing Utilities' Growth**

The utilities field has shown an amazing growth in recent years and continues to expand to meet the needs of Canada's growing industry. Reserves of undeveloped water power are primarily in British Columbia, Quebec and Labrador. Discussion is now underway as to whether the Columbia or the Peace Rivers, or both, are to be developed in British Columbia. Expenditures of about $1 billion will be involved. In Ontario, generation of power through nuclear energy is already proposed.

---

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Report of IBA Canadian Committee

Continued from page 47

construction of docking facilities, harbor acts, etc., to the extent of inestimable value to both Canada and the United States.

The building of the Trans-Canada pipeline (2,590 miles—the longest pipeline in the world) cost about $375 million. It has in turn resulted in further large expenditures on gas distribution facilities. Canadian natural gas is now available in Toronto, Montreal, and other areas of Eastern Canada.

Capital Expenditures by government of the United States in 1938 included major expenditures on defense, including construction of the DEW (Early Warning) and Mid-Canada lines in which the United States Government also participated. It is hoped that the close cooperation between Canada and the United States in the field of defense can also be achieved in the economic field.

In closing these observations on capital expenditures in various industries and conditions generally in these industries, one very important fact must be stressed. The first is the large proportion of Canadian industry owned by non-residents—especially by United States investors. This can be an investment in the Canadian economy at a level which can be influenced by the decisions and actions of others. This investment, together with a flight of capital into Canada during 1938 as a result of our high short term rates, and heavy debt financing by governmental bodies and others in U. S. money markets, are some of the factors responsible for the Canadian dollar being at its current high premium in spite of a large trade deficit.

For a country in Canada’s stage of development, however, capital from the United States and other foreign countries is vital for us to achieve the long term growth envisaged in our “Gordon Report, capital far beyond our means to provide will be necessary. The Canadian public will, however, to see the financial results of stabilizing United States companies operating in Canada. We would also recommend that Canadian investors be given further opportunities to participate in the equity of subsidiaries of United States companies operating in Canada wherever possible.

Investments’ Success Depends On Exports

The second important fact is Canada’s dependence on exports. Some 15% of Canada’s Gross National Product is exported (see Exhibit 4) and about 60% of these exports go to the United States. Hence, the success of investment in Canada depends to a large extent on the reception of our exports.

One can make an obvious deduction from these facts. Every Canadian who wishes to stress the need for close cooperation between Canada and the United States would like to see the case somewhat differently. The United States has very sizable investments in the Canadian economy. If these investments is to be worthwhile it must provide a surplus or capital accumulation (excluding dividends) which will cover a large extent on the necessity of the United States companies to export its products, particularly to the United States. Hence, the United States companies in Canada is to a very real extent a part of your own tariff and import policies.

Developments in Government and Corporate Finance

The fiscal policy of the Government of Canada for the post-war period can be summarized as follows: The possibility of a very high period of high business activity and a deficit in a time of recession.

The 12 fiscal years commencing April 1, 1946 and ending March 31, 1959, the budget showed a surplus of nine surpluses and three small deficits. The National Debt of Canada was increased by over $8 billion, or 3% per year between 1950 and 1957, remained about constant. However, during the 1957-1958 recession, this trend of budgetary surpluses was reversed and the Government found it necessary to implement a number of anti-deflationary measures, including marked increases in public works expenditures, to counteract a serious unemployment situation. The effects of this program showed up clearly in Finance Minister Fleming’s budget address of April 9, 1959. The estimated cash deficit for the year ended March 31, 1959 was $1,203 million and a $835 million cash deficit was forecast for the year ending March 31, 1960. The breakdown between budgetary and non-budgetary items was as follows:

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget deficit (including old age security fund)</td>
<td>$617,000,000</td>
</tr>
<tr>
<td>Non-budgetary requirement</td>
<td>466,000,000</td>
</tr>
<tr>
<td>Total cash deficit</td>
<td>$1,083,000,000</td>
</tr>
</tbody>
</table>

The estimated cash deficit for the year ended March 31, 1960, which had been forecasted, was higher than in 1957, but not certain tax income, mainly due to increased revenues of about $245 million during the current fiscal year, was indicated. Among the tax changes an increase in the rates adopted April 9, 1959, were:

1. The corporate income tax and old age security were raised from a combined 47% to 50%.
2. The personal income tax was raised in certain brackets.
3. Excise taxes on liquor and tobaccos were increased.

It should be noted that in instituting these tax increases, theGovernment retained the features that make the Canadian tax laws superior to those of other countries in terms of fair treatment and stimulation of capital investment. Among these features are:

1. No capital gains tax.
2. The 20% dividend tax credit on domestic corporate shares and the depletion allowance.
3. Tax conventions with other countries on income and inheritance taxes.
4. Capital gains in real estate to non-resident owned investment companies.

The estimates contained in the 1959-1960 budget were based on a forecast of a decrease in the Gross National Product of about 7% for the year ending March 31, 1960. The forecast of the economy has done somewhat better than this, GNP for the first quarter of the Government’s current fiscal year was at a seasonally adjusted level of about 3% higher, or 7% higher than the same quarter of the previous year.

The Government’s position in financing the deficit was greatly strengthened by the results of the Conversion Loan program of 1958. Between April 1, 1958 and March 31, 1959, over $5,806 million, or 90.5% of the amount required for Victory Loan Bonds, including some $2 billion of bonds maturing in 1959 and 1960. The average maturity of the Government debt was increased from 6 years and 4 months to 10 years and 10 months.

In addition to the Government’s deficit, there was the problem of maturing debt bond issues. On July 1, 1959, $500 million of bonds were refunded in part by an offering of 1-year treasury bills and short term debt. Purchasers of the latter had the choice of an April 1, 1960 or Dec. 15, 1960, maturity. A further 1,075 million bonds came due on Oct. 1, 1959. Of these, $225 million were already held by the bank and various Government accounts. The balance

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SOURCE: Bank of Canada.
Report of IBA Canadian Committee
Continued from page 49

The financing of capital expenditures through an expansion of the money supply is inflationary. It is greatly to the credit of the Government, that the money supply has been successfully controlled during 1959. During 1958, a year of recession and the Conversion Loan, the money supply was increased by 11.4%. Between January and November, 1959, the money supply has decreased slightly. An increased money supply as a source of funds has wisely been avoided.

The remaining source of capital, government borrowing abroad, has, on the other hand, been used to a very large extent (see Exhibit 9) and most of the borrowing has been done in the United States. In addition, further large amounts of foreign capital have recently been invested in Canada. The effect of the borrowing and capital inflow is that in spite of a large deficit on current account, the Canadian dollar has gone to a premium of over 5%. This makes it cheaper for us to import goods from the United States but at the same time places our export industries at a serious competitive disadvantage.

To close these remarks on the Canadian capital market, let us try to look into the future. What is the outlook for interest rates? Let us begin with the Federal Government. By April, 1960, when the next budget is introduced, the Government could be in a position to announce that the budget will be balanced on a cash basis providing no further major spending programs are instituted and no tax cuts made. Eliminating the need for heavy Government financing could remove much of the pressure on the bond market.

Another factor to be considered is the necessity to refund maturing government issues. Due to the ending of 1959, $1,243 million of Government bonds have matured and a further $300 million will fall due before the end of the year. At the beginning of 1959 there were $747 million of Government bonds maturing in 1959 but by refunding 1959 maturities on a short-term basis it is estimated that about $600 million will be added to the 1960 maturities. Hence, the pressure from Government refunding issues may well be as great next year as it has been in 1959, but pressure on the bond market resulting from large sales by chartered banks, corporations and Government accounts should be greatly reduced. With the possible absence of this heavy selling, the yield curve should continue to assume a more normal pattern.

In the other spheres we see a persistent demand for new money. The Provinces and municipalities require additional funds. As the recovery continues, the needs of industry for funds to finance expansion may increase.

The ability of the banks to extend credit has become strained and corporations will find it necessary to seek public financing. This should tend to widen the spread in yield between Government and corporate bonds.

On balance, it cannot be said that in the yield curve for government bonds has probably passed its peak. One can, however, given certain conditions, look for a recovery of investor confidence in the bond market.

Conclusion
We in Canada have been faced with a tight money condition for over a year and this situation appears to be continuing. Business is expanding and the demand for funds has increased sharply in all segments of the economy. Competition for the available supply of credit and capital has been intense and has been further aggravated by the near inactivity of the Federal Government to enter the market to finance its deficit during the year when the demand for funds has been increasing. As an anti-inflationary measure, the Bank of Canada has not increased money supply for over a year. Lenders have been hesitant in lending in other than short-term obligations partly because of the fear of inflation and partly because of the sharp fall in bond prices. Against an increasing demand for capital and a limited supply of funds the inevitable result has been tight money.

While economic expansion in Canada has been accompanied by an increase in capital expenditures, we should note that a considerable portion of the financing in 1959 has been done through the chartered banks instead of investment dealers. One reason is that in Canada the interest rate on bank loans is limited by statute to 1% and this rate obviously creates distortions in the market.

EXHIBIT 6
Gross New Issues of Corporate Bonds
Preferred and Common Stocks
Quarterly 1957-1959

<table>
<thead>
<tr>
<th>Year</th>
<th>Bonds</th>
<th>Preferred Stocks</th>
<th>Common Stocks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1957</td>
<td>1st Quarter</td>
<td>306,000,000</td>
<td>20,000,000</td>
</tr>
<tr>
<td></td>
<td>2nd Quarter</td>
<td>311,000,000</td>
<td>19,000,000</td>
</tr>
<tr>
<td></td>
<td>3rd Quarter</td>
<td>137,000,000</td>
<td>61,000,000</td>
</tr>
<tr>
<td></td>
<td>4th Quarter</td>
<td>190,000,000</td>
<td>30,000,000</td>
</tr>
<tr>
<td>1958</td>
<td>1st Quarter</td>
<td>256,000,000</td>
<td>4,000,000</td>
</tr>
<tr>
<td></td>
<td>2nd Quarter</td>
<td>335,000,000</td>
<td>7,000,000</td>
</tr>
<tr>
<td></td>
<td>3rd Quarter</td>
<td>189,000,000</td>
<td>17,000,000</td>
</tr>
<tr>
<td></td>
<td>4th Quarter</td>
<td>166,000,000</td>
<td>17,000,000</td>
</tr>
<tr>
<td>1959</td>
<td>1st Quarter</td>
<td>92,000,000</td>
<td>20,000,000</td>
</tr>
<tr>
<td></td>
<td>2nd Quarter</td>
<td>129,000,000</td>
<td>28,000,000</td>
</tr>
</tbody>
</table>

SOURCE: Bank of Canada

EXHIBIT 7
 Provincial and Municipal Financing
1957-1959

<table>
<thead>
<tr>
<th>Year</th>
<th>Provincial</th>
<th>Municipal</th>
</tr>
</thead>
<tbody>
<tr>
<td>1957</td>
<td>1st Quarter</td>
<td>189,000,000</td>
</tr>
<tr>
<td></td>
<td>2nd Quarter</td>
<td>154,000,000</td>
</tr>
<tr>
<td></td>
<td>3rd Quarter</td>
<td>108,000,000</td>
</tr>
<tr>
<td></td>
<td>4th Quarter</td>
<td>276,000,000</td>
</tr>
<tr>
<td>1958</td>
<td>1st Quarter</td>
<td>170,000,000</td>
</tr>
<tr>
<td></td>
<td>2nd Quarter</td>
<td>214,000,000</td>
</tr>
<tr>
<td></td>
<td>3rd Quarter</td>
<td>130,000,000</td>
</tr>
<tr>
<td></td>
<td>4th Quarter</td>
<td>185,000,000</td>
</tr>
<tr>
<td>1959</td>
<td>1st Quarter</td>
<td>229,000,000</td>
</tr>
<tr>
<td></td>
<td>2nd Quarter</td>
<td>150,000,000</td>
</tr>
</tbody>
</table>

SOURCE: Bank of Canada

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for funds. Corporate borrowers have had to pay higher rates in the open market and consequently many of the larger borrowers in funds for capital expenditures have been diverted away from the investment dealers.

The question that then comes to mind is "Are the investment dealers in a position to raise the funds required?" During the past year it was apparent that confidence in debt securities suffered badly. We may now be witnessing a turn in investor confidence however, in view of the recent successful marketing of large volumes of Provincial and municipal securities although high coupons were necessary in each case to assure success. To fully restore confidence the investing public must regain faith in the Government's ability to control the ever-present threat of inflationary pressures of which an unbalanced budget is one. Until such a time as confidence has been fully restored and it is felt that the bond market has reached its low point, buyers are reluctant to step into the long-term market which is the most desirable from the point of view of sound financing.

We do not anticipate an early return to the low interest rates of former years. However, the withdrawal of the pressure of Government borrowing would do much to alleviate matters.

**EXHIBIT 9**

**General Loans of the Chartered Banks**

<table>
<thead>
<tr>
<th>Month</th>
<th>Amount (000 million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>4,073</td>
</tr>
<tr>
<td>February</td>
<td>4,064</td>
</tr>
<tr>
<td>March</td>
<td>4,078</td>
</tr>
<tr>
<td>April</td>
<td>4,130</td>
</tr>
<tr>
<td>May</td>
<td>4,172</td>
</tr>
<tr>
<td>June</td>
<td>4,146</td>
</tr>
<tr>
<td>July</td>
<td>4,258</td>
</tr>
<tr>
<td>August</td>
<td>4,278</td>
</tr>
<tr>
<td>September</td>
<td>4,277</td>
</tr>
<tr>
<td>October</td>
<td>4,296</td>
</tr>
<tr>
<td>November</td>
<td>4,260</td>
</tr>
<tr>
<td>December</td>
<td>4,149</td>
</tr>
</tbody>
</table>

*Not strictly comparable due to changes in valuation procedure.

SOURCE: Bank of Canada

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IBA Oil and Natural Gas Committee Report

Oil and gas investment specialists find the brightest spot in the world oil industry in the prospect of increased petroleum consumption accompanying population and industrialization gains in the free world. Concealing no earnings improvement is likely to occur for some time, the Securities Committee believes that without its earlier glamour is still a basic industry possessing growth characteristics making it feasible to select certain individual companies which offer dynamic investment possibilities. The bankers blame intense competition, poor inventory and persistent oversupply for the industry’s ills.

Investors are likely to consider oil equities less from the standpoint of growth prospects and more as income or cyclical trading media. The reasons for this statement are contained in the Oil and Natural Gas Securities Committee report presented by its Chairman, Eddington N. Morse, of Smith, Barney & Co., New York City, to the Investment Bankers Association at their Annual Meeting.

Below is a condensation of the report, also verbatim extracts:

This year the Oil and Natural Gas Securities Committee of the American Bankers Association includes in its report various top stocks in the oil industry.

Edmond N. Morse

In 1959 high while the oil index rose only 30%.

If it is assumed that stock prices are largely a function of earnings and dividends, there is good reason for the poor performance of the oil group. To cite some figures, a 25% decline in earnings in the 1957-1958 period was accompanied by only a 16% decline for a composite of other industrial groups. For the first half of 1959 a broad list of petroleum companies reported earnings down over the first half of 1958 of 24%. This is a respectable gain, but compares poorly with the 81% increase in earnings recorded by a composite of other industrial groups. It is evident that in the past two years the oil industry suffered not only a relatively larger earnings decline, but also a smaller subsequent earnings improvement than general industry.

The gain in petroleum consumption this year has not been outstanding. However, it has been good enough to permit much better earnings than have materialized. Had oil company managers not fought for the "incremental barrel" in refining and marketing, the price level could have been increased without a corresponding favorable effect upon earnings.

Part of the answer lies in the nature of the industry: no one segment of the industry, to maintain price leadership. Therefore, the industry is susceptible to intense price competition most of the time. For example, the four largest oil refiners account for 33% of domestic refining activity, while in steel the four largest companies accounted for 45% of domestic production in automobiles, the three largest accounted for 68% of the industry and in tires, the four largest represent 74% of the industry. However, absence of price leadership in the formation of the price index has been characteristic of the oil industry for many years and is not a new factor. The glamour of the early postwar period has been lost as a result of unsatisfactory earnings record in recent years and the prospect of no near term improvement. As a result, investors in the future will no longer regard most oil equities as more than income providers or cyclical trading media that vary with long term growth.

The world oil industry today faces with sizable surplus crude oil production and a general ease in the supply situation. The ratio of known oil reserves to crude oil production is about 10:1. Today, 32 billion bbls of crude oil are available, a near record. There is not a serious problem in the international oil supply; the world is in a period of relative surplus as evidenced by the world crude oil market's sluggishness.

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The world-wide oversupply of crude oil, a result of the exercising growing pressure on crude oil prices, has reduced product prices. Earlier this year, as oil prices fell, pressure reductions occurred in Venezuela and Libya, and the Middle East in recognition of a widespread practice of selling crude oil at discount from posted price. It has been recalled that during the postwar period, because of a crude surplus price generally were advanced 25c a barrel and those in the Middle East were increased 10c a barrel. Following price advances in the United States, the oil prices fell in the refineries and in retail markets.

The oil market has failed to show any signs of revival. The recent increase in crude prices was a price differential of approximately 15c a barrel in favor of Venezuela crude. The Middle East average crude, compared with pre-Suez price on the world market, was selling at a low level of tanker rates tended to aggrate further the competitive disadvantages of larger integrated oil companies. From an investment standpoint it is not a new factor, but the glamour of the early postwar period has been lost as a result of unsatisfactory earnings record in recent years and the prospect of no near term improvement.

The rest of the answer was well summed up recently by Jake Hamon, an independent producer, in a speech before the Texas Mid-Continent Oil & Gas Association. He stated: "I am going to try to alert everyone to the present position of the industry, which is caused solely by dullness. I am going to talk on our inventory mismanagement, which I believe is the most important problem, and the basic producing industry."

Later, he added: "If a gasoline stocks our record has been simply terrible and verges on the unbelievable. For instance, if we try to buy a gallon of gasoline today, we have to put more and more of it in storage until now. At the end of our high consuming season, we have 183 million barrels on hand.* Hamon noted that during the past decade gasoline consumption rose by 15%, kerosene demand increased by 15%; but stocks went up 111%: distillate demand was boosted 7%; but stocks increased 103%.

He placed the same kind of comparison on 30 largest companies, which are those companies whose equities are most widely owned by investors. There is little you can do to Mr. Hamon, who states this in so many words, that you can do to him. If you reduce the attraction of oil securities and, consequently, make future oil industry financing more difficult and costly. We believe it is the responsibility of investment bankers in their contacts with oil company managements to point out the fact that the investor also is greatly concerned with lack of inventory control and the industry's generally poor earnings trend.

Summary of Current Trends

In the Week Ended November 12th

Continued growth in petroleum consumption throughout the free world is anticipated, but new sources of supply, increased competition from coal, natural gas, and various other factors will probably maintain a world price structure for petroleum. The need for assured market outlets for petroleum continues to be a problem of the industry. The price of the retail outlet is below the factory price, and the price of the barrel in the importer's hand is about 30c below the factory price.

Weather has been generally warm to moderate. Producers report that the demand for fuel gas has been strong, but the demand for residual fuel oil has been weak. The demand for heating oil has been good. The demand for gasoline has been weak, but the demand for jet fuel and aviation gasoline has been strong. The demand for diesel fuel has been strong. The demand for lubricating oils has been good. The demand for asphalt has been weak.

The demand for crude oil has been weak. The demand for naphtha has been weak. The demand for petroleum coke has been weak. The demand for other petroleum products has been weak. The demand for refinery by-products has been weak.

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advantage of Venezuelan crudes. Institution of mandatory restrictions on oil imports by the United States Government last March reduced demand for foreign crudes. In early April the major producing companies in Venezuela again reduced prices—this time by 10c a barrel for the bulk of general purpose crudes. This action tended to bring Venezuelan crude prices more into line with those in the Middle East. It now seems reasonable to look forward to a period of relative stability in world crude prices, although the competitive atmosphere for marketing crude oil and refined products throughout the foreign free world will remain intensive for an indefinite period.

Domestic crude prices are reasonably well insulated from the pressures exerted on foreign crude prices as a result of the mandatory import control program. Periodic squeezes on domestic refiners' margins can be expected to exert pressure on the domestic crude prices from time to time. However, in view of the surplus crude producing capacity currently existing in the United States and the import umbrella which can be raised or lowered over the domestic crude producer by the United States Government, it seems highly unlikely that we shall witness much, if any, rise in domestic crude prices over the next few years. At best, any rise will do well to cover rising discovery and development costs.

The international flow of oil may be influenced in the future, however, by several major oil provinces currently being developed. The most promising of these are in Algeria and Libya. Full-scale exploration in the Sahara region is only about four years old. In Algeria, the largest discovery to date has been made at Hassi Messaouda by SN Repal, jointly owned by the Algerian and French Governments, and by the CPFA (Cie. Francaise des Petroles en Algerie). This field is believed to cover more than 620 square miles with estimated reserves of 5 billion barrels of recoverable oil. A new 24-inch pipeline to the Mediterranean can now move 80,000 barrels a day, 100,000 barrels a day by mid-1960 and 280,000 barrels a day by 1962. In the Hassi R'Mel gas field northwest of Hassi Messaoud, reserves of some 17 trillion cubic feet have been discovered. However, it seems unlikely that any of these discoveries will be found to be of commercial significance.

Full-scale discoveries to date in Algeria and Libya have been made by the Royal Dutch Shell Group and Jersey Standard Oil companies exploring in Libya are American firms, including affiliates of Gulf Oil, Socony-Vacuum, Standard Oil of California, Standard Oil (New Jersey), and Esso. These companies have been joined in Algeria by the French companies, including the French national companies, the Royal Dutch Shell Group and Deutsche Afrika Oil, Texas Gulf Producing and W. R. Grace, European interests interested in the oil fields of Hassi Messaoud and Hassi R'Mel. The Royal Dutch Shell Group and Allied Oil have announced another discovery in Algeria, the Hassi Messaoud field, yielding an approximate rate of 11,000 b/d of a 39 degree gravity crude.

The oil and gas reserves of Algeria and Libya will have a significant impact on the international oil market. The Middle East exploration and development costs will be high, and it is unlikely that any of these crude sources will be of great significance in the short run. In the long run, however, the Middle East is likely to become a major source of crude oil.

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Continued from page 25

This Committee, of $1,000,000 to testify before the House Committee on Banking and Currency on April 24. This bill has not been reported by the Committee. A similar bill, S. 195, in 1959, in the Senate would authorize Federal loans to state and municipalities Federal loan, some bills would have provided Federal contributions in a certain amount to meet the construction of any public facilities. No hearings have been held on this bill by the Senate Committee, and no action has been taken on it.

(b) Federal Aid for Classroom Construction.

Hearings were held in both the House and the Senate on bills to provide Federal aid for classroom construction in public elementary and secondary schools. Some of the bills before the committees would have authorized Federal grants on a 50-50 matching basis, some bills would have authorized Federal grants in an aggregate amount not to exceed $1,000,000 annually to finance the construction of any public facilities.


A summary of the Life Insurance Company Income Tax Act of 1959 is in Appendix IV. This act requires a life insurance company to pay tax on certain types of income. There was much controversy as to whether this requirement would in fact increase the amount of tax paid on the income which was derived from insurance contracts. There were also some proposals to amend the Life Insurance Company Income Tax Act of 1959 to allow for certain types of income to be treated as if they were exempt from this tax.

(d) Pass-Through of Tax Exemption

Two types of proposals have been made to pass tax-exempt income in the form of dividends to shareholders. In 1958 the Senate inserted in Section 42 of the Tax Reform Act of 1958 a provision to authorize a regulated investment company to pass tax-exempt interest through to shareholders in exempt-interest dividends if at least 90% of the value of its total assets was represented by cash items and obligations the interest on which is tax-exempt (and if certain other conditions are met). This section was eliminated by the Conference Committee and was not adopted. Bills before Congress this year (H. R. 2240 and H. R. 2341) would permit a corporation (other than a bank or insurance company) to pass tax-exempt interest through to its shareholders in exempt-interest dividends if (1) at least 90% of its gross income is derived from dividends, interest, and gains from the sale or other disposition of stock of other securities and (2) less than 30% of its gross income is derived from the sale or other disposition of other securities held for less than three months. No action was taken on these bills.

(e) Denial of Tax Exemption on Housing Bonds

There have been several proposals this year (H. R. 3060, H. R. 3164 and H. R. 3174 would deny tax exemption for bond issues in the future by public housing agencies and secured by certain types of mortgages or by an annual contributions contract under the U.S. Housing Act. These bills were referred to the Committee on Ways and Means, which took no action on them, but this subject is included on the agenda for the panel discussions by that Committee on public tax reform. This proposal was offered as an amendment to the proposed Housing Act of 1959 when it was debated in the House, but it was defeated by a substantial majority.

VI

Financial Information on Investment Securities Held by Banks

Concern has been expressed over numerous requests by banks, and the advisory committee, for current financial information on corporate securities which they hold for investment. These requests are based primarily on a section in the Investment Securities Regulation of the Comptroller of the Currency the effective date of Aug. 16, 1957, which reads as follows:

“An investment securities shall be supported by adequate information as to the value of the securities held before the date of the valuation.”

A copy of the complete regulations effective Aug. 16, 1957 is attached as Appendix C.

The difficulty to obtaining such information from issuers is recognized. However, the difficulty in obtaining such financial information emphasizes the necessity for demanding that issuers of municipal bonds make available by the time of issuance to maintain their credit position and to assure a favorable market reception and interest rate on any subsequent financing.

The Municipal Securities Committee of the IBA has repeatedly stated the need for issuers of municipal bonds to make current financial information available. (1) has recommended use of a financial report form for general obligation bonds and for revenue bonds and (2) has recommended that municipal bond attorneys include in the trust agreement or resolution for revenue bonds a covenant that the issuer will file certain pertinent information at least annually with the principal underwriter and the principal financial reporting agencies.

Municipal Industrial Bonds

This Committee has repeatedly stated its concern with the abuse of tax-exempt credit to finance facilities exclusively or primarily for private industrial companies. Resolutions expressing concern over such financing were adopted by the Municipal Law Section of the American Bar Association in 1945 and by the Municipal Finance Officers Association in 1953. The IBA resolution was reaffirmed and clarified at the Spring Meeting of the organization in 1954, and it is included in the Minutes of the IBA at the 1954 Spring Meeting. The resolution deals with the issuance of revenue bonds for the development of industrial plant and does not apply to the issuance of revenue bonds for the development of industrial plant.

One reason for the concern over such financing is illustrated very clearly in a statement presented at the 1954 Spring Meeting of the organization. A mortgage bond was issued by the City of Chicago with a covenant that the issuer will file certain pertinent information at least annually with the principal underwriter and the principal financial reporting agencies.

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urged the Committee to remove the tax exemption from any munici-
pal bond issued to finance in-
dustrial plant construction.

VIII Judicial Decisions and State Legislation
Appendix E contains a sum-
mary of a few of the principal judicial decisions during 1959 af-
fecting municipal financing. Ap-
pendix F contains a summary of some of the principal state legis-
lation developments in 1959 af-
fecting municipal securities.

IX Activities of Subcommittees
Separate reports will be sub-
mited by several subcommittees, as follows:
(b) Metropolitan Area Sub-
(c) Proxy Subcommittee: John W. de Milhau (The Chase Manhattan Bank, New York) Chairman.

Respectfully submitted,
MUNICIPAL SECURITIES COMMITTEE
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APPENDIX A

Whereas, it is proper and com-
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tial sale of state and municipal bonds, for the issuing body to de-
liver to the initial purchasers, at the time of sale, a certified and of payment for such bonds, a manually executed copy or copies of a final, unqualified opinion of a recognized bond attorney whose opinions are widely accepted and generally accepted by purchasers of such bonds;

Whereas, in subsequent transactions in such bonds it is desirable to deliver to each purchaser a copy of the legal opinion to assure that the information in such opinion is disclosed to each purchaser;

Whereas, the present practice in subsequent transactions of deliv-
Report of IBA Municipal Securities Committee

Continued from page 55

APPENDIX C
Investment Securities Regulation

Section 1—Scope and Application

(a) This regulation is issued by the Comptroller of the Currency under authority of paragraph Seventh of Section 5136 of the Revised Statutes, as amended (12 U.S.C. 34).

(b) This regulation applies to the purchase for its own account of investment securities by a national bank or a State member bank of the Federal Reserve System.

Section 2—Definition of the Term "Investment Securities."

(a) An obligation of indebtedness which may be purchased for its own account by a national bank or State member bank of the Federal Reserve System in order to constitute an "investment security" within the meaning of paragraph Seventh of Section 5136 of the Revised Statutes be a marketable obligation, i.e., it must be salable under ordinary circumstances with reasonable promptness at a fair value, and except as provided in (b) and (c) below, must be present one or both of the following characteristics:

(1) A public distribution of the securities must have been provided for or made in a manner to protect or insure the marketability of the issue; or,

(2) Other existing securities of the public distribution must have such a public distribution as to protect or insure the marketability of the issue under consideration.

(b) The case of investment securities for which a public distribution as set forth in (1) or (2) above cannot be so provided, or so made, and which are issued by established commercial or industrial businesses or enterprises, or are such that it would be impracticable to service such securities, the debt evidenced thereby must mature not later than ten years after the date of issuance of the security and must be of such sound value or so secured as reasonably to assure payment, and such securities must, by their terms, provide for the amortization of the debt evidenced thereby so that at least 75% of the principal will be extinguished by the maturity date by substantial periodic payments. Provided, that no amortization need be required for the period of the first year after the date of issuance of such securities.

(c) Special revenue obligation of States or local governments or of duly constituted public Authorities thereof which possess a high degree of credit soundness, so as to assure sale under ordinary circumstances with reasonable promptness at a fair value, which do not meet the distribution standards of (a) (1) or (a) (2) above, may be purchased to constitute "investment securities."

(d) Where the security is issued under a trust agreement the trust agreement must provide for a trust indenture, to demonstrate the salutability, and such trustee must be a bank or banking corporations in the case of municipal securities and in the case of corporate securities, as a bank or banking corporation to be required to make such purchase, regardless of its form, comply with this regulation.

Section 3 — Limitations and Restrictions on Purchase of Investment Securities for Bank's Own Account.

(a) Although the bank is permitted to purchase "investment securities" for its own account for purposes of investment under the provisions of R.S. 5136 and this regulation, the bank is not permitted otherwise to participate as a principal in the marketing of securities.

(b) The statutory limitation on the amount of the "investment securities" of any one obligor or maker which may be held by the bank is to be determined on the basis of the par or face value of the securities, and not on their market value.

(c) The purchase of "investment securities" in which the investment characteristics are distinctly or predominantly speculative, or the purchase of securities which are in default, whether as to principal of interest, is prohibited.

(d) Purchase of an investment security at a price exceeding par or face value is prohibited, unless the bank shall:

(1) Provide for the regular amortization of the premium paid so that the premium shall be paid in full not later than before the maturity of the security (including premium) shall at no intervening date be carried at an amount in excess of the investment under the obligor may legally redeem such security and the trust agreement which would be necessary to meet the latter requirement would not be allowable as a deduction from gross income. Under Federal Internal Revenue laws and regulations issued thereunder, in which case the rate of amortization shall be sufficient to extinguish the premium by maturity; or

(2) Set up a reserve account to amortize the premium, paid account to be credited periodical-ly with an amount not less than the amount required for amortization under (1) above.

(e) Purchase of securities convertible into stock at the option of the issuer is prohibited.

(f) Purchase of "investment securities" convertible into stock at the option of the holder or with stock purchase warrants attached is prohibited if the purchase is made such that security is in excess of the investment value of such stock. Considered independently of the stock purchase warrants or conversion feature on the stock, the amount paid for an otherwise eligible security reflects the investment value of the security and does not include any speculative value based upon the presence of a stock purchase warrant or conversion option, and the purchase of such security is not prohibited. If the price paid for a convertible security provides a yield reasonably similar to that of non-convertible securities of similar quality and maturity the security will not be deemed to exist.

(g) All investment securities shall be supported by adequate information in the files of the bank as to their investment quality.

Section 4 — Exception to Limitations

The restrictions and limitations of this regulation do not apply to securities acquired through foreclosure on collateral, or acquired in good faith by way of compromise of a doubtful claim or that are acquired in connection with a debt previously contracted, or to real estate securities acquired pursuant to Sec...
Section 24 of the Federal Reserve Act, as amended.

Section 5—Effective Date.

This regulation is effective Aug. 16, 1957.

RAY M. GIDNEY
Comptroller of the Currency

APPENDIX D

A Resolution Adopting an Enabling Municipal Credit and Industrial Properties Act—1959


Whereas, the Investment Bankers Association of America, in May, 1959, adopted a resolution regarding the use of municipal credit for the construction or acquisition of manufacturing or industrial facilities for local private corporations; and

Whereas, it has come to the attention of the Board, by the Board of Governors of the Investment Bankers Association of America, that:

(1) It is the intent to include within the scope of the resolution the issuance of bonds by municipalities for the purpose of the construction or acquisition of lands, buildings, public facilities, equipment, or any combination thereof, to be leased to local private interests for manufacturing, assembling, fabricating or processing articles, unless such manufacturing, assembling, fabricating or processing articles is merely an appurtenance to, or incidental to the denominator operation of, a public facility open to use by the public; and

(2) That the original resolution, as so clarified, is hereby reaffirmed by the Board of Directors of the Investment Bankers Association of America,

A Resolution Adopting an Enabling Municipal Credit and Industrial Properties Act—1959

Be It Resolved, by the Board of Directors of the Investment Bankers Association of America, that:

It is the intent of the Board of Directors of the Investment Bankers Association of America, that:

(1) It is the intent to include within the scope of the resolution the issuance of bonds by municipalities for the purpose of the construction or acquisition of lands, buildings, public facilities, equipment, or any combination thereof, to be leased to local private interests for manufacturing, assembling, fabricating or processing articles, unless such manufacturing, assembling, fabricating or processing articles is merely an appurtenance to, or incidental to the denominator operation of, a public facility open to use by the public; and

(2) That the original resolution, as so clarified, is hereby reaffirmed by the Board of Directors of the Investment Bankers Association of America,

APPENDIX E

Court Decisions—1959

This Appendix contains summaries of some recent court decisions which are believed to be of interest to persons engaging in the municipal credit business.

CALIFORNIA

A proceeding had been taken under the Park District Law of 1957, for the purpose of issuing bonds to finance the acquisition and improvement of the lands, buildings and other improvements comprising the new district within the City of Palm Springs and for the issuance of bonds to finance the cost of acquiring and improving parking lots. The City Council adopted an ordinance providing that there would be pledged to the payment of such bonds, in addition to the tax assessed on the land, buildings and other improvements comprising the new district and on the streets and alleys within the district, (a) the net revenues from the parking meters within the district and (c) future revenues from the city's sale and use taxes.

The California Constitution provides in Section 18 of Article XI that no city shall incur any indebtedness exceeding in any year the income and revenues of that year, minus two-thirds of the net proceeds from the sale of bonds or other notes.

Therefore, it was held that the city's sale and use tax constituted a pledge of future revenue that was an improper pledge of such future revenue, in violation of the Constitution.

MICHIGAN

Michigan has a 3% State sales tax, originally adopted in 1933. Article 10 of Section 23 of the Michigan Constitution, as amended in 1954, provides that "at no time shall the Legislature levy a sales tax of more than 3%". In 1959 the Legislature adopted an amendment to the Constitution which increased the tax from 3% to 4%, subject to the proviso that if the property used, stored or consumed had been in transit or in storage at the time the 3% sales tax was paid then the use tax would be imposed. The Second Circuit held that the amendment increased the tax from 3% to 4% without authorization of the Constitution.

The Supreme Court of Michigan held that the constitutional provision which (a) it is such an agency of the State to be entitled to the immunity from payment of interest, (b) which it rejected the amendment, and (c) with three exceptions, found that the interest was not payable by the State, and (d) that the Legislature was entitled to the benefits of the survival clause.

U.S. Government, State and Municipal Securities

This Appendix contains summaries of some recent court decisions which are believed to be of interest to persons engaging in the municipal credit business.

CALIFORNIA

S. B. 1106 authorizes a program for the development of the water resources of California. This act provides for the issuance of $1,200,000,000 of bonds to finance the program; but the bond issue must be approved by the people in the general election in November, 1960. A proposal in L.A. C.A. 44, to deny to the state the power to levy a property tax, failed in the legislature. A. B. 1256 permits the interchange of coupon state bonds for federal bonds.
Report of IBA Municipal Securities Committee

Continued from page 57

registered state bonds and registered state bonds for coupon bonds, applicable to outstanding bonds as well as bonds hereafter to be issued. S. B. 576 requires at least one manual signature on all local district bonds, amending a 1937 act which permitted the use of all facsimile signatures on such bonds.

S. B. 576 created the Golden Gate Authority Commission to study and investigate the whole field of transportation in the Bay Area to determine the advisability of the acquisition of transportation facilities by an authority having broad powers, with the thought that coordinated operation of such facilities will be more effective than the present fragmented management.

Michigan Act No. 161 of the Public Acts of 1929 provides the "Public Securities Validation Act," an act "to avoid multiple or various actions contesting the validity of the security issues of public bodies of the state of Michigan; to provide for consolidation of and injunctive relief against such actions; and to enable public bodies to secure binding adjudications against all interested parties as to the validity of security issues." This act is based upon a model form of bill endorsed by the Michigan Law Section of the American Bar Association as the "model bill." This act provides that a validating decree or judgment under the state to place its credit behind $42,000,000 of New Jersey Turnpike Authority bonds, provided the bondholders permitted the state to use surplus Turnpike revenue (estimated at $50,000,000 in 1958) to aid commuter railroads.

Substitute Senate Bill No. 612 reduced from 55% to 50% the percentage required for passage of a school bond issue in the November election or at the primary election in even numbered years (elections at other times requiring a 60% majority). The percentage required for approval of an operating tax in a 15-mile limitation for both schools and municipalities was also reduced to 50%.

Amended House Bill No. 917 increased the total value of all property in a municipality (as listed and assessed) to $3,000,000. The amount of net indebtedness which may be created or incurred by a municipal corporation without a vote of the electors. The net indebtedness which may be incurred with a vote of the electors was raised from 5% to 10%.

Pennsylvania Act 101 raised the taxing powers of fourth class school districts to authorize such school districts to levy ad valorem taxes on real estate unlimited in amount (previously school districts of the fourth class had been limited to a ceiling of a total of 45 mills, except with special permission) to pay lease rentals to authorities, to pay debt service on general obligations, and to pay teachers' salaries.

Texas Senate Bill No. 140 provides a Municipal Obligation Validation Act. This act is based on the model form of bill endorsed by the Municipal Law Section of the American Bar Association and the IBA. It provides that a final bond validation decree shall, as to all matters adjudicated, be forever binding and conclusive, against the petition and all other parties to the case, whether mentioned or served with notice of the proceedings, or included in the description "all property owners, taxpayers, citizens and others having or claiming any right, title or interest in any properties or funds to be affected by the issuance of the Securities or affected in any way thereby) shall constitute a permanent injunction against the institution by any person of any action or proceeding contesting the validity of the bonds, notes or other evidences of indebtedness described in the petition, or the validity of provisions made for the payment of the same or of interest thereon".

Report on Metropolitan Area Problems

The Subcommittee on Metropolitan Area Problems of which Alan K. Browne, Vice-President of the Bank of America, N. T. & S. A., is Chairman, presented the following Report of the Committee: Almost every medium-size and large city in the United States is confronted with the situation that it is part of a metropolitan area beyond its go-

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Report of IBA Municipal Securities Committee

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areas of varying population densities would be guided by the area of competition in the District. The Director of the Department would be an experienced professional planner.

This proposal was submitted to the voters at the November election and was defeated by a vote of about 2 to 1 in the City and 3 to 1 in the County.

WINNIPEG, CANADA

The Greater Winnipeg Investigation Commission recommended that there be formed by legislation, without the approval of the residents by a referendum, the "Municipality of Greater Winnipeg." It is proposed that the 14 municipalities and cities now existing in the area be consolidated to form eight municipal corporations.

Greater Winnipeg would be governed by a 14-member Metropolitan Council, including the elected heads of the eight proposed constituent cities and municipalities. Six members, to be known as the Board of Control, would be elected directly from single-member districts. Each electoral district would include approximately one-sixth of the population of the City of Winnipeg, one-sixth of the population of the total area, and the total area of one hundred acres, or part of the area of two smaller cities. Members of the Board of Control would serve three-year terms and would receive a salary commensurate with full-duty time.

The Metropolitan Council would assume responsibility for all capital expenditures for school sites, buildings and equipment, and the financing of the cost of providing education to all public elementary and secondary pupils in line with standards to be set by the Council in consultation with the Metropolitan School Board and the major Provincial Department of Education. Local school districts desiring to furnish extra accommodations could do so providing their plans were approved, and costs were met by local taxpayers. At the present time, there are 36 school districts in the Winnipeg area. The Commission's proposals reduce this, one councilor to nine, one councilor to six. The chairman of each new board would constitute the Metropolitan School Board. The Board would supervise the budgets of the local systems, set educational standards and maintenance and capital requirement budgets for submission to the Metropolitan Council.

In the field of public utilities, it was recommended that the Metropolitan Council assume full responsibility for the planning, designing, construction and distribution of water, the provision of public transportation, the distribution of electrical energy within the Metropolitan area, and the supervision of airport facilities. These functions would be under the immediate jurisdiction of three Metropolitan Public Utilities Commission composed of seven members. The Metropolitan Council would appoint the Chairmen of the three Commissions, and the Board would be appointed by the Council. Under the new plan, the functions of the Greater Winnipeg Water District, the Greater Winnipeg Transit Commission, and the St. James-Winnipeg Airport Commission would be assumed by the Metropolitan Council. The control of the distribution of electrical power would be accomplished through Council negotiations with the City of Winnipeg, the Manitoba Power Commission, and the Manitoba Hydro-Electric Board. The responsibility of Angular, Manitoba for the area would become the sole distributor of power in the area.

In addition, the Council would assume responsibility for area-wide drainage, sewage disposal, flood control, the preservation of water for irrigation, and the control of industrial pollution. The Council would coordinate the activities of the Rivers and Streams Authority, the State River Control Commission, and the Harbor Commission would be consolidated and placed under Council jurisdiction.

It is also proposed that the Metropolitan Council be given power to acquire, develop, and operate any necessary municipal facilities. Authority would be given to serve water to areas where waters are not now supplied by existing facilities.

The report recommends that traditional welfare services become the responsibility of the Metropolitan Council. The report also recommends that the personal property tax be replaced by a Council administered business tax. Sales tax measures were defended by the Commission as necessary "to ensure that industry will pay the same rate of taxation, regardless of its location in the area; to do away with competition as between the municipalities for the location of industry within their respective boundaries since all municipalities will be sharing equally in the 'industrial revenue' ... to enable the Metropolitan Authority as its own agent to attract industry to the area, and to locate it where it will be best suited for the area as well as its own purposes, in accordance with the over-all plan for the Metropolitan Area."

RICHMOND, VA

The Public Administration Service has submitted to the Richmond Regional Planning and Economic Development Commission a three-step plan for regional governmental development in the Richmond area, which presently comprises the governmental units of Richmond City, Henrico County and Chesterfield County.

As a first step, the plan calls for the consolidation of the governments of Henrico County and Richmond under the City government. It is also proposed that Chesterfield County remain a separate governmental entity. Step two would involve greater governmental cooperation for Henrico County with the establishment of a county manager or county executive form of government. Step three would involve various methods of insuring inter-jurisdictional cooperation toward the establishment of a joint County Planning Commission for Richmond and Chesterfield Counties. It would also consider the administration of public utilities, aspects of transportation and industrial development.

CHICAGO, III.

The Northeastern Illinois Metropolitan Area Local Governmental Services Commission issued a report on "Metropolitan Government in the Chicago Area." The report concluded that local governmental services in the area can best be provided by existing governments in view of the social, political, and economic factors that dominate the Metropolitan Area.

This report emphasizes that the traditional forms of local government in the area are very great, there are at least three important "stovepipe" forms which made difficult any activity on a Metropolitan Area-wide basis, and these are: (1) the conflict in social values between the substantial non-white segment of the population in Chicago and the population of the suburban areas, (2) the problem of paying the bill, which will be financed principally by the Chicago taxpayer, and (3) the distribution of functions to the various major political parties in the City of Chicago and in the rest of the Northeastern Illinois Metropolitan Area. The report suggests that an elected official, the "Chief Executive," in recent years make it inconceivable that the City of Chicago would voluntarily join with a major metropolitan ring in the creation of a three-county" on a voluntary basis or that the suburbs would voluntarily join with Chicago.

CLEVELAND-CUYAHOGA CO.

The Cleveland Metropolitan Service Commission, popularly known as METRO, over the past 2½ years has issued 28 reports on governmental organization in the Cleveland area. In December it issued its final report, "Prologue to Progress," briefly summarizing the Cleveland and recommendations in the preceding reports. The report particularly notes the many difficulties that
arise when a multitude of small governments exist in a Metropolitan Area and operate "...While a shifting of responsibility for certain functions from the local to the most intrical level relieves some of the pressures of fragmented government, problems remain because some governmental units are simply too small and too poor to handle even the most simple and basic service needs of their residents. Very little can be done to meet this particular problem in Cuyahoga County—the center of this regional complex—unless the local units in the county choose to merge or to develop more interactive and cooperative arrangements.

"...Much of the area in the surrounding counties, however, is still unincorporated, with the 25 square mile township providing the simplest governmental picture: "It is not too late for these areas to recognize some of the problems created by the incorporation pattern in Cuyahoga County, and to avoid duplicating our difficulties..."

Annexation and incorporation should be judiciously considered. Not only should great discretion be exercised in these matters by persons in authority, but serious consideration, should also be given to modifying the laws which today make annexation too difficult."
Report of IBA Municipal Committee

Continued from page 61

solutions for those problems by reviewing the problems, proposed solutions and those in other areas. It is extremely helpful to have available ready reference to previous metropolitan surveys. The Government Affairs Foundation prepared, and the Public Administration Service published, "Metropolitan Surveys: A Digest," which brings together in compact summary a digest of 117 metropolitan surveys carried out in the United States and Canada between 1923 and 1957. Copies of this publication may be obtained from Public Administration Service (1113 East 9th Street, Chicago 37, Ill.) at $6 per copy.

Finally, we urge investment bankers to take an active part in studies of metropolitan area problems in their respective areas throughout the country, so that the conclusions and recommendations in those studies will have the benefit of sound and practical financial advice.

Respectfully submitted,

SUICOMMITTEE ON METRO-
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The Annual Meeting of the Newhard, Cook, and Ad-
ministrators in Atlantic City in
September, the Officers and Wa-
arrants Committee recommended, and the U.S.A. adopted a report in
which it is concluded that, as standards or guides for the use of administrators in determining whether the issuance of stock op-
ions under the statement of policy is justifiable, the statement of policy be given a liberal inter-
pretation as to options or war-
rants issued to underwriters in connection with a public offering if specified conditions are met. The conclusions also recommended that in those states where it is necessary to disclose the various terms of the options in the computation of commissions the maximum value of such options, if any, be used; and that in those states where no mar-
ket value of stock options be given, unless evidence indicates that a contrary valuation exists; and in the report of the Options and Warrants Committee, adopted by the U.S.A. in September, 1959, are set forth in Appendix B.

These modifications in the original
statement of policy are an expression of the constructive spirit in that they encourage affirmative that options or warrants to under-
writers are issued in connection with certain public offerings and that such issues be disclosed at the time of issuance. We commend the work of the Special Subcom-
mittee on this problem and the Chairman and members of the N.A.S.A. Committee on Options and Warrants, is a constructive and appropriate approach to the problem.

III

Variable Annuities

On March 19, the Supreme Court of the United States held that variable annuity contracts are securities subject to registra-
tion under the federal Securities Act of 1933 and that insurers issuing the contracts before the Court (Variable Annuity Life Insurance Company of America and Equity Annuity Life Insurance Company) must comply with the require-
ments of the federal Investment Company Act of 1940.

The Supreme Court, in holding that variable annuities are not "insurance" within the meaning of the Securities Act of 1933 or the Investment Company Act of 1940 or within the meaning of the McCarran-Ferguson Act, stated that:

"For common understanding "insurance" involves a guarantee that at least some fraction of the benefits will be payable in fixed amounts (certainties). The companies that issue these annuities take the risk of failure. But they assign away their risk to a mutual entity instead of an interest in a portfolio of common stocks or other equities—an interest that has a relatable but no floor. There is no true underwriting of risks, the one earmark of insurance as such. It has been commonly conceived in popular understanding and usage."

The decision is 3 to 4. Justice Douglas delivers the opinion of the Court, concurred in by Chief Justice Warren and Justice Black and, in a separate concurring opinion by Justices Brennan and Stewart. Justice Harlan was joined in a dissenting opinion by Justices Frankfurter, Clark and Whittaker.

Legislation was adopted in New Jersey this year to authorize governmental in that state to issue and sell variable annuity contracts.

In August, 1959, the Variable Annuity Life Insurance Company of America filed an application with the SEC for exemption from certain provisions of the Federal Investment Company Act of 1940 and the rules thereunder. The S.E.C. held hearings on the application in September, but no de-
cision has been announced at this time that this report was pre-
pared.

It appears that there is no great rush to sell variable annuity con-
tracts under the decision by the Supreme Court requiring compli-
ance with the federal Securities Act of 1933 and the federal In-
vestment Company Act of 1940.

Gifts to Minors

The Uniform Gifts to Minors Act or the Model Act For Gifts to Minors has now been adopted in all of the 50 states. Tax rulings regarding the application of the federal gift, income and estate taxes with respect to gifts under the Act, have been summarized in the last Annual Report of this Committee. The In-
formal Revenue Act of 1957 was re-
quested to clarify its position on the rulings and recently issued Revenue Ruling 57-57 which con-
cludes (substantially in accord with the previous rulings):

(a) Any transfer of property to a minor under the Model or Uniform Act constitutes a completed gift for federal gift tax purposes to the extent of the full fair market value of the property transferred and, such a gift qualified for the annual gift tax exclusion ($3,000 for a single person, $6,000 for a married couple).

(b) Income derived from properly transferred under the Uniform or Model Act which is used in the discharge or satisfaction, in whole or in part, of a legal obligation or of any person to support or maintain the minor donee is taxable to such person to the extent so used, is other-
wise taxable to the minor donee.

(c) The value of property trans-
ferred under the Uniform or Model Act is includible in the gross income of the donor for federal estate tax pur-

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poses if (1) the property is given in contemplation of death within three years of the donor's death or (2) the donor appoints himself custodian and dies while serving in that capacity. In all other circumstances custodial property is includable only in the gross estate of the donee.

Cooperation With State Securities Administrators

Representatives of the IBA again attended the Annual Meeting of the North American Securities Administrators in Atlantic City in September.

Much of the work reported above in this report reflects the close assistance and cooperation of various states securities administrators, and this Committee wishes to take this opportunity to express its appreciation for the constructive work that has been done through such assistance and cooperation. We also want particularly to express our appreciation to Mr. William King, Securities Commissioner of Texas, who is Chairman of the IBA Liaison Committee of the N.A.S.A.

Suggestions

The Committee would welcome suggestions as to how it can function more effectively and be of greater service. We urge that all Group legislation committees keep IBA Counsel advised of any developments in state legislation in their areas and to plan their legislative programs well in advance of sessions of the Legislature.

Respectfully submitted,
STATE LEGISLATION COMMITTEE

APPENDIX A

Summary of amendments in State Blue Sky Laws in 1959

ALABAMA

The Uniform State Securities Act, with several modifications, was adopted on May 15, 1959.

ALASKA

A Securities act was adopted in Alaska effective May 9, 1959, based on the Uniform State Securities Act, providing (1) anti-fraud provisions and (2) for registration of broker-dealers, agents and investment advisors. The act does not require the registration of securities.

ARKANSAS

The Uniform State Securities Act, with a few modifications, was adopted effective July 1, 1959.

CALIFORNIA

The California Corporate Securities Law was amended effective July 1, 1959: (a) to increase the fee for filing applications for a broker's certificate; (b) to increase the fee for permits to issue securities; and (c) to impose a new fee of $100 for filing any prospectus or registration statement except in connection with an application for a permit or in connection with securities for which a permit has been issued.

COLORADO

A new Section 125-1-20 was added to the Colorado Securities Act, effective May 15, 1959, to authorize the Commissioner to issue a stop order suspending or revoking a registration statement if he finds after notice and hearing that the registration statement, offering circular, or sales literature of the registrant contains any statement which is false or misleading with respect to any material fact.

An amendment to Subdivision 6 of Section 125-1-15 imposed restrictions on the exemption for securities of a concern which has been continuously in business in the state for more than 20 years and which holds first mortgages on real estate located in the state.

CONNECTICUT

The Connecticut Securities Act was amended effective June 26, 1959, and the principal changes were the following:

1. Section 36-311 was amended to authorize the Commissioner to refuse to register a broker or dealer if he finds that the financial responsibility, business experience or character of such broker or dealer is not satisfactory.

2. Section 36-285, which previously required each broker or dealer to keep books and records in form and manner satisfactory to the Commissioner, was amended to require the keeping of such books and records "as the Commissioner may require."

3. Section 36-311, requiring each issuer to whom a permit has been granted (the Connecticut Act requires registration of only mining and oil securities) to file a statement of assets and liabilities, was amended to eliminate the requirement that such statements be subscribed and sworn to before a notary public and be accompanied by a sworn certificate from a certified public accountant.

4. A new section was added to prescribe the liabilities of persons who sell in violation of the act.

A separate provision of law relating to injunctions and punishment for untrue and misleading advertising of merchandise, real estate and securities, was expanded to include advertising by still or motion pictures, loud speakers, radio and television. The fine for violations under this section was reduced from $2,500 to $250.

FLORIDA

Amendments to the Florida Securities Act effective June 10, 1959, included the following principal changes:

1. Section 517.03 was amended to authorize the Commission to make, adopt, and promulgate all rules and regulations necessary for carrying out its duties.

2. Subdivision 15 of Section 517.06 was amended to eliminate a requirement for written notice to the Commission with respect to transactions exempt under Subdivision 9 (relating to exchanges or conversions) or under Subdivision 12 (relating to sales by the issuer of certain public utility securities).

3. Subdivision 7 of Section 517.09, relating to registration of securities by qualification, was amended to require the Commission to find in addition to other requirements that "the terms of the agreement have been filed with the Commission."
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tions exempt under the subdivision.

(8) Subdivision (12) of Section 502.5 was amended to exempt any offer or sale by registered dealers of an outstanding security at a price reasonably related to the current market price if a specified amount was not in formation about the one of the securities (the amendment also amended the provisions that the exemption does not apply to shares outstanding not less than three years or registered with the SEC during the preceding three years).

(9) A new Subdivision (13) was added to Section 502.5 to exempt any transaction by a registered dealer, not directly or indirectly for the benefit of the issuer, pursuant to an unsolicited offer or proposal to purchase (but the Commissioner may by rule require that customers acknowledge a specified form that the transaction was unsolicited and that a signed copy of the form be preserved by the dealer for a specified period).

(10) A new Subdivision (14) was added to Section 502.5 to exempt any offer (but not a sale) of a security for which a registration statement has been filed under the Federal Securities Act of 1933, and an application for registration has been filed under the Iowa Act (if no stop order refusal order is in effect and no public proceeding or examination looking toward such an order is pending under either act).

(11) Section 502.7 was amended to authorize the registration of securities for which specified requirements by a simplified procedure of registration by notification.

(12) Section 502.11 was amended to increase the fee for registration and renewal of registration from $25 to $50 for dealers and from $3 to $5 for salesmen.

KANSAS

Section 10 (exempt securities) of the Kansas Securities Act was amended effective April 1, 1959:

1. In Subsection (a) a provision exempting securities issued for fire-protection or fire-fighting purposes, or in Subsection (b) a provision exempting securities issued for fire-protection or fire-fighting purposes.

2. To include in Subsection (i), exempting commercial paper, a provision that the exemption shall not apply to investment certificates or thrift notes sold or offered for sale to the public by loan or investment companies.

3. To include in Subsection (j) a provision to exempt any investment contract issued in connection with a self-employed person's retirement plan (if the nominee is notified in writing 30 days before the inception of the plan).

MINNESOTA

Section 80.06 of the Minnesota Securities Act (exempt transaction) was amended effective April 17, 1959, to exempt sales by licensed dealers or brokers of securities theretofore sold and distributed to the public if such securities are sold at prices reasonably related to current market prices of such securities, specified information is available in Moody's, Fitch's or Standard and Poor's securities manuals or other recognized securities manuals approved by the Commissioner, and the securities meet certain other requirements.

NEBRASKA

Section 81-348 of the Nebraska Securities Act was amended effective Feb. 24, 1959, to extend from three to five years the period within which a purchaser of securities may enforce the liability of a broker or salesman who has sold such securities without a license.

NEW MEXICO

The New Mexico Securities Act was amended effective June 12, 1959, to re-enact the sections to split them into shorter sections and to provide the following changes:

1. Provisions requiring the filing of a consent to service of process as prescribed by Section 48-18-28 were inserted as Subsection (J) of Section 48-18-19.2 relating to registration by notification, in Subsection (F) of Section 48-18-16 relating to registration by coordination and in Subsection (R) of Section 48-19.6 relating to registration by qualification.

2. In Section 48-18-19.10 the maximum fee for registration of securities was increased from $200 to $400.

3. The provision which previously authorized the Commissioner to require a dealer to have a minimum capital was amended to require in Section 48-18-20.2 that the minimum capital shall not be less than $5,000; (b) to require in Section 48-18-20.3 that each dealer shall post a surety bond in an amount required by the Commissioner, not less than $10,000 nor more than $100,000, and providing that in determining the amount of bond the Commissioner shall take into account the risk to the public if the public is exposed, the capital, and the ratio between net capital and the average indebtedness of the dealer.

4. A provision was added that applicants for registration as salesmen shall be required to have a dealer who has posted a bond, shall post a corporate surety bond in the amount of $5,000.

5. In Section 48-18-20.14 the registration fees were changed to (a) $100 for original registration and $50 for renewal of registration of dealers (previously $30 to $50 depending on the number of salesmen employed), (b) to $10 for registration of a (c) to $50 for original registration, or $20 if an exami-

Continued on page 66

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Report of IBA State Legislation Committee

Continued from page 65 and $20 for renewal of registration of investment advisors (previously $10).

(6) In Section 48-18-22 (exempt transactions) a new subsection was added to exempt the issuance and sale by a New Mexico Corporation of its securities if the number of security holders will not exceed 25, or if the aggregate amount raised (including prior sales) does not exceed $50,000 if the seller reasonably believes that all buyers are purchasing for investment and no other remuneration is paid for soliciting any prospective buyer.

(7) Section 48-18-32 was amended to increase the maximum criminal penalty from one to three years imprisonment.

HAWAII

Amendments to the Hawaii Securities Act effective May 21, 1959, included the following principal changes:

(1) In Subsection (e) of Section 199-4, exempting securities issued by insurance companies, an amendment excludes from the exemption accounts contracts, investment contracts or similar securities under which the promised payments are not fixed in dollars but are substantially dependent upon the investment results of a segregated fund or account invested in securities.

(2) Section 199-4 (exempt securities) and Section 199-6 (exempt transactions) were amended to provide that the exempt securities and exempt transactions described therein are exempt only from the requirements of registration of securities and for the filing of advertising (however, persons who engage only in certain types of transactions are by exemption excepted from the definition of "saleman" and "dealer").

NEW YORK

The principal changes to the New York Blue Sky Law in amendments effective Oct. 1, 1959, are the following:

(1) Section 259-e was amended so that (a) brokers and dealers, as well as dealers, must file registration statements under the Act in connection with the sale of such securities, (b) brokers, dealers and salesmen shall be for periods of 4 years (commencing Jan. 3, 1960) (c) every registration statement previously was for an indefinite period; (d) all registration statements filed pursuant to prior provisions of law shall remain on the register in effect until Jan. 5, 2000; (e) there is imposed a fee of $50 for each broker-dealer plus $2 for each partner, officer, director or principal, $5 for each salesman's statement and $5 for each supplemental statement for a period of 4 years, (f) every partner, officer or principal who is named as such in a broker-dealer statement who shall act as a salesman shall be required to be licensed by the Commissioner of Commerce and Industry; (g) the Attorney General also had to exempt under Subdivision (d) securities issued and sold in a limited offering to not more than 49 persons and in a subscription for an exempt offering under Subdivision (e) securities sold in connection with an employee's stock purchase, savings plans, profit-sharing, or similar benefit plan.

NORTH CAROLINA

Section 78-19 of the North Carolina Securities Act was amended effective June 19, 1959, to require that every applicant for registration as a dealer or for renewal of registration of dealers such registration shall be required to be filed with the SEC, as a prerequisite to registration or renewal. Dealers persons dealing exclusively in bonds of the United States and its states and municipalities.

An amendment to Section 78-4 of the Act, to extend new Subdivision 13 to exempt:

"(13) The offer or sale by a domestic corporation, or securities issued by such corporation (a) organized for the purpose of promoting community agricultural or industrial development of the area in which its principal office is located and (b) approved by resolution of the members of the corporation of the county in which its principal office is located, and located in a municipality or within two miles of the boundaries thereof, by resolution of the governing body of such municipality, and (c) no commissions or other remuneration is paid or paid on such securities or the sale or other disposition of such securities."
spect, filed with the Commissioner and approved for use by the Commissioner, shall be used in connection with all sales of securities registered under the Act, unless otherwise waived by order of the Commissioner.

(a) Subdivision (c) of Section 48-1619, exempting securities issued by an insurance company, was deleted.

(6) Subdivision 8 of Section 48-1619 was amended to authorize the Commissioner to require that a written examination be given to applicants on the fundamentals of securities analysis in order to determine an applicant's training or experience to act as a salesman of securities in the state, as well as to determine his knowledge and understanding of the Tennessee Securities Act.

(7) Section 48-1829 was amended to add Subdivision (10) and (11) additional grounds for revoking or suspending the registration of dealers and agents.

(8) Section 48-1648, providing penalties for violations, was amended to delete the word "willfully" from the provision that "Any person who shall willfully violate any provision of this chapter or any order issued by the Commissioner.

(9) A new Section was added to provide that no advertising matter containing or constituting an offer to sell any security registered under the Act shall be published or circulated unless and until submitted to and approved by the Commissioner.

(10) Previously, a provision was added to the Act to impose special provisions on promotional and speculative securities.

(11) A new section was added to provide that all insurance companies and securities dealers shall be subject to examination by the Commissioner or his representatives at any time in the manner now provided for examination of insurance companies. The cost of such examinations shall be borne by the examinee, provided that not more than two such examinations shall be charged for in any one year and more than one examination shall be made in the same community in the same week. The actual traveling expenses of the examiner shall be pro-rated between such examiners.

**TEXAS**

Section 5 of the Texas Securities Act was amended effective April 26, 1959, to add a new subsection (a).

(a) "The Sales of interests in under oil, gas or mining leases, titles or titles, or contracts relating thereto, where (1) the total number of such interests, whether whole, fractional, aggregated or uninvested in any single oil, gas or mineral lease, title or title, or contract relating thereto, shall not exceed 35 within a period of 12 consecutive months and (2) no use is made of advertisement or public solicitation, provided, however, if such sales or sales are made by an agent such other or owners, such agent shall be licensed pursuant to this Act. No oil, gas or mineral unitization or pooling agreement shall be deemed a sale under this Act."

**WASHINGTON**

The Washington Securities Act was amended (1) in Subdivision 21 of Section 188.07, exempting sales of interests in investment clubs-meeting specified requirements, to change a requirement that all members continue to retain equal interests in the fund by substituting a requirement that the financial interests of each member in the club do not have to be equal, but the members must have equal voting powers and (2) to modify a requirement regarding the filing of pro-spectuses.

**APPENDIX B**

Conclusions in the Report of the Options and Warrants Committee of the North American Securities Administrators Adopted at Atlantic City in September, 1959

This committee concludes that the present Statement of Policy as a general principle is well advised and that it should be reaffirmed in its present form.

However, this committee believes that as a practical working document, the Statement of Policy is at times inadequate and that without some practical standards or guidelines it will either be used too rigidly, as evidenced by some states uniformly prohibiting options in each and every case, or too loosely such as states permitting options to an unmanageable and unacceptable degree. This committee further believes that without some specific guidelines or standards the issuance of the Securities Act is justifiable.

Accordingly, this committee submits the following standards or guidelines for the use of administrators in determining whether the issuance of stock options under the Statement of Policy is justifiable.

(1) That options to management in the nature of restricted stock options for incentive purposes be generally looked upon favorably if reasonable in number and method of exercise.

(2) That options to employees or their nominees, pursuant to stock purchase plans or profit sharing plans, if reasonable in number and method of exercise, be generally looked upon favorably.

(3) That the Statement of Policy be used to provide a liberal interpretation as to options or warrants issued in cases where a public offering price, if:

(a) The firm offering the option is not underwriting under a firm underwriting agreement and no agreement exists to restrict the use of administration or any other means of limiting the issuance of the securities.

(b) The number of shares covered by all the warrants or options do not exceed 10% of the total securities to be outstanding at the completion of the offering.

(c) The initial exercise price of the options is at least equal to the public offering price with a "step-up" of the exercise price of 10% each year they are outstanding;

(d) The options or warrants do not exceed five years in duration and are exercisable no sooner than one year after issuance, and

(e) The options or warrants are issued by a relatively small company in the promotional stage using information in which all of the facts and circumstances of the issuance of such options is necessary to obtain competent investment banking service, provided that the direct commissions to the underwriters are lower than the usual and customary commissions would be in the absence of such options or warrants.

(4) That in those states where it is necessary to include the value of the options in the computation of commissions the market value of such options, if any, be used. That in those cases where no market value exists an arbitrary value of 20% of the original exercise price of options be used unless evidence indicates that a contrary valuation exists.

(5) That the same tests be applied to options issued by "selling shareholders" as has been recommended herein, unless evidence indicates that the selling shareholders are so separated from the corporate entity and so lacking in control of the corporate entity as to require more liberal treatment.

This committee recommends that the foregoing standards or guidelines be used only as a rule to assist the individual administrator when working with the Statement of Policy, and in no way in any way binds any member state or province to accept such standards or guidelines administratively. It is strongly recommended that these guidelines be used in the light of facts and circumstances and that rigid adherence to these guidelines should not be used if the net result is continued on page 69.
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result would be to develop an interest in existing shareholders.

Respectfully submitted,
STATE LEGISLATION COMMITTEE

George A. Newton, Chairman
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A. C. Allens & Company
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FNMA's Exchange of Bonds for Mtges Well Received

The recent plan under which the Federal National Mortgage Association made available a part of its Government portfolio (Management and Liquidation of Insolvent Mortgage Beneftics) of 4% VA mortgage exchanges in exchange for U. S. Tenders of $105.13, was received, according to data given on December 4 by H. C. B. Hugan of FNMA, President. All offers were required to be submitted by December 1.

The average exchange price of the offers that were approved was $120.01 face amount of bonds for each $100.00 of unpaid principal amount of mortgages to be acquired. Such offers aggregating $186,329,000, included a high offer of $105.13, a low of $101.12, and an average of $102.03.

Banks and others who would have to be paid the face amount or face value of the bonds that would be received, have been notified. Arrangements will be made to consummate the individual exchanges.

On an overall basis, 236 offers totaling $252,930,200 were received from 123 different bondholders. Of these bondholders, 41 were savings and loan associations, 32 were savings banks, 26 were insurance companies, 12 were commercial banks, 7 were other types of bondholders, and 3 were individuals.

Continued from page 19
as soon as we could, to the task of the economic regeneration of the country. We have, therefore, established the Planning Commission with the object of assessing the economic needs of India and the resources available to meet them and to draw up blueprints for economic progress. The first five Year Plan in the country functioning in 1951, the second in 1956 and is now in the process of preparation.

Explain's India's Economic Planning

Before describing to you the content of these plans, it might be as well to explain the essences and nature of Indian economic planning. The term Five Year Plans in the United States to conjure up a picture of totalitarianism, of regimentation, of bureaucracy and forced labor. It connotes decisions taken by a few people at the top which are then rubber-stamped out, no matter what the individual. Planning in the framework of a democracy is, however, entirely different. For one thing, the Indian plan is not only the widest possible consultation with State governments and the representatives of the people. It is then published and discussed and finally adopted in Parliament by the representatives of the people.

The Indian plan is not a rigid framework which can in no circumstances be altered. Nor does it overlook the importance of adequate and appropriate incentives, through the media of fiscal and monetary policy, and it operates through the mechanism of the market. It is intended to serve as a guide-line to indicate the directions in which the economy should move and it sets out a series of targets of production and for the provision of social services. The Plan is not only for the public sector but also for the private sector, and insofar as the industrial activity of the private sector is within the framework of the plan—which it must be remembered is made up of the full content and cooperation of the private industrialists—the government gives to the nation and every means in its power.

The justifications for planning in a poor country is so obvious to us that we tend to be surprised at the lack of enthusiasm on the part of the poor man for it. There is no real hardships for development to be imported. Nor was it possible to increase either the production or the sales of our traditional export items in the short run merely from the use of foreign exchange for all these requirements.

The Second Plan was, therefore, aimed at an investment of a little more than $1 billion, about $18 billion were to be invested in the agricultural sector, about $3 billion in the private. Though the allocation for agriculture was substantially greater than in the First Five

Opportunities for Private Investments in India

And an Over-Ambitious Plan

It soon became clear, however, that the pace of progress in the first plan was too slow not only compared to the pace of the viable economy but also to keep the Indian society politically and socially satisfied with the demands created by the revolution of rising expectations and we had to fast if we were not to be left behind. Furthermore, the plan disclosed that there were certain structural weaknesses that remained, namely that it produced practically some of the most critical of its oil and Agriculture, steel, machinery, cotton, and rubber. If the econ-

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Year Plan, the relative share of industry was increased. The Plan envisaged an increase in 1957 to a per capita income of $80 to $86 per annum. This attempt to increase the per capita income by 20 cents a week is sometimes called over-ambitious by our foreign friends. A country should not be a greater measure of language for this rate it would take us 35 years since planned development began in India to raise our per capita income to $2 a week.

80% of Capital Internally Generated

The Second Plan has still 16 months to run its course. But the indications are that we are not going to get for investment in money terms will be achieved, it will fall short in real terms by 18 to 20% because of some rise in Indian prices but mostly in foreign prices. The rate of increase of total national income is likely to be once again no more than 3% per annum and though certain targets of production will be achieved, and some even exceeded, there will be a shortfall of 15 to 20%.

Further, in spite of the fact that taxation has increased by more than 60% over the last 5 or 6 years and that efforts have been encouraged in every possible way, we are not even going to get 40% of the 80% of the investment during the Second Plan period from domestic sources and 1960% of the 1959% having to come from outside mainly because of the relatively low amount in the form of foreign exchange and its capital for agricultural commodities. However, though we will probably fall short of our targets, we have been made in strengthening the rate of growth in the fact that we will now produce much of the steel that we require, the chemicals, machinery and transport equipment which we need, will make it less difficult for us to develop further.

The Third Five Year Plan which will commence its term in 1961 is now under preparation and the objectives are fairly clear. The first and foremost objective is to make India as self-sufficient as possible into a viable, self-sufficient and generating economy which can economize what is required for its further development. This is our objective because we wish to be independent not only politically but economically as well. The taking of government-to-government aid is to us as unpleasant as is the giving of it to good governments, and we wish that this situation in which we are now trying to depend on the goodwill of foreign governments for even a medium term of economic development should end as soon as possible. We do not wish to be a burden on the country for one moment longer than is absolutely necessary. We wish ourselves to return to the world what we have taken from it and what we will, unfortunately, have to continue to take by expanding the aid we already give to our neighbors.

India Wants Private Capital

Fortunately, the ideal of a self-sufficient economy, of reaching Professor Rostow's terminology, of "take-off" seems to be a realistic assessment, to be within our grasp in the foreseeable future. There are many factories which are required for economic growth, and there are many factories which are a stable government, an effective industrial policy, a managerial and organizational ability, technical competence and capital. These must all be present before a country can develop its economy.

All underdeveloped parts of the world are short of capital but we believe that the opportunies of economic growth in India are fortuitous that, through the operation of the historical factors, of which we have spoken earlier, and experience in a large scale developmental operations in the last 10 years, it possesses in sufficient quantity all of these factors of growth other than capital.

For holding up India's development is, therefore, the shortness of capital which we require. This capital we intend to raise, as far as we possibly can, through our own efforts. But we believe that it is also necessary to raise from abroad, from the absolute of roughly 20% of our needs on foreign capital.

We neither desire nor expect that all the foreign capital we seek will be raised on a government-to-government basis. We believe that private foreign investment can play a very important part in our need of foreign exchange and in the development of the country. We believe that every possible step to encourage private foreign investment and to give it the climate and the conditions in which it can work. The more money we can raise through direct foreign investment, and the more we can of the private investment way of flow of foreign exchange, the less will be our demands on foreign exchange, or, if I may say, as I have indicated, we would like to keep to the absolute minimum. We have been indicated that we had not great success in altering foreign government policies, but at least total foreign business investment in India was at just about $12.8 billion, of which the British share was just under 75%, while the American share was only 10%.

Private foreign investment is, no doubt, increasing but at a painfully slow rate. In 1957 foreign investment, including the reinvestment of profits, was $35 million, and of this the United States' share was $21 million, or 60%.

India Respects Private Capital

For this paucity of development we are all responsible. We have not made known adequately our attitude to private foreign investment and we have perhaps not made sufficient effort to correct certain wholly mistaken ideas which have been formed in the American mind due largely to the use of the words "socialist pattern of society" in describing the objective of private policy in India. May I say that we believe that private foreign capital is essential to the development of our country and that it is necessary to operate three basic conditions should be fulfilled; first, that it should be made sure that it should have an opportunity of making profits and third, that it should be able to remit its profits and its capital to the country of its origin.

In regard to the security of capital, the Government of India have repeatedly stated at the highest possible levels that we do not believe in nationalization for its own sake, that they have no intention of any nationalization any existing industry or any industries and any particular reason any industrial sector that will enable us to take full and equatable compensation will be paid. There are proposals afloat to amend the Constitution to the Communist point of view that this allows to be nationalized. The Government line is inviolate that while nationalization does not add to productive capacity, and that, therefore, if the Government had any surplus resources it would be more productive enterprises than rather than taking over existing ones.

Further, Article 31 of the Constitution says down that no person will be deprived of his property without the payment of just compensation. If all this were not sufficient, the Government of
Opportunities for Private Investments in India

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As a party, as far as American investments are concerned, the convertibility guarantee program of the U.S. Government seems to the investor can easily insulate himself against the risks of inconvertibility.

Semantics of Socialism

Let not also the phrase socialist pattern of society frighten you away. It is increasingly becoming clear that the word socialism has very different meanings among economists and the world, socialists, and in the United States. What we mean by socialism is, in essence, that the benefits of economic development should not be limited to the few but should be distributed to the many, that the common man should, as soon as possible, have a basic minimum, that economic power should not be concentrated in the hands of a few and that the individual and his liberties should be kept to the minimum consistent with the provision of monetary incentives. Positively what we mean by socialism is that the State should take a positive and vigorous role in the expansion of economic development without the help of a sanguinary prohibition about its extent into the industrial field which such entry may be necessary for the common good, whether for the cause of absence of private enterprise or otherwise.

This does not also mean that all the productive capacity of the country should be owned by the State. Agriculture which employs more than 70% of our people is within the private sector, and so are the small-scale industries. More than 90% of our factories are owned and operated by private businessmen, a proportion much higher than in many countries of Western Europe. To make another comparison the share of the Government in the Indian national income is around 19% compared to 20% in the United States itself.

The system adopted by the Government of India is often known as and can perhaps best be described as a mixed economy. The economy is called mixed because the role of the State is not to handle, itself the responsibility for the development of that sector while the others are left to development by private enterprise. The future of the economy is clearly outlined in the industrial sector. Its division number II has been divided into three categories: category A being that for which the Government is responsible; category B being that in the development of which the State as well as private enterprises are to be involved, the State remaining wholly the responsibility of the private sector to be operated by it in categories A and B in category C along with the State and the private enterprise.

The second category includes items of great importance to the national economy but which it may be well within the capacity of the Government to develop. Examples of category C are the manufacture of Special class industries and those related to defense; and handling of the nature of public utilities and transport such as railways, telephones, airlines and power; and then certain basic industries which, in any event, are too large for Indian private enterprise to handle, the most prominent of the nature of complex industries. The second category includes items of great importance to the national economy but which it may be well within the capacity of the Government to develop. Examples include the manufacture of Special class industries and those related to defense; and handling of the nature of public utilities and transport such as railways, telephones, airlines and power; and then certain basic industries which, in any event, are too large for Indian private enterprise to handle, the most prominent of the nature of complex industries.

One of the most important features of the development of the national defense expenditure is the need for maintaining even in modified form existing facilities and new systems for the defense of the country. The military complexes are being increased, and is being enlarged, the significance of which is that electronics is utilized in every phase of the defense, even--or new--and to an increased extent in the defense of the nation's defense forces. Industrial production in the defense, therefore, is a rapidly growing sector, and the growth is accompanied by a rapid increase in the defense budget.

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It was designed to reach a speed of about 1,000 miles an hour and fly at an altitude of 70,000 feet. The Air Force has spent some $19 million in the development of this aircraft. At the moment it is given them priority over this planned interceptor fighter plane.

The emphasis has shifted away from the design and production of airframes with engines, landing gear, radio, and armament that goes with the airplane. There has been a variety of new weapons systems most of which are still in various stages of development. Electronics with its little black boxes have now become the vital part of the airplane system. In another direction, however, missile development centered around electronics for guidance and control equipment in ground facilities. It is estimated that military spending on missiles will be approximately the same on aircraft. Expenditures on the latter amount to $53 billion. This is the fiscal year while the amount being spent on missiles is currently $31 billion. Expenditures on missiles will approximately $1.5 billion.

One of the most important factors responsible for the high rate of national defense expenditure is the necessity of maintaining even in modified form existing facilities and new systems for the defense of the country. The military complexes are being increased, and is being enlarged, the significance of which is that electronics is utilized in every phase of the defense, even--or new--and to an increased extent in the defense of the nation's defense forces. Industrial production in the defense, therefore, is a rapidly growing sector, and the growth is accompanied by a rapid increase in the defense budget.
his made possible a large number of these new advances in electronic systems both for commercial and military uses. The development and improvement of this one device alone reflects as well as anything can the dynamic character of the electronic industry. Its commercial feasibility was made possible by a large number of developments in technology of solid state physics. Then came improvements in the original product, and development of production techniques which made possible lower prices and greatly expanded uses. This process has been accompanied by every expectation that more useful applications will be made and considerably broader markets will be developed. Preliminary estimates indicate a volume of some $40 million for silicon for transistors by 1965 representing an output of 400 million units. Other semiconductor devices will probably have a volume equal to or larger than any of the germanium transistors. New methods of purification of silicon and other semiconductors are being developed. New types of transistors and other devices are being developed. These new devices and new developments are in turn making possible the miniaturization of the silicon transistors. New methods are being developed in which silicon makes possible its use in transistors and other devices of greater power. New developments in the field of silicon are being done, particularly in Japan, which has entered the electronics market to an even more rapid degree. Despite a 15% import duty, the cost of silicon in production costs make it possible for manufacturers to produce large and varied quantities of transistors, as well as other electronic equipment.

Despite the rapid development of silicon transistors, there are still stumbling blocks. The production of silicon transistors is not yet as efficient as the production of germanium transistors. The cost of silicon is still higher than the cost of germanium. However, the potential of silicon is enormous, and the industry is optimistic about the future.

Management

Although it may not be too accurate to generalize, the electronic industry is characterized by a few dominant companies. These companies are able to maintain their position through a combination of economies of scale, proprietary technology, and strong marketing. The most successful companies in the industry are those that have been able to invest heavily in research and development, and those that have been able to maintain strong brand recognition.

The Future of the Electronic Industry

The electronic industry is expected to continue to grow at a rapid pace. The increasing use of electronics in a wide range of industries, from consumer electronics to industrial applications, is driving demand for electronic components. As the industry continues to innovate, new applications will emerge, driving further growth.

The Impact of Globalization

The global nature of the electronics industry is evident in the increasing number of companies that are headquartered in other countries. This trend is expected to continue as companies seek to expand their reach and access new markets.
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ported by international political events that the military segment of the market will not be reduced and is more likely to grow in size and scope. This sentiment reflects the influence of the cold war and is a manifestation of the race for scientific dominance. The race has become more intense in the past 12 months.

It is reasonable to assume that there is a degree of permanence to the volume of business originating from military sources and that this does provide a broad base on which the electronic industry can operate. These factors have combined with the investor to the preserve of a glamour industry—and he has acted accordingly.

An important number of companies in the field are no more than manufacturers of parts or must rely to a significant extent on sub-contracts. There are many, also, that have little or no research facilities or programs. Basically, then, the source of their operating revenues is not entirely dependable since it is not under their control as it is with companies having proprietary items and which sell in the commercial market. Products for commercial use are promoted and sold by a sales staff trained to do the job. These products are improved and supplemented by others. Success depends largely on the efforts of the individual company to create and exploit a civilian market. Companies can rule or guide their own destinies in accordance with the aggregate of skills possessed by the organization and the intelligence that they use to promote their interests.

The electronics industry and do no destroy this up to a certain point—the area of civilian products. But even here a number of companies are always exposed to scientific advances and developments which may render their products obsolete or confine their markets within narrow limits. In defense products no company can be sure of the extent of requirements or changes from year to year or even from month to month. Decisions relating to such requirements could result in the elimination of a volume of business running into billions of dollars. The aircraft industry right now is a very good example of the characterizing of the military market. It does not appear likely that the electronic industry will have any such problems. Its total volume is not only expanding at a good rate rather than diminishing as in aircraft, but it is growing along more promising lines. Moreover, projections of the future are more highly optimistic. There is for the investor a factor of dependency and durability of earnings from a basic source, the military, that has to be assessed carefully.

The phenomenal rise in prices of many electronic stocks results from the desire of too many eager investors chasing too few stocks. In some respects this chase is like the California and Alaska gold rush of earlier periods. The substantial increases in market values in a comparatively few cases has been produced by the ingenuity of thousands of investors. These instincts, however, are not always in the best interests of the investors. Such speculative gains are self-sustained and without any notion of the value of the company. Such developments in an industry are rather a sign of growing concern of the public and increased interest in the field. It is simple to imagine that good management is the only requirement for a company to grow and prosper. Some companies considered to have good management have not grown; others also with good management have shown very moderate growth. There is no magic formula for appraising the degree of competence in anticipation of participation.

It appears, however, that the companies in the industry, whether large or small, whether mature or young, that have established good positions have progressed through a well formulated policy as to if the questions: Where are we going? How do we get there? A second element is that of organization. This goes far beyond filling an elaborate chart with names and titles and provides no assurance of success than a football team fielding a team of 11 men with s t r a n g e sounding names. There is a combination of skills that each that has that can be developed and improved through the proper selection and training. There is a new hard and fast pattern—this is the kind of industry. A third element is the creative force that would like to get stronger in other areas, too. There is the ability to make a f o u n t a i n head and growth come in knowledge, a body of knowledge and

<table>
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<th>TABLE III</th>
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<tbody>
<tr>
<td>Ten Companies in Electronic and Allied Fields</td>
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<tr>
<td>Market Prices</td>
</tr>
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<td></td>
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</table>
| Name of Company | of 100 | Price | | }
| Bell Systems | $106 | 1,468 |
| Tele-Telephone | 69 | 60 |
| Hoffman | 23 | 467 |
| Bell Corp. | 47 | 927 |
| Litton Industries | 130 | 2,164 |
| Texas Instruments | 184 | 3,180 |
| General Electric | 36 | 1,200 |
| Hewlett-Packard | 70 1/2 | 486 |
| Reeves Soundcraft | 10 | 900 |
| Farrington Mfg. | 60 | 428 |

State and Municipal Bonds

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technical achievement that keeps the company alive and vigorous. Without it, the corporate body slowly atrophies. In the electronic industry, such atrophy can be much faster.

Profits in the industry are notoriously small; and they are subject to fairly wide fluctuations. The record of many of the companies long established in the field provides good proof that the degree of profits and profitability can be uncertain. The military business requires little or no outlay of promotional expense as is the case with commercial products. There is, however, a continuing and rising burden of research and product development that is a prime necessity. There are no credit risks attached to the sales made for military use. But competition and close scrutiny of margins narrows considerably the profitability of sales derived from this source. In many cases cost plus fixed fee is the criteria of profits and this is severely restricted. The demand for an increased volume of products and services has been so great that generally narrow profit margins have not prevented good gains in total net income. The aggregate of all net profits realized by the industry has increased year by year and it is certain to continue its upward trend as a result of the volume of business. But this sum total of profits is being distributed among a growing number of companies, large and small. The list is expanding constantly. In those in a limited number of isolates cases, the gains in net income are far from spectacular. It is of significance to note that eight representative companies in the industry showed an increase in their combined net income of only $17.4 million in 1958 compared to 1948. Between these two years ended the market values of these same eight stocks increased by $1.4 billion. From the beginning of 1959 to Nov. 16, the aggregate market value has increased by another $236 million.

Seven other electronic companies of which several did not exist in 1948 and all but one had incomplete data reported a combined net income in 1958 of $17.2 million and cash dividends of $5.4 million. The market value of their stocks at the end of 1958 amounted to $985 million. In the past 16 months or to Nov. 16 this year, the total market value of these shares increased by $1.1 billion or by $334 million.

Respectfully submitted, INDUSTRIAL SECURITIES COMMITTEE

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IBA Oil and Natural Gas Committee Report

Continued from page 52

The Middle East. The relatively short distance from North Africa to the large oil consuming markets in Europe means a transportation cost advantage of as much as 50 cents a barrel over Mideast oil. The North African oil also is of higher quality. In addition, the threat of a competitive supply of crude may strengthen the position of the oil companies in maintaining the traditional 50-50 profit sharing pattern in the Middle East. The importance of assured market outlets for crude is becoming increasingly evident in this period of world-wide surplus. It is not surprising, therefore, that during the past year we have witnessed an accelerated trend toward greater integration by several oil companies.

As indicated in our report last year, the number of oil companies expected to decline through acquisitions and mergers aimed at improved efficiency of operation. Following is only a partial list of steps taken in this direction this year.

Continental Oil this year acquired through an exchange of stock more than an 80% interest in San Jacinto Petroleum, a crude producer with interests in the U.S., in Trinidad, Venezuela and other foreign areas. Continental Oil also acquired International Refineries, with a 15,000 b/d refinery, in San Antonio, and has expanded the number of its retail outlets through acquisitions or other arrangements. Signal Oil & Gas, formerly a crude producer, over the past year entered through exchanges of stock of two West Coast integrated oil companies, Hancock Oil and Bankline Oil, and Eastern States Petroleum & Chemical Corporation, which owns a 49,000 b/d refinery and a petrochemical plant near Houston, Texas. Ohio Oil acquired Auroras Gasoline and its marketing subsidiary, Speedwell Petroleum Corporation, through an exchange of stock. Western Natural Gas purchased an asphalt refinery in Texas and later acquired three refineries, 700 service stations and pipeline facilities of Premier Oil Refining Company. Texaco acquired Paragon Oil, a large fuel oil distributor on the East Coast.

This trend has also been stimulated by the cost-price squeeze facing the domestic independent crude producers. Rising discovery and development costs, long production time cycles and high supply of crude and artificial production controls, and easier crude prices combine to place many of the smaller domestic crude producers in an extremely vulnerable position. With little strength likely in the crude price structure for several years, more and more of the large integrated oil companies are likely to be absorbed by larger companies in the industry.

An event of some interest during this past year was the entry into the City of Geneva in the latter part of April. Aside from the fact that there were several proposals of considerable international po许多人 called for an Arab-owned oil company in the Medieastern part of the world, there were 625 million West Bank to Gulf to the Mediterranean to the East Bank to Gulf to the Mediterranean. This pipeline would make Arab oil more competitive in the world market to attract Arab nations with additional future refineries. Proposed pipeline related to establishment of Arabian Gulf to finance development and industrial projects in the Arab world. This offer would be achieved by setting aside for this purpose 5% of the 1964 world production of crude oil from operations before taxes, to be used by the legal advisor to the Direction of Petroleum and Mineral Affairs of the Arab League, and would have been used in the following circumstances: a government agency in the country of origin or a company entered an agreement to develop the Middle East oil reserves. In certain circumstances a government agency or company was expected to amend a contract it had entered into with the government to include clauses to allow for the intention of abandoning their own production for the new project. Another item of interest was a proposal for the establishment of a refinery in the Middle East to obtain a price structure that would produce a proportionate increase of the Arab states, an agreement, and an exchange of crude oil prices. This trend has also been accelerated by the cost-price squeeze facing the domestic independent crude producers. Rising discovery and development costs, long production time cycles and high supply of crude and artificial production controls, and easier crude prices combine to place many of the smaller domestic crude producers in an extremely vulnerable position. With little strength likely in the crude price structure for several years, more and more of the large integrated oil companies are likely to be absorbed by larger companies in the industry.

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the Commission, sitting en banc, heard the case. This is a key case. One spokesman has implied the rendering of a fairly early determination. To the minds of the Commission, they have indicated that the question involved concerns the accuracy of pricing under the FPC of the basic approach taken by the Examiner. However, it is well known that the Commission has repeatedly taken a position in opposition to the extension of straight jacket regulation over producers and has advocated relief from such responsibilities through amenable legislation. Our last report cited the absence of a unified industry front as considered vital. It is suggested that the purpose of the FPC attempts to secure enforcement of favorable Roosevelt action along these lines, and the 1960 Session of Congress was without the introduction of any bill involving such action. The Commission, in the subject item, expressed a new lease on life by a frankly worded address by Secretary of the Interior Stevenson before the American Gas Association Convention urging the industry to resolve its differences and come forward with a legislative proposal designed to establish a single unified industry front protective of the consumers' interests. The Commission's position on this complex issue can be successfully reconciled only to be seen.

The matter of producer regulation remains a primary matter under the primary setting attention in the Commission's Opinion No. 326 involving the Southern California Gas Company, which had sought a 6% rate of return plus 50% of Federal income tax treatment for its drilling and producing activities. In his opinion, an industry expert Commission spokesman implied that the FPC's position under this statute as a model for rate setting involving integrated companies. In the new setting, as past experience indicates, the economic concept of the potential of the industry, as well as the degree of investment risk and entitled to commensurate returns. Accordingly, the surcharge which had been sought represented an additional one and a half rate of return on its investment in gas wells and leases as co-owners with 6% on pipeline facilities.

The order further recognized that the Congress had used the increase in stock prices of the eligible drilling expenses and percentage. This is necessary to the production of the market force and that such incentives might be responsible for the operations of a pipeline producer by FPC action. The order also declared that the meaning of the Commission's concept that tax saving purposes the great advantage in a return rate of return per se. This had the effect of reducing the original rate and taking away with the other. The whole proceeding is now before the Fifth Circuit Court of Appeals.

The heavy backlog of rate cases that accumulated during the past one year was the subject of a report by the Security and Exchange Commission for the earnings trend during the period. The rate case involved changes in the gross margin and method used by the company to calculate earnings. The company had been accused of using an outdated method that did not reflect the current conditions of high prices for raw materials, rapid inflation, and changes in accounting practices over time.

In our report last year we told you that the anticipated rate expenditures being made throughout the world by the major companies involved by the action of the Continental United States this pace is continuing, and in many places, especially in western Europe, is being accelerated.

As has been pointed out before, the domestic companies several years ago embarked upon an active program of modernization and expansion. As a result, it is estimated that by 1980 we will have domestic operating refining capacity of some 8,112,000 barrels per day. This is a significant increase from the current capacity of 2,985,000 barrels per day, which is expected to be achieved in the mid-1970s.
IBA Oil and Natural Gas Committee Report

Continued from page 75 or in part by the host governments.

There is a definite trend in the United States and abroad toward locating refineries in marketing areas rather than in producing areas as was the general rule formerly. The refinery located near a consuming area can tailor its output and size to fit the requirements of its market as closely as possible. Cost of crude delivered to a refinery is lower than the cost of delivered refined products moved in lesser volume over a great distance. Furthermore, the problems of disposing of the various products such as residual fuel oil, coke, etc., are minimized.

In addition to the cost factor, there is a monopoly exchange advantage to minimizing imports of more valuable refined products.

The growing pride in promoting internal industrial expansion adds a political aspect to refinery location in most countries. Finally, the political stability of a country must be considered in refinery location. Fortunately, most of the large consuming areas enjoy more stable governments than many of the producing areas of the free world.

This year marks the 100th anniversary of the commercial oil industry in the United States. Over the years the fields of producing, refining and marketing have kept pace with the ever-increasing demands for energy fuels. Today, only usage limits the number of petroleum products which can be produced by the modern refinery. Of late there has been a slowing down in the development of high-compression ratios in the internal combustion engine and a corresponding return to simpler fuel products has begun to a limited extent. This combination has favorable implications for the industry may not be required to spend as much money to keep abreast of requirements.

In conclusion, the current outlook for most refineries is not favorable compared to that of many other industries. On the other hand, the situation is not likely to deteriorate further and the basic economies are beginning to work in favor of the refiner. Clear cut evidence of improvement may not be evident in income statements for several years.

Respectfully submitted,

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George Alfred Hurty passed away Dec. 12, 1957, at age of 98. He was formerly a member of the New York Stock Exchange, and a partner in Henry Clews & Co.

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The Commercial and Financial Chronicle • Thursday, December 17, 1959
An Economic Agenda
For the United States

Continued from page 18
the budget. There are things government should undertake to foster development of our human and natural resources, particularly in education, research and in necessary public facilities. They should be neither the most things nor the least things; they should be the right things. The guide should be the highest coincidence of the private and the public interest.

It is interesting today to reflect on the myriad uses to which the public feels is being put—the vast collection process of some $80 billion and the redistribution of a large share of this vast income in programs of various sorts throughout our country.

A balanced budget is no summum bonum of fiscal policy. It is, however, a useful instrument of self discipline, to keep government from expanding without the people's express consent. It is a means to an end.

Deficits will appear, of course, when recession needs must be met. But deficit financing cannot in good conscience be carried over into the good years, when we should generate a surplus to pay down the recession-created increase in the national debt.

To hear voices pronouncing specious reasons why we need not live within our means, even in prosperous times, is dismaying, but a challenge we must deal with effectively.

Suggests Four Steps
In order to improve Federal spending, it is up to us, and to Congress, to do four things:

(a) We need new legislative procedures that will enable members of Congress to see, at any time, what impact their actions on individual money bills will have upon the total budget. A properly conceived single appropriation bill might well achieve this purpose.

I know members of Congress have indicated this has been tried and will not work. If this is so, then this conviction, the greater must not stop there.

The members of Congress have an obligation to adopt an alternative that will work, and it is better than merely adding up at the end of the session all the figures that were done piecemeal over many, many months.

(b) Each budget should indicate the nature of expenditure trends so that the built-in expenditure momentum can be clearly seen and dealt with.

Like the iceberg problem, you start in the first year with $3 million on a $230 million project and that amount is easily absorbable in the first year; but as you go forward it automatically expands and fills up and absorbs increased revenues at a rapid rate.

(c) The President should have the "line" veto.

(d) A continuing citizen body of the Hoover Commission type should be created to recommend ways to get greater efficiency in government operations.

Much has been accomplished but much remains to be done. A watchdog committee of that sort could perform a useful gadfly purpose in the field of operations in which Mr. Walter Maynard has referred to in the Federal Taxation Committee report to the I.B.A., membership at large. I am simply going to say that the problem before us a nation appears to be: Will the nation benefit more from a tax reduction or from new government spending programs?

I think perhaps we have reached a point where we believe, except for a few high priority spending programs, in the Space Area, and in research and in certain aspects of education, that we should screen methods of holding expenditures so we can make some adjustments in our revenue system which are clearly a drag upon the economic growth we seek.

The only reason we have not achieved it is because we, as a nation, have been unable to arrive at a consensus. There is a divergence of opinion which Mr. Maynard reported and this is, of course, an indictment of the tremendous job of conciliation which is laid upon the Congress. If any of us humble gentlemen all any particular tax measure, let us be sure it is a practical somebody else who must bear this thing, which is so important to us, jibe with the broad national interest. If there is doubt, let it be we, ourselves, rather than someone else who points it out and evaluates it.

Demagoguery in Credit Policy

The third point on this agenda that I want to talk about is in the area of credit policy.

Money, credit and interest rates will never cease to be fascinatig subjects.

In economic policy discussions in our country today, they remain a fertile field for demagoguery, a part of which session of the last Congress was, in some respects, quite discouraging in its lack of understanding and judgment in this broad field. The disposition to fiscal and monetary escapism manifested there was proof of the need for an intensive effort at wider understanding in this murky and esoteric field.

I was interested in my conversations in Poland how many times the Minister of Finance and head of the Central Bank returned the comment, "We cannot hope to operate a socialist economy without sound money.

I thought to myself, "Well, if a regimented, controlled economy cannot hope to operate without sound money, how in the world can our kind of system, with all the dimensions of freedom employed in the market system hope to expect to operate without sound money?"

I think we should stop spending so much time explaining the need to relieve ourselves of the discipline of the monetary system and realize it is an essential to economic health in our country.

In this area there are some ideas which I think we should do our best to make clear:

(a) It is probably true, first, that we have embarked upon a period of some considerable duration during which interest rates, including future recession years, will average noticeably higher than they were in the Depression Decade of the 1930's, the controlled era of the war and postwar years of the 1940's and early 1950's. The prodigious demand for capital all over the world will be added to the needs at home. The demands for capital at home and overseas, it seems to me, makes this general proposition highly likely.

(b) Trying to run a prosperous economy on depression levels of interest rates can only lead to the speculative excesses that breed recession or to inflation of the money supply and direct controls seeking to avoid this unhappy result.

You cannot run a high level economy on depression interest rates; and yet on this simple fact we have not been able to be persuasive enough. That is a job for all of us.

(c) Despite a disposition in some quarters to make the Federal Reserve authorities appear as the original versions of the

Continued on page 79

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An Economic Agenda
For the United States

Continued from page 75
ugly American, we must urge strongly and persuasively the need for an independent central bank.

Only thus can we maintain the proper set of conditions in this part of our government. I do not see any need for new co-ordinating machinery in Washington to bring the Federal Reserve System more closely in touch with other government departments. There is certainly no lack of opportunity for the central bank and the Treasury and others to talk.

It could too easily, in the wrong hands, become a coercive device in the direction of perpetually easy money.

The independent role of the Federal Reserve System could be re-emphasized, for example, by bringing the Chairman of the Board of Governors to full bailiwick with the Secretary of the Treasury in such matters as statutory rate of compensation.

(d) The Federal Reserve System should continue to be responsible to the Congress as at present. However, the statutory mandate by the Congress to the System should be cast in strategic and not tactical terms. This has been done explicitly in the Federal Reserve Act and implicitly in the Employment Act of 1946.

It would be a mistake in my opinion, for Congress to give tactical directions, as it is considered doing in the last session with regard to the specific manner in which credit conditions are to be conducted.

(e) While properly a matter of fiscal policy, it is right to emphasize in this context the need for Congress to remove the 4½ per cent ceiling on longer-term Treasury borrowing in order to permit better management of the national debt.

This is an interesting point. Congress has already recognized the facts in this general field by its actions in lifting farm statutory ceilings on housing loans and mortgage bonds. With some help from the outside, this next logical step, held back by the Congress, is a well of emotionalism, can perhaps be taken next year.

Pleads for More Competition

The fourth item on my agenda is competition in economic policy.

One of the chief continuities of the Depression Decade of the 1930s is the disposition to abridge competition and to defend departures from it as necessary in the national interest. Certainly, some of these interventions had a valid basis and some, I believe and large, our profession of belief in the costliness of competitive economy tends to outrun our performance.

Don’t feel as though this matter is carefully observed and reported elsewhere in the world, on both ends of the Iron Curtain or any other. It is as if it were said to me the other day with respect to another matter: ‘Everybody smokes the peace pipe; nobody inhales.” I think it is obvious that investment bankers know what competition is.

I am finding, in the commercial banking field, with some other respect, that we need to remind ourselves of this fact, for, in terms of economic thought, there is probably a bit of the monopolist in all of us.

From the viewpoint of economic policy there is no need for monopolistic practice, such a reaffirmation of belief in the costliness of competitive economy society leads to several possible considerations:

(a) Since we feel the policy we need to move resolutely toward a more vigorous market process in pricing and resource use. The mandatory price support programs, the belief that the pool market strategy of the quarter of a century, may now be seen, must be examined.

(b) If the price support mechanism will fail to face up to the problem, then we must face up to the problem and require that the farm technology. It must be fundamental to the policy that the price support mechanism will move croos into regular market.

(c) We need to be sure that new kinds of federal government storage.

Before the last year or two, I suppose there were not one thousand people in Washington who watched particularly the condition of the gold reserves.

As a matter of fact, when George Humphrey became Secretary of the Treasury in 1933 he had to count it to see if it was actually there.

There is a new theme: We cannot maintain balance in our international problems if we fail to maintain economic balance at home.

To this end, it seems to me, several matters commend themselves to us for looking at: the issue.

(a) The government has already taken the initiative in the matter of getting discrimination removed from American goods removed to these markets of the world where no longer the balance of payment basis for their discrimination exists.

(b) It is very important to maintain and expand this export surplus on current account. If we do not improve our other things in the field of the military and economic assistance, investments, tourism that we are now doing.

(c) Interference with private American investment abroad through some kind of Capital Invesment Act, which reduces a nation toward better balance in our overseas accounts.

(d) Government aid programs of various kinds can properly be examined for additional ways to ease dollar out-payments. These programs are far reaching, emergency and extraordinary additions to balance out-payments, and we have quite properly subject to reconsideration.

However, the modifications along with “Buy America’s” line should be regarded as actions taken in exceptional circumstances, such as the postwar dollar discrimination against American goods, which are subject to review and revision under other circumstances.

Let all of these matters could ever subscribe, really to any basic doctrine other than, “Buy in the

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The Commercial and Financial Chronicle ... Thursday, December 17, 1959

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cheapest market and sell in the nearest market. That is the most fundamental principle of trade. But there are some periods when, because of these exceptional and emergency factors, a period of digestion and adjustment may be required. Nor should any of these actions taken by the United States be regarded by other nations in their improved circumstances with regard to foreign exchange reserves, as a basis for reversion in their own trade and payments policy.

I have just one word of conclusion and that is this: If the items on this agenda seem to be valid and important matters for consideration for the development of a consensus, then what are we going to do about it?

One of the difficulties, I think, is that most of us perhaps hold a more long-term—which I tend to be a conservative—point of view as against the jumping in and solving every problem today or tomorrow regardless of the consequences.

I read with a great deal of interest the names of the committee members in the American Economic Association. I would like to suggest that perhaps there might be room for one more committee, an over-all IBA committee, whose purpose would be to further adult education broadly in this whole area of money, credit and interest rates, as they bear on the problem of reversion in their goals in America.

It seems to me that all of us have a tremendous obligation here beyond our day-to-day work as is evidenced by the IBA committee reports.

We have the injunction of the distinguished Englishman, Alfred North Whitehead, when he said, "A great society is a society which makes its members of business think greatly of their future home."**

**An address by Dr. Hauge before the 48th Annual Convention of the Institute of Liberty, Membership No. 123, Bad Homburg, F.R.G., Dec. 1, 1939.

Report of IBA Nuclear Energy Committee

Continued from page 21

figures are equivalent to 1,500 and 3,500 tons respectively of uranium oxide. To guarantee the inventory of fuel bundle for 20 million kilowatts, by setting aside or earmarking the uranium needed for a 20-year consumption, would call for 100,000 tons of uranium oxide.

Even if we double this figure, by taking into account the applications of atomic energy for electric power production, we still do not come to the conclusion that there is going to be a temporary gap in the demand and supply of uranium. It is quite probable that the supply needs for the nuclear capacity, in operation by 1970 for electricity and other peaceful purposes, plus the inventory needs of new capacity and the "pipeline" requirements leading to and from the reactors, will absorb the full output of the mills at the presently contemplated levels. Until then, the best interests of all nations will be served only if a healthy uranium mining and milling industry is maintained.

EDITOR'S NOTE—Subsequent to the date of this report, the IBA has revised its agreement with Canada. Because of this the Committee prepared the following addenda.

On Nov. 6, after this report was written, the United States Atomic Energy Commission announced that it would not exercise its options but agreed to stretch-out arrangements with Canada to purchase uranium concentrates in the post-1952 period through Dec. 31, 1966.

The new plan provides for a successful contract between the Commission and Eldorado Mining & Refining, Ltd., instead of the several contracts which had existed herebefore, each covering an individual operator in Canada.

The total pounds to be delivered this year and the price to be paid under existing contracts remain unchanged. In order to help the companies meet their financial obligations, advance payments of $2.50 will be affected for each pound delivered at approximately the same time as delivery would have been made, had there been no agreement. Similarly, the United Kingdom, which receives about 10% of current uranium supplies, has offered to make additional advance payment of $1.00 per pound on any portion up to 16 million pounds of the amount covered by its contracts which can be deferred into the period January 1, 1963 through Nov. 30, 1966. It is likely that the stronger companies will buy several contracts and thus assure themselves of continued operations.

The agreement reached will doubtlessly be mutually advantageous. It certainly is a rational solution to the temporary gap referred to in this report between production and demand of uranium.

Our Reactor Program—An Added Diversification

The total budget of the ABC for the fiscal year 1960 allots somewhat more than $400 million for the reactor program. This total includes $90 million for the Government reactor program in a number of reactor prototypes such as the pressurized water reactor, the boiling-water reactor, the fluid-fuel reactor, the fast-power reactor, the sodium-graphite reactor, the organic-moderated reactor and the gas-cooled reactor. An additional amount of close to $20 million permits the ABC to assist in the civilian power construction program under cooperative arrangements with such companies as Yankee Atomic Electric Company; the Consumers Power Company of Nebraska; The City of Piqua, Ohio; Northern States Power Company; the Carolina-Virginia Nuclear Power Group; The East-Central and Florida-West Coast Power Groups; The Philadelphia Electric Company, and others. The remaining of the ABC agreements under the reactor development program of close to $300 million goes to the naval propulsion reactors, the Army power reactors, the aircraft propulsion reactors, the missile propulsion reactors, etc. There is no doubt that our country still retains the lead in its diversified reactor program and that we have the greatest number of prototype reactors in operation.

In the civilian power reactor program, industry has more than matched the Government assistance and some companies are in fact proceeding with their construction work without any Government financial assistance whatever. The studies on homogeneous reactors, in which the fissile material is either in a solution or in the form of a slurry, have shown that some of the technical problems associated with their construction and operation are greater than anticipated. As a result, developmental work on this family of reactors has been slowed down considerably and further effort is being concentrated on the heterogeneous reactors, in which the fissile materials are in the form of solid fuel elements. The heterogeneous reactors form a vast family and the available scientific talent can best be channelled at this time into the ultimate successful de

Continued on page 80

Report of IBA Nuclear Energy Committee
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REPORT OF IBA NUCLEAR ENERGY COMMITTEE

Continued from page 79

dveloped as one of the most promising ones. It is likely that research work on an atomic reactor, or a

homogeneous reactor will only be resumed after some reactors using solid fuel elements have be-
gun to deliver economic power.

The technological emphasis shifted in 1959 towards the development of an organic-modified reactor and of a

closed-cycle gas-cooled concept, built by Atomic International, a division of North American Avia-
tion, and General Atomic, a division of General Dynamics. At the end of August this year the AEC

contracted with the Philadelphia Electric Company (and 94 associated utilities) and General

Dynamics Corporation, authorizing the construction of an advanced high-temperature gas-cooled plant.

This plant will have a graphite-moderated, helium-cooled reactor designed to produce 40,000 pounds of heat energy and is

expected to be completed by October 1962. The reactor will be constructed by Philadelphia

Electric on its existing site at Peach Bottom, York County, Pennsylvania. The Commission will reimburse General

Dynamics and the contractors for all of the research and development up to $14.2 million. The Commission will also

provide $500,000 for fuel use charges. The Commission will also waive $2 million in fuel use charges through

the first five years of operation under the Philadelphia Electric

contract. The nuclear power plant is expected to cost $24.5 million.

The Atomic Energy Commission chose the Philadelphia

Company to build a second gas-cooled atomic experimental reactor. This reactor which is to be installed at Oak Ridge, Tennessee is being

designed by Kaiser Engineers and Allis Chalmers Manufacturing Company. This reactor and the

other just described above will give us valuable experience in gas-cooled reactors.

In 1959 the AEC also initiated a long range program to develop effective thermal breeders reactors which would make full use of the

latent energy in thorium. As this Committee has expressed in previous reports, thorium, unlike uranium, does not have a

naturally fissionable isotope but, when bombarded with neutrons, thorium is transmuted into uranium-233 which is a

fissionable material readily available as uranium-235 or plutonium. Such a program offers no threat to

uranium fuel and for that reason, because it will take many years before enough uranium-233 is produced to fuel a

new reactor of substantial size. The AEC is spending considerable sums on the development of a reactor at the

Indian Point, near Peekskill, New York, to be completed in 1961 which makes use of the same iso-

tope that such assistance will be needed and is essential to a maximum of 75% of the difference between the capital

costs of a nuclear and a conventional plant of the same size. Such a capital grant-assistance program would very likely be the

most helpful utilities to embark on the construction of new

reactor plants as described above. The point is that when atomic energy will become an important factor in the

construction of conventional electricity.

Westinghouse, in a bold step last September in offering nuclear plants at guaranteed plant capital costs, has made its first fuel

bypass. This step will undoubtedly fuel the more in reaching the

goal of competitive power.

Nuclear Superheat

Although nuclear fuel technology has progressed greatly since 1959, the point has not yet been reached where atomic energy in any nation is

competitive with conventional energy. It will take five to ten years before atomic energy is competitive in the high cost

nuclear energy markets.

One way to lower the cost of electricity made from atomic is to go to superheat. Particular emphasis is now being placed on nuclear superheat. Because of the

danger of a hot spot in a reactor which could result in the meltdown of a fuel element and the contamination of radioactivity in products in the cooling systems, reactors have been operated at rather conserva-
tive temperatures with the result that low overall thermodynamic efficiency of about 25%. This of course does not mean that the efficiency of 40% obtained in some of the most modern conven-
tional power plants using supercritical pressures and elevated temperatures, tends to the overall thermodynamic efficiency—and it is extremely important—will automatically result in a proportionate increase of the lifetime of the fuel elements in terms of useful energy produced, while at the same time reducing costs per kilowatt of installed capacity. General Dynamics promises efficiencies of at least 32% in their closed-cycle gas-cooled reactor

though it will not be a breeder. It is felt that when the result of the criteria stated in last year's report are used the true

future of atomic energy lies in breeder reactors. Without repeating the energy reserves in oil are only a few percent of those known to exist in real. This analysis holds for the world at large. Past forecasts of how fast or slow, thermal neutrons, have made the nature-revealing ability to con-}

sume uranium-233 and form plutonium. The Detroit Edi-

tor reactor to be completed in 1961 verifies the same principle. Evidently, the use of plu-

tonium as a fissionable material would make it possible to use their reserves to are used to to their

fullest advantage. The abundance of uranium for the next decade, to which we have referred earlier in this report, should not preclude this nation from investigating the problems of breeding plutonium or uranium-233 as two additional fuel elements.

Capital Grants—Cost of Atomic Energy

The present harmonious relations between the Department of Commerce and the Joint Congressional Committee on Atomic Energy augurs well for the future. Next year, the AEC will undoubtedly face a much higher cost authority to make capital grants of up to 50% of the total cost of new plant construction by public and private power organizations. The point is that such assistance will be needed and is essential to a maximum of 75% of the difference between the capital

costs of a nuclear and a conventional plant of the same size. Such a capital grant-assistance program would very likely be the

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In the early part of 1957, the Commission made known the charges it would make for reprocessing of spent nuclear fuel. All reprocessing today is done in the AEC plants. It is the Commission's policy, however, to remove itself from this field when private industry is ready. It is gratifying that several companies have begun to show an interest in this and it is likely that in the next year or so at least one company will embark on the construction of a reprocessing plant. Such a company might either be a fully integrated fabricator, which would then sell reactor cores to utilities and buy them back after the fuel has been used up. Or it might be a chemical company which would then reprocess the spent nuclear fuel at a given cost. The present AEC prices for reprocessing are somewhat above the market, and it is likely that any private reprocessing plant could operate at the low fertilizer prices the Commission receives are, however, to have a private atomic energy industry in time, it will be essential for the utilities to use the services of such private reprocessing plants; even though the cost to the utilities may be higher than with the Commission's service in the early months of operation.

Atomic Energy for Food Irradiation

Progress has been excellent in 1958 in the industrial use of radioactive isotopes and radiation, two valuable byproducts of atomic energy. One very important aspect in which there is much interest is the use of ionizing radiations for the preservation of food. The government's interest in the food irradiation industry is represented by the AEC in its various laboratories at Argonne, Brookhaven and Oak Ridge, together with the Department of Defense and the Department of Agriculture. American Can, General Electric, Swift & Company, Kraft Foods and other reprocessing industry in this attempt. This effort is part of the radioactivity and international scope of the AEC's program for high intensity radiation equipment. The AEC is particularly interested in the construction by Curtis-Wright Corporation of a multi-negatron cobalt-60 high-intensity food-irradiation reactor to be built in California as a pilot plant for use by the U.S. Army Quartermaster Corps in its radiation preservation of foods. In the latter part of October of this year, the Army decided, however, to cancel the $75 million project on which more than $1 million had been spent on design planning. More research on the safety and physiological effects of irradiated foods are evidently needed before proceeding with actual construction work. This is the second time that construction of a food irradiation facility has been postponed and it also proves that radiation and its interaction with matter needs improved scientific understanding.

The Commission originally planned in 1956 to have Kaiser Engineers build a food irradiation reactor for the Army's use. This project was abandoned in favor of the cobalt-60 production reactor mentioned and was a system developed by the International Chemical Company of Clayton, Missouri, which would produce gamma rays from a solution of tritiated lithium in a water solution reactor. The tritium build-up in the water solution is accelerated by the irradiation. In the meantime, the AEC plans to use sodium-24 for industrial irradiation at Hanal, N.D., employing for this purpose a loop from the sodium-cooled graphite-modified power reactor to be built by North American Aviation. The plant is to be put radioactive sodium through a series of piping made in an adjoining room in which truckloads of wheat and meat can be irradiated. It is believed possible to pasteurize several tons of food per day by radiation at a cost of a very small fraction of a cent per pound.

Should the tests prove successful, there is a strong likelihood that some of the industrial companies that have cut back recently on research and development efforts in the radiation preservation of food products since the end of last year. Such companies as Swift & Company, National Biscuit and Thomas J. Lipton, have not objected to the smell or bad taste which apparently resulted from some of the tests.

The irradiation of food on the farm is really to kill the microorganisms which account for the spoilage of food. Off to the production of microorganisms require strong doses of irradiation at shorter wavelengths. Whereas the lethal dosage for these organisms may be 100 rep (roentgen equivalent physical), the required dosage to destroy microorganisms may be one to four million rep. In food sterilization, however, it is not necessary to reach very high doses and the whole problem may be much simpler and the cost much less. Slightly irradiated food may then be stored in refrigerators for long periods of time and this might very well increase the demand for more cold storage space. The generally paradoxical result of having available atomic energy boost the sales of refrigerators is found in the industrial utilization of atomic energy. No special utilization of atomic energy will displace the existing non-nuclear applications; rather it will supplement it or assist in its further development.

One time will tell what the cost of providing the radiation is going to be. Because of the large number of experiments yet to be performed, final conclusions may not be reached for a few years. It is therefore difficult to say when radiation processing of food may begin on a commercial basis.

The International Atomic Energy Agency, a specialized agency of the United Nations, was created

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Report of IBA Nuclear Energy Commission

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acted in the fall of 1957 in Vienna, Austria. It is now fully operational and is doing excellent work in counselling and advising underdeveloped nations in preparing themselves for the day when atomic energy will become practical for them. Its primary role is to assist, guide, and coordinate.

The United States has signed more than 40 bilateral agreements with other nations to assist in their atomic research programs. Of course, this activity must precede the actual construction and operation of power reactors. It is hoped that in time these bilateral agreements will be transferred to the International Atomic Energy Agency so that it will become the ultimate depository for such agreements. Certainly it was the intention of President Eisenhower through his "Atoms for Peace Program," which in turn led to the creation of the Agency, to work through the Agency with the other nations of the world. Evidence of this is also found in the fact that this country has agreed to make available 5,000 kilograms of uranium-235 to the EEC at the AEC's price for domestic sales and to match the sum total of all amounts made available to the Agency by all other nations up to July 1, 1960.

Encouragingly, the United States and Russia recently pledged themselves to a closer cooperation within the Agency.

The Development of the European Atomic Energy Community

In May, 1957, the six nations of the European Atomic Energy Community (Euratom)—France, West Germany, Italy, Belgium, the Netherlands, and Luxembourg—announced an ambitious program calling for the construction of 15 million kilowatts of nuclear capacity by 1967. Though minimal by today's standards, this program was conceived as an engineering effort, since the economic impacts of nuclear and oil by the European nations were actually utilized at their 1963 level. A more rapid program in now being implemented as this ambitious goal will not be reached.

In November, 1958 the Euratom nations signed an agreement with the United States in Brussels, the major objective of which is to construct one million kilowatts of nuclear capacity in 1962-63 by employing reactor types developed in the United States. These plants will be financed by some extent by a $135 million loan from the U.S. Export-Import Bank. Also, under the agreement, the United States is guaranteeing the fuel costs and a market for the plutonium produced in the reactors for 10 years. Both the United States and Euratom have agreed to work in equal shares of $190 million over the next five years in a joint research and development reactor program.

The deadline of Oct. 20, 1959 had been set for the submission of firm plans to construct atomic plants. It had been hoped that at least two such reactors would be presented and it was a great disappointment to all that only two were presented—Italy, the other one in Germany. In Italy, the plan had been decided upon and the preferred site in this Committee's last year's report. Although statements of interest in nuclear energy within the utilities, the addition of a single power reactor for two countries.

The most likely explanation for this state of affairs is that the temporary surge in Europe, the promise of oil from Algeria, and the imagination of Europe atomic energy is not yet compelling. It will take a few years to postpone their decision. The Joint Congressional Committee immediately ordered a reappraisal of our international program for the development of atomic energy to determine what changes are needed. Perhaps the conclusion will be that, for the time being at least, our nations should place an even greater emphasis on research and development into the international aspects of atomic energy, at least until the immediate construction of reactor plants abroad. There can be no doubt, however, that atomic energy will be needed for long to delay the construction of several more atomic plants.

Conclusions

Atomic energy is not yet considered an important factor. Many factors are pointing toward a national energy system that we moved quickly in this direction. Atomic energy can only be a very few years away.

It does not appear that atomic energy will be substantially cheaper than other sources of energy, as we have been led to believe. New fees are being placed on any new source of energy will be cheap. What will be the atomic energy increase of the new abundant source of energy? In time, the availability of energy will then exceed the purely economic limitations. By 1970, atomic energy will begin to take an important role in our competitive world energy picture.

The capital needs of all nations, and the progressive development and technologies in general and atomic energy in particular will increase, even faster than their economies and the other sources of capital will have to be encouraged.

Atomic energy will also make a large contribution to a more generous supply of food and metals. More atomic energy will result in sufficient amounts of energy will enable all nations to extract increasingly scarce metals from lean ores. The abundance of the things we require and take for granted show our standard of living will become more and more the keynote of atomic energy, not cheapness necessarily.

To Form Travers & Hume

On Jan. 1, Travers & Bartsh & Home & Thompson will consolidate as Travers & Hume, with offices at 120 Broadway, New York City, members of the new firm, which will be a member of the New York Stock Exchange, will be Thomas W. Bartsh, Russell S. Hume, Walter E. Travers, Jr., Alexander H. Thompson and John M. Brown. The new firm will be the Exchange, General Partners; and Genevieve B. Travers, Genevieve B. Watling, Arthur C. Sohdorf, and Millicent T. Ryan, Limited Partners.

Forming New Partnership

The present partnership of H. Blair & Company, 42 Broadway, New York, city, members of the New York Stock Exchange, will be dissolved as of Dec. 31 and a new partnership will be formed. Partners in the new organization will be Robert W. Miller, Charles J. Miller, Kenneth Blair Otinum, Louis Licherin, Walter C. Crawford, and Clement M. Stuait, member of the New York Stock Exchange, General Partners and Dewey Award and Michael A. Mil¬ler, Limited Partners.

Forming A Lipper & Co.

As of Jan. 4, Arthur Lipper & Co. will be formed with offices at 120 Broadway, New York City, to engage in a securities business. Partners will be Arthur Lipper, Jr., member of the New York Stock Exchange, General Partner, and Muriel Lipper, Limited Partner. Mr. Lipper is active as an individual floor broker.

Hemphill, Noyes

To Admit Two

Hemphill, Noyes Co., 15 Broad Street, New York City, members of the New York Stock Exchange, on Jan. 1, will admit Stephen C. Reynolds, Jr., and Clifford Hem¬phill, Jr., to partnership.

Land Banks Offer

Non-Callable Bds.

The 12 Federal Land Banks are offering publicly on Dec. 15, $118,000,000 of 5%% bonds due Oct. 15, 1980. They will offer $116,000 of 5%% bonds due July 20, 1970, non-callable. The $2,000 of 1960 are being offered at par, and the $6,000 of 1970 at 101.

The offering is being handled through the banks' Fiscal Agent, John T. Knox, with the assistance of a nation-wide dealer and banker group. Proceeds will be used to redeem $164 million of bonds maturing Jan. 5, 1960; to repay short-term borrowings, and for lending operations.

Winslow, Cohu Branch

MIAI, Fla.—Winslow, Cohu & Stetson incorporated has opened a branch office in the First Na¬tional Bank Building, under the supervision of Ivon I. Pouvshine, Vice-President.

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Respectfully submitted,

NUCLEAR INDUSTRY COMMITTEE

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Washington, D. C.

The Commercial and Financial Chronicle . . . , Thursday, December 17, 1959

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expect the Democratic party to boast about.

No Funding of the Debt

The Democratic leaders are, of course, on the ground when they say that the Eisenhower Administration has not succeeded in putting the budget in order — to get the national debt into longer term form. In this case, perhaps, they have a better leg to stand on because the Eisenhower regime in its earlier days had a good deal to say about the need for funding a large part of this debt. As has been true for a good while past, the official Demo-

cratic spokesmen take pleasure in pointing to increased interest cost to the Federal Government — which is but part and parcel of their criticism of all efforts to get the credit system on a sounder footing and of any and everything which tends to bring “tight money” into being. The net effect of economic develop-

ments during the past five or six years, mostly under a Republican Administration, has plainly been to induce more normal conditions in the money market — and for that no one is to be condemned whatever the political needs of any party are. But the Eisenhower Administration is not a castigator for a rise in the cost of living which has caused inflationary fears to arise in the breasts of Washington officials and a good many not in the national capital. Its accusers have evi-
derently failed to recall what this same so-called consumer price index did during the Democratic years immediately preceding the registration of President Eisenhower — but dispassionate inspection of the fact is not a normal char-

acteristic of an active politi-

cal party seeking to promote its interests and those of his party. Anyhow, the cost of living has risen in recent years and in part at least as a result of the tactics and policies of the Republican regime in Washington — and thus as a consequence of economic manage-

ments. It could hardly be expected that these critics would fail to gnaw on the old file — recent rates of economic growth. They pick terminal dates — all in quite recent years — to make their point that there has been a retardation in the rate of growth in this country, and somehow the Administration in Wash-

ington is found to be respon-

sible for it. Of all the current popular notions there is none about which more nonsense is being said than about this rate of growth — and the alleged tragedy of apparent retardation in that rate. If our growth rate has really suf-

fered abnormally in recent years — that is in sound normal growth — the reason is to be found in broad general policies and programs which have tended to impair our economic vigor, not in the absence of neo-Keynesian artificial stimulants.

What the Democrats Would Do

But the really disheartening aspect of this document is found in the indication of what the Democratic party would do to remedy what it regards as the errors of the Republican Administration of the past — that is, during years or so. High on its list of pro-

posed steps is a discontinua-

tion of the “high-interest, tight-money” policy of the past few years — again forgetting that the higher rates of interest in the money market began when President Tru-

man was in the White House. Just what would be done to ease the money situation is not altogether clear. There is a good deal of vague talk about “administered prices” being responsible for inflation and the danger thereof — although nothing is said about administered wages. Appar-

ently it is believed that spec-

ial credit controls could somehow keep money cheap, business humming and the Treasury enjoying low inter-

est costs. In this way budget-

dary deficits would be attacked, but other expenditures by the national government must, apparently, be maintained and growth enlarged as a matter of fact, according to the Democrats.

Really, budgetary balance would be sought by expanding everything. Apparently if only a paternalistic, not to say socialist, government, were to take the right steps, the economy would grow so fast and be so prosperous that it could easily meet added costs to the Treasury and re-
duce the disparity between income and outgo rapidly to the point where it would disappear altogether — or so it is argued. True it is that there is some vague talk about re-
ducing the cost of agricultural aid and even military outlays, but one can hardly take them seriously when in the next breath there is promise to bring prosperity back to the farmer, and a promise to make progress in space vastly greater than is now being made. Both these premises, ex-
plicitly or implied, of greater outlays only begin the story. We must, so it is said, see

to it that every family in the
country has a housing — re-
garded by the do-gooders as adequate — and in very con-
siderable part at the expense of the national government.

Cities which wish to spend more money than they have must be “helped”; social se-

curity must be materially ex-
panded, and our resources must be “developed.” And more, much more of the same sort. The document of the Democrats is more disheart-

ening by reason of what it reveals of their own ideas than as a result of its charges against their opponents.

Robert Laird Co. To Admit Two

MILWAUKEE, Wis. As of Jan. 1 William B. Murphy and Ardon G. Stepanek, will become partners in Robert W. Baird & Co., 110 East Wisconsin Avenue, members of the New York and Midwest Stock Exchanges.

S. P. Hurwitz Opens

BROOKLYN, N. Y. — Sheldon P. Hurwitz is conducting a securities business from offices at 601 Al-

bany Avenue under the firmname of Sheldon Paul Hurwitz Associates.

H. W. Gillen

Harold W. Gillen, Partner in Gillen & Company, New York City, passed away Dec. 16.

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**FRASER**
Continued from page 24

age involving competition between fire-casualty companies and life insurance companies.

(6) Other Liability & Property Damage—Indemnifies the insured against claims for injury or prop¬erty damage arising out of the ownership or use of property, and personal and business activities—excluding automobile usage—and produces about 7% of total stock company volume.

(7) Extended Coverage—This line, making up 6% of total volume, constitutes extension of the protection afforded by fire insurance policies—and is tied directly to the fire policy—to include certain additional hazards such as windstorm, smoke, explosion, damage from falling aircraft, etc.

(8) Marine—About 6% of total premiums are derived from ocean and inland marine coverage; this coverage provides protection to owners of ships, trucks, rail cars and other cargo against loss or damage.

(9) Fidelity and Surety—Making up 3% of premium income, and ordinarily combined for statistical analysis, these coverages provide a variety of guarantees. Surety Bonds pledge the performance of a contract or other agreement, or the fulfillment of an obligation imposed by statute. Fidelity Bonds protect against covered losses from fraud or embezzlement committed by employees.

(10) Multiple Peril—Although representing only 3% of current volume, this is one of the fastest growing lines and is designed to produce individual policies which would offer protection against a combination of hazards or perils. The Homeowners’ Policies are for the individual and other fire, casualty, burglary and theft and inland marine coverages combined in one policy. The Commercial Property Contracts are issued to wholesalers and retail merchants and include fire and various extensions of coverage; burglary and theft; and other lesser hazards; and transportation, etc.

(11) The remaining 2% of premiums represent miscellaneous lines including tornado, hail, plate glass, burglary and theft, boiler and machinery, etc.

Earnings Computation

As indicated earlier, the fire-casualty companies derive its earnings from two basic sources—insurance underwriting and investment. In the analysis of the first of these functions the analyst employs certain procedures for measuring the earnings power that differs markedly from other industries.

The Unearned Premium Reserve

Premiums charged by fire-casualty companies are not taken at a rate earned at the time the insurance is written, but are required by the insurance laws of various states to be set up as a liability termed the “Unearned Premium Reserve.” This reserve is equal to the amount that would be returned to policyholders if all outstanding policies were canceled. As these premiums become earned over the term of the policy covered, they are removed from the Unearned Premium Reserve and become part of the premium income from that policy. No credit is permitted for the variance of the annual commissions paid to agents, state, and other overhead costs. Since insurance underwriting expenses to be carried as an asset, the requirements have for charging immediately against earned income all expenses incurred in the insurance policy at the time it is written, although the amount of the insurance policy is reflected in the earnings only as it is released from the Unearned Premium Reserve at the time of the policy contract. In a period of increasing premium volume, this method of accounting produces loss underwriting profits (and, conversely, would produce less) in a period of decreasing premium volume.

As a result if such expenses were charged only as the premiums became earned, the expenses would be contrary to ordinary accounting practice. This would be contrary to normal practice. The costs since amortization is not performed for these expenses. Thus, to obtain a clear picture of the underwriting results of fire-casualty companies, a year, an adjustment must be made for the expenses determined by the time the unearned premium has been calculated. As a result, the underwriting profits would be overstated. To correct this for-called “statutory” underwriting profits, the insurance companies are computed in accordance with the state laws and do not include an adjustment for the “equity” in the Unearned Premium Reserve. These statutory underwriting earnings give the true picture of the underwriting earnings and should be supplemented by company statements for this purpose.

As the policy continues in effect, the unearned portion of the premiums becomes earned and is transferred on an equal monthly basis over the life of the policy. In our analysis, for example, six months of the life of the three-year policy are deducted from the unearned premium reserve at the six month period of the year and $765 is the cumulative profit shown during its $765. Let us assume that in addition to the $360 of expenses (40% of the total premium of $900), the company incurred a $70 loss during the policy of the period during the first six months. The company would now have $150 of premiums earned during the period. Since the unearned insurance did not occur over the policy period, the account would appear as follows:

Net Premiums Written

$900.00

Insurance underwriting premium reserve

$275.00

Losses incurred (50% of Net Premiums Earned)

$75.00

Expenses incurred (40% of Net Premia written)

$300.00

Total losses and expenses incurred

$435.00

Statutory Underwriting Loss

$285.00

As indicated in our example, the Underwriting Reserve is a fluid concept. The $800 premium charged to the insured was calculated to be sufficient to absorb the losses and expenses incidental to the policy during the first year. Thus, the basis for a reasonable profit for the company, an actuarial analysis must be performed. The falacy, of course, lies in the fact that all acquisition expenses have been figured monthly paid and an adjustment must be made for the “equity” in the reserve.is in the Unearned Premium Reserve. Therefore, the loss ratio is roughly equivalent to the expenses already incurred for which the premium is not yet earned. Therefore, in arriving at true underwriting results for the year, the statutory underwriting results in one of the Unearned Premium Reserve. Thus, the statutory underwriting reserve is $285.00. The company’s adjusted profit, therefore, is $15.00.

Underwriting Ratio

In order to compare the underwriting results of different companies, ratios rather than dollars are used. In this case, it is indicated above, the analyst would relate the $15 Adjusted Underwriting Profit to $125 of premiums earned in arriving at an equivalent profit margin for underwriting business. An additional method of comparing the “equity” in the “equity” Reserve Ratio is employed. This ratio is the measure of selection of risks by the company and the company’s results. It is the ratio of losses incurred to premiums earned, which in our case, was 50%. The expense ratio, the measure of efficiency of operation, is the ratio of underwriting expenses to premiums written, which in our example is 43.5%. By combining these ratios and relating the sum to one, we arrive at an estimated profit margin. In our particular case, the sum of these ratios is 93.5%, which, of course, leaves a profit of 6% for the company.

In the above example, the analyst must take into account the fact that the statutory profit margin is merely the average of the individual profit and loss margins. Thus, it is important to consider the profit margins of the various classes of business. As an example, in the following example, in which we show the profit margins of the different companies and their respective lines of business.

Both companies have identical experience by line, yet because of a predominance of boiler business, "B" has a profit margin more than twice that of "A." As the investor can plainly see, company "B"'s concentration has produced higher profits, but if the investor were to invest in stocks that were to become bad, then "B" would suffer more proportionately than the "A." If the investor were subject to many factors peculiar to that business, he may hurt his automobile underwriters, his earnings will be better than automobile underwriters in the same business, his earnings will be better than automobile underwriters in the same business, his earnings will be better than automobile underwriters in the same business, his earnings will be better than automobile underwriters in the same business, his earnings will be better than automobile underwriters in the same business, his earnings will be better than automobile underwriters in the same business, his earnings will be better than automobile underwriters in the same business, his earnings will be better than automobile underwriters in the same business, his earnings will be better than automobile underwriters in the same business, his earnings will be better than automobile underwriters in the same business, his earnings will be better than automobile underwriters in the same business, his earnings will be better than automobile underwriters in the same business, his earnings will be better than automobile underwriters in the same business, his earnings will be better than automobile underwriters in the same business, his earnings will be better than automobile underwriters in the same business, his earnings will be better than automobile underwriters in the same business, his earnings will be better than automobile underwriters in the same business, his earnings will be better than automatic
ties sufficient to cover their legal liabilities, which includes loss reserves and unearned premium reserves. Ordinarily, a company with a high ratio of capital to surplus serves to protect the losses; if the reserves are not sufficient, the company can be liquidated. As a result, there is little need for bonds, or mortgage loan insurance for the company's assets and its capital accounts.

(2) An examination into the nature of the business transacted by the particular company. This includes a study of the size and nature of the business, the kinds of business carried on, and the amount and nature of the capital paid in by those holding the company's stock.

This study of the insurance companies indicates that the principal corporate purposes of the business are: (a) to earn income from invested funds; (b) to maintain a capital reserve; and (c) to provide funds for the payment of dividends to stockholders.
Report of IBA Insurance Securities Committee

Continued from page 85

complex nature of the life insurance business in which the financial statements of life insurance companies are presented. The so-called "Annual Convention Statement," which is filled with the Insurance Department in every state in which the life insurance company is licensed to do business, is designed primarily to provide information for the protection of policyholders and to meet the regulatory authorities for the protection of policyholders' interests rather than to show earnings applicable to stockholders' interests.

The closest thing to net operating earnings of a life insurance company is found on page 4, line 32, of the Convention Statement under Summary of Operations in a line entitled "Net Gain From Operations After Dividends to Policyholders and Excluding Capital Gains and Losses." This provides a starting point from which, with certain necessary adjustments, it may be possible to develop a reasonably representative statement of operating profit. Following are some of the important adjustments deemed necessary to place a life insurance company's earnings on a footing reasonably comparable with its own past years and comparable with the earnings of other life insurance companies:

(1) Any special deductions or reservations of earnings made before arriving at the figure in the report should be restored if there are any of a non-recurring or surplus charge nature. Several companies in recent years have followed a practice of charging against current earnings substantial amounts for policy revaluation reserves, for special reserves or for other voluntary reserves. While it cannot be stated definitely that all such reserves should be added to operating earnings and deducted below the line from surplus, the preponderance of evidence is that most of these items should be so treated.

(2) Amounts added to so-called "deficiency reserves" during the year should be added back to earnings. These reserves can be found in Exhibit B of the Convention Statement under the title "For excess of valuation net premiums over corresponding reserves on premiums on reserve policies, computed according to assumptions of valuation required by this state." These deficiency reserves are in effect extra amounts over and above what the companies' actuaries believe to be needed to cover possible mortality based on recent experience. When line 33 mortality tables are given in operation, the need for deficiency reserves will disappear.

(3) Adjustment should be made for prepayment of acquisition costs involved in placing new business on the company's books.

When new business is written, substantial first year costs are incurred. Insurers in the writing life insurance companies will suffer by comparison with a slower growing organization if the first year costs, which usually are 50 per cent of the initial premium, are chiefly the experience cost of a producer, plus the medical examination cost and agency and home office overhead costs involved in issuing the policy. In addition, there is usually an amount added to reserves during the first year. The size of this reserve will depend on the method of reserving.

There is no completely accurate formula for measuring this first year acquisition cost. The wide variations from companies, in accounting practices, and differences between participating and non-participating, whole-life and endowment and term life insurance policies make valuation of acquisition costs a difficult and complex matter. However, for the sake of providing at least a rough-of-thumb basis for adjusting retained earnings for the companies to reflect acquisition costs and if allowance is not made of these costs, the life insurance companies are losing a part of the company's basic earnings. It is generally accepted for group life insurance the figure is five per thousand and for individual life insurance the weekly debit life insurance company is allowed 5 per cent of the first 26 weeks' premiums or 50 per cent of the commission on these policies. This latter rate has been used. Some analysts have used a higher valuation for new business, especially in the years when other insurers have used a lower valuation. It may be an admission that new business is less certain and risks are greater.

(4) Another adjustment of earnings of a life insurance company may often be one to separate the stockholders' interest from the policyholders' claims against the company. Depending on the company's charter and on applicable state laws, there are often limitations placed on the proportion of earnings applicable to participating insurance in force which may be distributed outside of benefits of stockholders rather than to policyholders. Earnings applicable to policyholders should be determined under the so-called "split reports" filed with the State Insurance Departments.

After arriving at a figure which may be considered a fair representation of the earnings of the life insurance company's past record of earnings by making the above adjustments, the next step is to settle upon a proper capitalization rate to be applied to these earnings. In other words, the next step is to find the appropriate price-earnings ratio to apply to earnings. This involves a qualitative approach of earnings. How good are the earnings and how significant would this result be for future increases in those earnings? Some analysts may even wonder just what might be the most reasonable price-earnings multiple? The analyst may find several clues to the quality of earnings and the ability of management in this study of the available data. The growth record as measured by the percentage increase in ordinary life insurance in force (and perhaps even more significantly, the growth of whole life and endowment business exclusive of term insurance) over the past decade — compared to the industry — is a surest clue to the future earnings of similar life insurance companies. The growth of group life and accident and health volume should be studied also. Other factors such as the practice of the actuarial department in its ability to adapt new lines of insurance and to meet new competitive situations will also play a part in judging management.

It is easily demonstrable that a life insurance company which sets up its life reserves on the net level premium method is stating its earnings more conservatively than one which uses the modified or full preliminary term methods of reserving. Furthermore, some life insurance companies may also pay out dividends to policyholders at term premiums or at less than dividends to policyholders at the face amount of the policy. The growth of group life and accident and health volume should be studied also. Other factors such as the practice of the actuarial department in its ability to adapt new lines of insurance and to meet new competitive situations will also play a part in judging management.

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The Commercial and Financial Chronicle • Thursday, December 17, 1930

— Continued.
were stocks quoted. As a percentage of the total amount of insurance income, the amount of insurance income has been increasing. The increase in insurance income has been due to the rise in the amount of insurance premiums paid by policyholders. The increase in insurance income has been due to the increase in the number of policyholders and the increase in the premiums paid by each policyholder.

Earnings of life insurance companies are increasing significantly this year and the prospects for earnings gains appear attractive. Earnings of life insurance companies are driven by three principal differentials.

1. The difference between the amount received for life insurance policies and the amount paid out in claims and other expenses. This differential is affected by the level of interest rates, the mortality rate, and the level of claims experience.

2. The difference between the amount received for life insurance policies and the amount paid out in dividends and other expenses. This differential is affected by the level of interest rates, the mortality rate, and the level of claims experience.

3. The difference between the amount received for life insurance policies and the amount paid out in taxes and other expenses. This differential is affected by the level of interest rates, the mortality rate, and the level of claims experience.

The earnings of life insurance companies are expected to continue to increase this year due to the continued improvement in the overall economy.

The insurance industry is a key sector of the economy and plays a critical role in the lives of individuals and businesses. Life insurance companies provide protection against the financial impact of unexpected events, such as death, disability, and illness. The earnings of life insurance companies are driven by a variety of factors, including the level of interest rates, the mortality rate, and the level of claims experience.
Report of IBA Insurance Securities Committee

Continued from page 87

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The Commercial and Financial Chronicle. Thursday, December 17, 1959

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the complexities of the insurance securities business, we believe that there is a solution to this problem. Another approach to meeting the needs of the insurance industry and the public.

The significance of this year's developments in a general way because of the wide fluctuation in the price of some of the issues, insurance companies could probably be resolved in a relatively short period. However, a number of companies have been able to resolve the problem in the past several years, but they have done so through the sale of bonds. The only immediate result of these efforts is to reduce the price of the bonds and thereby improve the chances of a successful issue.

The Underwriters Committee and the Mergers Committee have recommended the establishment of a new committee to be known as the Mergers and Acquisitions Committee. This committee would have the responsibility of reviewing the mergers and acquisitions of insurance companies and would be responsible for the development and implementation of a program to prevent the recurrence of such practices.
applicable year. In that year the public company reported a net operating gain, after policyholders dividends of $1.1 billion. Since this revenue was only about 26% of net gain needed by the industry to maintain large reserves and taxable investment income, had assured their expenses as represented not only by 1942 but by every life insurance tax law since 1921.

Furthermore, the 1942 law had failed to produce revenue when interest rates decline below a fixed annual rate of 5% tax escrow by stockholders. It has been estimated historically between the dozen or two large, strong mutuals and about one thousand smaller, but enterprising, stock companies. It has been, up to now, possible to attract venture capital into the industry, despite the many years of patience required of capital before any reward could be forthcoming, Phase III threatens to upset this sensitive, economic balance by discouraging this flow of venture capital. This is accomplished through by clouding the reward as by discriminatory tax treatments which are not now likely to take place but would be realized. Only time will tell whether this policyholders' fund is really profit or a necessary reserve and the income from it will be taxed, anyway.

Phase III unfeasibly tilts the scales in an industry with an already demonstrated tendency towards mutual monopoly without drawbacks. The 1942 law pretty much assures this result. In doing this it may be an insidious blow for socialism.

Some Light Reading about a Growth Story

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This Week — Insurance Stocks

Stools of many insurance companies still represent underwriting opportunities. Rates on fast growing fire and property loss coverage, companies entering casualty fields have been upward, progress to date has been limited to many traditional fire companies to retain their classifications. Policies written by those non-multiple line carriers still permitted to the United Stock Exchange, auto physical, damage, inland marine, and marine property lines.

Within the industry the sizable numbers of companies continue to lag sales to the slower growing lines, insurance coverage is expected to potentiate, the increasing auto physical losses, and the auto physical insurance lines.

The insurance stocks, which one ranked first among the fire-casualty lines, has been superseded by auto bodily injury liability and property damage liability. The casualty lines that will be on the lookout for dividends may be a compen-sating factor.

The stocks that are now represent heavy concentration in establ.ished fire lines. At least more of the company may be included which presently are pay-able dividends.

Faced with inflated repair costs, auto physical damage premium volume appears to have limited growth prospects. Although a moderate profit lines, the preva¬lence of instalment purchase or credit insurance, the expense of underwriting automobiles. Finally, the General Motors Group, which writes the largest physical damage insurance, and the other automobile manufacturers which have shown interest in the credit finance-insurance field, in¬creased competition may minimize the attractiveness of this line for

Markets for fire insurance stocks is hold forth strong growth potential. Interest tends to center in the captive recovery speculation, and attractive yields and sizable discounts from net worth.

Clark, Dodge & Co.

Leads G.M. Secondary

It was announced on Dec. 11 that the two companies, with the exception of the rep¬resentation of Shearson, Hammill & Co., has sold a secondary offering of 200,000 shares of General Motors common stock at $53 per share. As in the case of the last kind of offering, none of the proceeds acc¬rue to the company, and it does not represent any new financing on the part of General Motors.

A. G. Edwards Will

Admit Partners

ST. LOUIS, Mo. — On Jan. 1 Bar¬tley F. Edwards III and William F. Sanfor will become partners in the firm of A. G. Edwards & Co., 409 North Eighth Street, members of the New York Stock Exchange. Mr. Sanford will make his headquarters at the firm’s New York office.

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The Commercial and Financial Chronicle . . . Thursday, December 17, 1959

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WISCONSIN ELECTRIC POWER COMPANY

Wisconsin Electric Power Company

Wisconsin Electric Power and its subsidiaries serve an estimated population of 1,710,000 in 35 communities of Wisconsin and in the upper peninsula of Michigan. Three separate areas are served, but the properties are interconnected. Subsidiaries include Wisconsin Michigan Power Company, with annual revenues of over $17 million, and Wisconsin Natural Gas Company, with revenues of over $11 million. Wisconsin Electric also has a $4 million investment in the securities of the Milwaukee & Suburban Transit Corporation.

The area includes some excellent industrial locations, including Milwaukee (13th U.S. city in population and 11th in manufacturing county) and Milwaukee county (eighth in industrial production). Large farm areas with a substantial irrigation load help to stabilize the overall set-up—since industries served include lumber and paper companies and iron ore mines, which are somewhat cyclical.

Revenues are approximately 87% residential, 11% industrial, and 2% heating and miscellaneous. Electrical revenues are 46% residential and farm, 23% commercial, 24% industrial and 7% wholesale and miscellaneous. Wisconsin Electric is quite low, averaging 2.14c per kw-h in 1956 compared with the U.S. average of 2.53c; residential usage was correspondingly higher than the U.S. average.

The deepened St. Lawrence Seaway, which has virtually doubled the economic area of the company, is expected to have a favorable effect on the economy of the area served. Milwaukee's outstanding harbor facilities serve as a gateway. In the past 30 years, the company has spent about $10 million in developing its outer harbor. Additional millions of dollars are being spent to improve the port's already fine facilities and make them more attractive to exporters and importers.

The company generating capacity, aggregated 1,375,000 kw at the end of 1956 compared with 1,355,000 peak load in that year, indicating a reserve of 9% which was somewhat on the low side. A moderate amount of power was purchased on balance. However, a 250,000 kw unit is scheduled for completion late this year, at the Oak Creek Power Plant near Milwaukee, adding 250,000 kw at a cost of about $40 million. A sixth unit at Oak Creek, also with 250,000 kw capacity, will probably be ready for operation by the end of 1957. The company last year retained 6% of total output or its subsidiaries' hydro electric plants in northern Wisconsin.

The company and its subsidiaries have a substantial long range program for construction of new generating facilities. Maintenance work was completed in 1956 and the budget for 1957 is $40 million. For the four-year period 1954-6 inclusive, total expenditures are estimated at $155 million. Wisconsin Electric's share earnings were $3.05 in 1957, down from $3.21 in 1956.

Copperweld Steel Debs. Marketed

Dillon, Reid & Co. Inc. and Ritenour & Dec. 16 offered $5,000,000 5% convertible subordinated debentures, due Dec. 1, 1979, of Copperweld Steel Company priced at 100%. The debentures are convertible into common stock at $36 per share, subject to the company's right of redemption.

Commencing Dec. 1, 1960, the debentures will be redeemable at the option of the company at prices ranging from 100% down to par on or after Dec. 1, 1978.

Approximately $2,500,000 of the net proceeds from the sale of the debentures will be used to pay the company's outstanding short-term notes and the balance will be added to the general funds of the company and used for the present expansion and improvement of its manufacturing facilities. It is estimated that this program will be completed by the end of 1962 and will cost approximately $15,800,000, of which approximately 60% will be used for the installation of facilities for the production of new products and approximately 40% for the modernization of existing facilities. A major new product is Alumoweld, which combines the electrical conductivity and corrosion resistance of aluminum with the strength of steel.

Vanguard Inv. Co. Formed

LOS ANGELES, Calif.—Victor Redstone is engaging in a securities business from offices at 8050 West Third Street under the firm name of Vanguard Investment Co.

First Offering of Behlen Mfg. Com. Stock Effected

The first public offering of shares of Behlen Manufacturing Company of Columbus, Neb., was made Dec. 16 by an underwriting group headed by Smith, Barney & Co., Kirkpatrick-Pettis Company and The First Trust Company of Lincoln, Neb. The offering consists of $70,000 shares of common stock, priced at $15.50 per share.

Of the 370,000 shares, 70,000 shares represent new financing by Behlen Manufacturing. The balance of 300,000 shares has been owned by members of the Behlen family who, after the offering, will own 65.42% of the 1,070,000 shares of combined common stock and class A stock to be outstanding.

Behlen Manufacturing produces, largely of its own design, a line of custom and mass produced metal buildings for farm, commercial and industrial uses and a line of metal corn cribs, grain dryers and grain bins. Established in 1941, the business from its beginning has been under the management and control of the Behlen family.

A cash dividend of 20 cents per share has been declared on the common stock, payable Feb. 1 to stockholders of record Jan. 20, 1960.

Joints Dempsey Staff

(Special to the Financial Chronicle) MODesto, Calif.—Robert C. Osburn has joined the staff of Dempsey & Co., 1024 J Street.
The Stock Market in The Scientific Sixties

Continued from page 3 shows that today only $685 in high-grade bonds gave yields as low as 1.00% in common stocks. Since 1933 it has taken an average of $1,440 in high-grade bonds to get the same income as $1,000 worth of stocks.

The conclusion based on such studies is that today's valuations are far above normal. This con-
dition does not necessarily start a bear market but it does make market more sensitive and vul-
nerable to unfavorable developments. Back in the 1947-49 period when stock prices were only one quarter as high as they are today, when it cost $700 to buy $100 worth of earning power, and when yields were 7%, the market could ignore most unfavorable news. With the cost of buying earning power around $1,800 to-
day and with yields down to 2.10% the bull market must be fed with constant optimism and good news. In the past such generous valuations have persisted for some time. Eventually, however, the cycle of the market reversed itself and values returned to more nor-
mal levels.

Fundamental Influences

It is always a good time to review some of the fundamental influences that have, or may that the future, influence the markets. It has been said that if today's generous valuations are justified over the past 10 years we have been favored with an unusual combination of bullish influences. By coinciding, they have produced one of our most prosperous periods in history and one of our largest bull markets. It is extremely difficult to point out the major factors to see which are still im-
portant and which have lost their influence.

The stock market is, on a smaller scale, like the broad movements that take place in history. It is always a good time to review the book "War and Peace" by Leo Tolstoy.

"A king is a slave of history—he is merely the figurehead on a vessel driven by a force not his own.

Then what is the cause of his historical movement? It is an endless and multitudinous chain of causation
which neither Tolstoy nor any
other man can hope to know.

History is a welter of millions of purposes, interests, coinci-
dences, revolutions, rivalries, that is fast
simulating and dispersing.

When they happen to coincide, a great movement takes place; men with like purpose move in
a mass and in one direction, the face of
the world is in seething tur-
noment.

The purposes then disperse and history relaxes.

If we substitute "stock market" for "history" the comments still
apply.

(A) Influences That Have Been Important in the Past That Have Not Left Their Mark: (Hint: Signif-
icance or That Have Ceased to Exist:

(1) The large deferred demand for goods that existed in 1946 as a result of the war and the
severe depression in the 1930's. This was a formidable bullish influence which is now lost its strength because many years of high production have filled the pipe lines.

(2) Stock piling by the government. This was an $8 billion op-
eration. Now it is found that such operations are not necessary and there has been considerable deterioration in quality.

(3) The rebuilding of foreign capital. This was a major factor in the stock market of the 1920's. The con-
sumer has been and probably will be,
again on a large scale, the producer of goods. Our savings today are not being repaid to foreigners. Our investments today are not being invested in foreign countries.

(B) Favorable Influences of the More Permanent Nature:

(1) Technological Progress: The most important progress in this area is the development of the transistor, which has revolutionized the electronics industry. It is being used in many other industries as well. The transistor is a small, solid-state device that can be used to amplify or switch electrical signals and power. It is a fundamental change in the way we think about electronics and it has already had a profound impact on the stock market.

(2) Favorable Cycles: The stock market is influenced by cycles in the economy, such as the business cycle. These cycles are caused by changes in economic conditions, such as changes in consumer spending or changes in government policies. The business cycle is the most important cycle in the stock market, and it is influenced by a number of factors, including changes in the level of economic activity, changes in government policies, and changes in consumer spending.

(3) Opposition to Wage-Price Spirals: When wage and price increases are too high, the stock market tends to weaken. This is because wage and price increases reduce the purchasing power of consumers, which leads to a decrease in consumer spending. The stock market is also influenced by the government's response to wage and price increases. When the government takes measures to control wage and price increases, the stock market tends to strengthen.

Conclusion Regarding Leading Influences

There are several important influences that are of permanent or long-term nature which should continue to be watched by stock investors. These influences will continue to shape the stock market in the future. The key influences that should be watched are:

1. Technological Progress: The development of new technologies will continue to have a major impact on the stock market.

2. Cycles in the Economy: The business cycle is the most important cycle in the stock market, and it is influenced by a number of factors, including changes in economic conditions, changes in government policies, and changes in consumer spending.

3. Opposition to Wage-Price Spirals: When wage and price increases are too high, the stock market tends to weaken. This is because wage and price increases reduce the purchasing power of consumers, which leads to a decrease in consumer spending. The stock market is also influenced by the government's response to wage and price increases. When the government takes measures to control wage and price increases, the stock market tends to strengthen.
much more sharply than the general market. Their index reached a level that was 40% ahead of that for the general market since 1919 and since then has failed to keep pace with the better quality shares. It is a characteristic of bull markets to end after strength of low priced shares, but with a later move in higher quality shares as a grand finale.

Last 20% Rally and the Last 12 Months of Bull Markets. We have studied the action of the market during its last 20% advance in bull markets since 1919 and find that the average duration of such moves is 3% months. Find the last 20% gain is also lost in an average of the next 3% months. This has been able to take full advantage of these late but profitable moves when there also has been an active trading with a turnover of between 15% to 20% of listed shares. Actually in studying the behavior in the last 12 months of all bull markets since 1897 we find that the average move has been 32%.

Our Economy in 1959. The steel strike has probably pushed some of the business activity that would have come in 1959 into 1960. After the steel strikes of 1952 and 1956 it actually took another year of high level activity in April to slackened. For 1960 we estimate the following stances in leading economic indicators—

- Gross National Product — up 5% to 8%.
- Capital Expenditures — up 10%.
- Autos Sold — 8 million.
- Disposable Income — up 6%.
- Housing Starts — up 15%.
- Money — tight but available.
- Federal Reserve Board Index — up.

Corporate Profits — up 15%.

- Dow Jones Industrial Average — up 1000 points.
- Earnings — up $40 to $45 in 1959.

Conclusion of Study

Studies of economic and financial figures make some people bullish and some bearish. We couldn’t have a stock market, with its need for both buyers and sellers, if this were not true. It is a bit like looking at sunlight through a prism. One man sees a red light, another sitting close to him is as certain that the color is green, while a third says it is yellow. Looking at these market indexes and statistics today the color looks distinctly amber, one that says to proceed more cautiously. This looks like the typical third stage of a bull market when optimism makes people pay higher than normal prices for shares. Such a condition can continue for some months. Today for the first time in 30 years bonds are offering real competition for investors’ favors and funds since their yields are often 40% larger than on the average common share. Bull markets do not give in easily and investors are reluctant to establish profits and pay taxes so it is always possible that the market can move higher, especially in an election year. Should the gain from the 1959 summer peak of 600 exceed another 10% to 20% it would put the averages into vulnerable territory and would justify a shift of move funds into bonds in hope that in the present climate of shares and larger number of shares could be acquired with the same money.

A. C. Terrell With McDonald, Evans

(Special to The Financial Chronicle)

KANSAS CITY, Mo.—Alva C. Terrell, Jr. has become associated with A. C. Terrell, McDonald, Evans & Company, 1009 Baltimore Avenue, members of the Midwest Stock Exchange. Mr. Terrell was formerly manager of the departmental investment department of Boden Investment Company.

New Jersey Sells $668 Million Education Bonds

Boening Group Offers Debentures Of United Marine

An investment banking group headed by Boening & Co. on Dec. 15 offered publicly $1,250,000 of 6% sinking fund debentures, due 1974, and 125,000 c o m m o n shares of United Marine, Inc. The debentures bear non-detachable warrants to purchase 100 shares of common stock per $1,000 of debentures. The debentures and the stock are being offered at a price of $1,125 per unit—each unit consisting of $1,000 of debentures and 100 shares of common stock.

United Marine was organized in April, 1959, to acquire the plants and assets of Richardson Boat Co., Inc. of North Tonawanda, N. Y., and Colonial Boat Works, Inc., of Millville, N. J. These assets are to be transferred to United for a total consideration of $1,150,400, pursuant to a purchase contract.

United Marine has issued 125,000 shares of common stock for $250,000 in cash. It has used $225,000 of this cash to make periodic payments under the purchase contract. The balance of this cash and approximately $800,000 of the net proceeds from the offering of these units are to be used to complete the payments under the contract and the expenses of the underwriting.

United Marine plans to enter the small boat market. A separate location is being considered for a separate plant for the production of 100-124 foot boats in the comparable price range of automobiles. When the net is now a production the company will be in a position to take advantage of the mass market developing for small boats.

Richardson and Colonial sell through about 95 independent distributors throughout the country, and Pacific Coast markets have been successfully established in recent years.

A pro forma statement of earnings of United Marine, Inc. for the year ended Sept. 30, 1959, shows net earnings of $70,597, equivalent to 28 cents per share based on 250,000 shares of common stock to be outstanding.

Upon completion of this financing United Marine will have outstanding $1,250,000 of 6% sinking fund debentures and 250,000 shares of $1 par value common stock.

Sincere and Company is associated with Boening & Co. in the offering.

G. Everett Parks Offers Motel Issue

On Dec. 11 G. Everett Parks & Co., Inc., of 52 Broadway, New York City, offered 133,000 shares of the new stock of flooring company, Ltd., was incorporated in Delaware on Sept. 18, 1958, under the name Towne House, a 60-unit motor hotel with a pool and restaurant, located in Martinsville, Va. The company intends to provide a "Towne House" franchise plan and central buying system, for which it intends to charge license fees.
SECURITY SALESMAN'S CORNER

BY JOHN DUTTON

Placing Customer's Welfare First, Pays Dividends!

There is no need to overemphasize the effective long range results that always rebound to the benefit of any person who goes about his task (whatever it may be) with the attitude and effort that he must always "give" as well as "get." That old fashioned idea is still paying off in every field of activity today, just as it did years ago when it was considered a basic philosophy of life in this country. Despite the charlatans that despoil the business scene today, there are honest and conscientious people in every line of business activity that have steadily expanded and who have built what amounts to an annuity for themselves.

In my own experience I have found a competent radio and television repairman, an expert automobile mechanic, a good lawyer, an excellent doctor, a capable and reliable insurance man, and a gardener who keeps the bugs out of my Florida lawn (and if they come back during the summer he charges them out for me at no extra cost). These people have my confidence, they save my time and do not try my patience. They do not overcharge me, they give me good advice and, as a result, they are in demand. I have sent many of my acquaintances to repairer and dentist, and other friends to these reliable people who help me to live better.

One Tire—No More Business You may think I have gone pretty far afield for this week's material when I tell you that the other morning one of my front tires went flat while driving to work. It was my wife's car and I was using it to keep the battery charged since it doesn't drive it very much. A garage was very close to the spot where the mishap occurred. I drove in and to my may I noticed I did not have a key to the trunk and I could not get the spare tire that I needed for a replacement. Rather than waste time I asked if I could be given a new tire. Seeing my predicament I was promptly overcharged by about $10. I kept my car for over several hours, charged an extra $2 for the first half hour for putting on the new tire. To top it all I had to ask three people where to find my car which they had moved to a lot about a block away. When I returned home I had to ask three more people where to find my car which they had moved to the place I had left it. By this time I was really disgusted. I did not feel it was even care to argue about the price of the business and I left disgusted.

The point of this story is that when people who own the mechanical aspects of this business and their employees know they are in demand, they do not have to care about the business and they left disgusted.

Rather than replacing our old car with a new one, it was sold and a much better car purchased with the net profit. Even if the car was made by a reputable manufacturer I would be skeptical of any warranties they make as a dealer; and certainly of their repair service. I would not put my life on a tire they possibly mishandled a week ago.

What Has This To Do With The Securities Business? It doesn't matter whether it is a tire, a trunk or a suit of clothes, when people have not got to worry whether they want to believe that their interest is being served. Last spring I worked on a community project to help raise some funds for our general hospital. I met a man there who became interested in what he supposed was the securities business. He asked me if I thought he should buy into this firm, or that firm, or a collection of small national and railroad bonds. I told him I would send him some information which, when he had received it, I thought he should do, I struck out my chin and said, "They look high to me." Then I added that had had a 25 per cent advantage in the last six months. I think they should do the same thing. I don't believe I would buy them. However you can do so if you wish and I will be pleased to handle the order for you and open an account for you." He did not buy them and I happened to be right for change. The bonds declined from 118 to 90 over the summer. Last week he telephoned me and said he had read my letter and put it on his list with me; possibly you would be interested in another bond. It was your opinion?"

We had the lunch, I have the list, and I have the first order for some bonds for his wife. Besides, it looks like I have opened another substantial account that can well repay me for giving this man an honest opinion which I believed at the time was the proper course and would bring him the most benefit.

Don't overcharge on the tires and you may sell an untarnishable.

Investments Bankers Ass'n Holds 48th Ann. Convention

Continued from page 1
1949 he has been a member of the Board of Trustees for the incorporated with the Board of Trustees of the National Music School of New York and is Chairman of the Investment Banking Committee for the United Hospital Fund in New York.

Club memberships include: The Rock Club (member of the Board of Governors) and the New York Hibernian Club. The Dam Winter Sports Club, both of New York, for which he is a life member. His athletic interests are golf, tennis, and skiing. Mr. Lee is a member of the New York Yacht Club, The Leas, and the Algonquin Club.

The New President's Address

The text of Mr. Lee's inaugural address follows:

"In my remarks I must pay my deepest respects to the memory of Charles S. W. Inman of San Francisco. He was a man who exemplified the finest traditions of leadership in civic and philanthropic work. His interest in the welfare of his Association is well known. Our Association is the richer for having known him as a friend."

"It is a great honor that you have conferred upon me. I do so, particularly with the knowledge that the men who make up the Board of Trustees at all its levels are dedicated to making our industry one which is constructive in the American way of life."

"I would like to thank all those men who have done service as National Committee Chairmen for their willingness to give of their time and talent to this vital work. Many of them headed the same committees last year. You know from the reports that have been summarized in open meetings of this Association of the significance of this work, and what an important contribution it is to the industrial and financial well-being of our country and the world—by technicians—they must be used. If you have not already done so, I urge you to "must reading"—then have distributed for the benefit of your members."

"I would like to commend Bill Kerr for the outstanding leadership that he has given to this Association as its President. He has been our understanding of, and devotion to, the highest principles of our business. He takes his place with those leaders in our industry whose performance of their obligations are difficult even for individuals."

"During this convention we have been privileged to hear addresses by our four guests of honor. They put forward challenging ideas to our industry and to each of us individually. Indeed it is an outstanding week."

"As to the ensuing year, I would like to state that it is my intention to attend each of the Regional Conferences."

The second annual meeting of the Regional Committees and their committee members is the year. They are capable and energetic men and I anticipate cooperating with them in every way possible.

The accomplishments of our Association also depend to a large degree upon our staff members. We are fortunate in having such a devoted, conscientious and hard working group in our Washington office, always alert to the needs of our members. They represent the membership in a very effective manner."

"1949 like all other years of the past is going to present to us new challenges and new opportunities. It will require wise conduct of our affairs.

"Our society is built around a number of individuals. The complex workings of our society let us lose sight of our goal. We must not become so engaged in our personal business that we neglect our duties as citizen."

"To meet these challenges and opportunities the personal growth must take place in the individual—this is our responsibility."

"I would like to emphasize again how deeply appreciative we are for your confidence. I am aware of my responsibilities. I will do my best to discharge them."

Retiring President's Views

The first session of the convenes with its President, William D. Kerr, who is laying down his office left the Association in a very competitive and opportunities facing them."

"I always remarked, as part, on," I am grateful beyond words for our cordial reception of me as President of the Association. This same sentiment would have been expressed only yesterday. I was then prepared for an interesting year with plenty of work to be done and not a single disappointment. However, a tremendous plus took place in the overwhelm..."
INCREASE—such a road aid would be impressive. As your publication, see them, you may ask to aid you, they want to hear from you. In almost any phase of your business, someone on the staff is able to render expert assistance.

"A great variety of colorful adjectives is being used to describe the road that lies ahead for the people of this country—words such as 'transfiguring'—stimulating—"challenging." Frightening—I will recognize only so this is a manifestation of lazy, inflexible and passive thinking —a state of mind we must wholly reject.

"Stimulating—strikes a responsive chord. What could be more exciting than the prospect that we have in this room with us the miraculous development of the space age—that we may take a sight-seeing tour around the world in a few hours time. The technological breakthroughs that are emerging from our laboratories in the next ten or twenty years may outrun even the most lively investor's imagination. Certainly, the opportunities for the Investment Banker and his clients will be countless.

Real Challenges Facing Us "Challenging—is this the adjective which best suits our current financial situation. We have a profound obligation to the people of this country, and of this world, for that matter, in the years immediately ahead. We have an inescapable responsibility to bring about a kind of economic and social change for the forces that would foster and perpetuate our local governments and our right to the well known freedoms—and those who would turn these forces into a kind of feudal oligarchia in which the individual would be reduced to being a number in a file. Thus, we who know the invariable wisdom of balanced budgets, of stable money and of sound debt management must be prepared to use every means at our command—writing, speeches, interviews, TV and radio appearances, to convince the people of this country, including those in high authority, that their standard of living, the very future of their children and their children's children, even their freedom of their daily lives is at stake. This is a real challenge to us, each one individually.

"Another challenge is—what are we willing to practice financial self-restraint in this battle to dislodge our people from inflation, its pernicious and plodding acceptance of a slow drift toward socialism, the worst setback our cause could suffer would be a financial debacle due to malfunctions of the Investment Banking machine. The facilities of our industry will continue to play a vital role in financing industrial and commercial progress—only the pace will accelerate. Here we must use discretion. We must not be too hasty, too ready a prey to do financing that will not pass the test of prudence and logical conception. Ours is the grave responsibility of the underwriting profession to give good judgment to the representations we make to our customers, but most particularly to the newcomers who are—for the first time—to consider the evaluation of becoming security purchase. We see the importance of the survival of the free enterprise system—keep our business conduct at high standards without exception.

"I am confident the members of our association will successfully meet these and other challenges with courage and direction. We are more expert, better armed than we have ever been. We will have no time to be frightened."

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SHREVEPORT, LA.  
BATON ROUGE, LA.  
Fayette, LA.  
FINANCIAL CHRONICLE  
Volume 119 Number 5986,  
The Commercial and Financial Chronicle  
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Investment account or a rating service or any individual or entity. Therefore, it is incumbent upon management to use all necessary and available sources of information to keep informed and the data obtained should be retained for ready reference.

"Within the near future, paragraph 355 will be revised so as to give more flexibility, and we require adequate information. That portion of the regulation reading: The required information to be retained and analyzed in support of a proper credit judgment of municipal obligations is as follows:" will be revised and in substance will read:

The Information to be retained and analyzed in support of proper credit judgment should be reasonably current and of a nature and in sufficient detail to establish clearly the size and character of the debts, the present and future ability to discharge the debts, and the past experience of the municipality in satisfying its obligations. Information covering or suggested by many of the following, though not necessarily all-inclusive points, may be necessary to complete a thorough analysis of the obligations of each such issuer. Hereinafter will follow the same items A to K as now appear.

"We know and appreciate that your Association and its individual members have very important factors in the preceding and dissemination of financial information in support of all types of investment securities. We believe that much of the substantial progress made by bankers in recent years to maintain adequately informed positions relative to the investment portfolios of their banks stems in no small measure from the efforts of your Association members to provide and make available basic information on the issues handled by them."

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The Commercial and Financial Chronicle... Thursday, December 17, 1959
Public Service Electric & Gas Shs Placed on Market

Merrill Lynch, Pierce, Fenner & Smith Incorporated and associated firms are offering 90,000 shares of par value common stock of Public Service Electric and Gas Co. at $38.375 per share.

Proceeds from the sale of these shares will be added to the general corporate funds of the company and will be used by it for general corporate purposes, including payment in part before maturity of $15,000,000 of unsecured short-term bank loans, and including payment of the portion of the cost of its current construction program.

The company supplies electricity and gas to about two-thirds of the population of the State of New Jersey (1950 census - 4,335,329). In the 12 months ended Aug. 31, 1959, the company's operating revenues aggregated about $381,000,000, of which about 66% was derived from electric operations and about 34% from gas operations. The company's electric and gas revenues are principally between New York City and Philadelphia, extend generally from the New York State border in northeastern New Jersey to Camden and vicinity, in the southern western part of the state. Heavily populated territory includes industrialized areas such as those in and around the following cities: Newark, Jersey City, Paterson, Trenton, Camden and Elizabeth.

Indiana General Secondary Issue Publicly Offered

An offering of 50,000 shares of common stock of Indiana General Corp. was made Dec. 19, by an underwriting group headed by Kohl, Loeb & Co. and Arnhold & S. Bleichroeder, Inc. The stock was priced at $84.50 per share.

The offering does not represent new financing by Indiana General and the company will not receive any of the proceeds from the sale of the stock. The shares offered comprise part of the 200,270 shares of Indiana General common stock listed in exchange for all outstanding common stock of General Ceramics Corp. upon the recent merger of the latter company into The Indiana Steel Products Co.

The merger became effective on Nov. 16, 1959, at which time the new corporate title, Indiana General Corp., was adopted. The names Indiana Steel Products Co. and General Ceramics Co. now identify operating divisions of Indiana General.

York & Mavroulis Formed

A firm of real estate brokers, York & Mavroulis, Inc., is engaged in a securities business from offices at 10 South Eighth St.

With L. A. Huey Co.


How new methods yield new treasure from "the richest hill on earth"

From Anaconda’s famous Butte Hill in Montana has come more than three billion dollars of mineral wealth—copper, zinc, manganese, lead, silver and gold. Its fabulous output of copper—more than has been produced by any other district in the world—has given impetus to hundreds of new products and new jobs, and contributed to progress in many fields.

The ever-increasing demand for copper is a perpetual challenge to mining engineers who must devise ways and means to handle larger quantities of lower grade ores with ever-higher efficiency. An example of how these new service areas, located primarily in the eastern end of "the richest hill on earth" in Butte, here, by open-pit methods, Anaconda is obtaining low-grade copper ores that could not be economically mined by conventional underground methods.

These ores occur beneath 250 feet of waste overburden, two tons of which must be removed for each ton of ore recovered. And more than 150 tons of ore must be hauled and processed to produce a single ton of copper.

Newest advanced facility at Berkeley Pit is the conveyor system shown above. Six separate belt conveyors provide a flexible flow of ore from the primary crushers in the Pit to storage and loading bins. The system is now moving more than 28,000 tons of ore a day, and is designed to handle substantially larger tonnages.

The new facilities at Berkeley Pit are just a part of the program in which Anaconda is continually applying more than 60 years' experience, not only to the development of new copper sources, but to meeting the expanding needs of industry for more and better products in the entire nonferrous metal field.
American Yachting Systems, Inc.
Oct. 30 (letter of notification) 100,000 shares of common stock (par $1) to be offered for subscription in a new capital stock of the company. For general corporate purposes.


To establish new dealerships, increase inventories, and provide funds for advertising and increased selling efforts.

Bull Col., Chicago, Ill. Underwriter—First National Bank & Trust Co. of Chicago, Ill.

Booths Leasing Corp.
Dec. 4 filed 40,256 shares of common stock to be offered for subscription to holders of the common stock of Booths Leasing Corp. Filed Dec. 4, 1974, with warrants attached to purchase 15,000 shares of common stock per $1 par. The debentures and stock certificates will be offered for subscription in additional amounts of debentures (with attached warrants to purchase 15,000 shares of common stock per $1) to be held by various underwriters. Underwriter—315 Montgomery Street, San Fransisco, Calif. Underwriter—Wert & Co., New York, N. Y. Underwriter—Expected in January.

Booths Leasing, Inc.
Sept. 14 filed 2,100,000 shares of common stock (par $1) to be offered for subscription to stockholders of record Aug. 31, 1975, for an additional capital stock of the company. Underwriter—To be supplied by Paine, Webber, Jackson & Curtis, New York, N. Y. Underwriter—Expected in January.

Border Steel Rolling Mills, Inc.
Apr. 15 filed 150,000 shares of common stock (no par) of which 40,000 shares will be offered for the company’s and each holder’s account. Proceeds—For expanding corporate purposes. Underwriter—The firm of Ross, Lyon & Co., 518,050 shares of stock.

Bowman Instrument Corp.
(12/21)
Dec. 4 filed 7,000 shares of common stock (no par), of which 2,500 shares will be offered for the company’s account. Proceeds—For building and equipping stations and truck shop and equipment, and for general corporate purposes.

Burch Oil Co.
Stock record date for notification 120,000 shares of class A common stock (five cents). Price—$2.50 per share. Proceeds—For purchase of building and equipment at San Francisco, Calif. and oil leaseholds located in certain counties in Oklahoma.

Cadre Industries Corp.
25,100 shares of common stock of par $5, to be offered to holders of such stock on the basis of one new share for each 8 shares held. Proceeds—For development, working capital, and other corporate purposes, including working capital.

Cahn Petroleum Co., Inc.

California Mutual Co.-Ply.

Cardinal Petroleum Co. (12/01)

Cascade Pools Corp.
Nov. 15 filed 100,000 shares of common stock (par $1) to be offered for subscription to holders of the common stock of Cascade Pools Corp. Underwriter—To be supplied by the company.

Central Electric & Gas Co.
Dec. 11 filed 3,000,000 shares of convertible preferred stock (par $100) to be offered for subscription to holders of the common stock of the company. Proceeds—For construction expenses of the new Vandalia power plant, 345 MW. Underwriter—To be supplied by the company.

Citadel Life Insurance Co. of New York
Nov. 25 filed 5,000,000 shares of stock (par $1) to be offered for subscription to holders of the common stock of the company. Underwriter—To be supplied by the company.

The stock will be sold through the efforts of the company, principally Zosch B. Fairchild, President.

To be supplied by amendment.

For the purchase of land and development of properties for sale.

For expanding corporate and general corporate purposes. Underwriter—None. Underwriter—None.

For general corporate purposes. Underwriter—None. Underwriter—None.

For expanding corporate and general corporate purposes. Underwriter—None. Underwriter—None.

For expanding corporate and general corporate purposes. Underwriter—None. Underwriter—None.

For general corporate purposes. Underwriter—None. Underwriter—None.

For general corporate purposes. Underwriter—None. Underwriter—None.

For general corporate purposes. Underwriter—None. Underwriter—None.

For expanding corporate and general corporate purposes. Underwriter—None. Underwriter—None.

For expanding corporate and general corporate purposes. Underwriter—None. Underwriter—None.
NEW ISSUE CALENDAR

December 18 (Friday)

Dyna-Therm Chemical Co..............Common

April 4 (Monday)

General Public Utilities Corp. (Offering to stockholders—Timing) 110,000 shares

May 31 (Monday)

TelePromputer Corp.................Common

July 7 (Thursday)

Washington Water Power Co............Common

January 15 (Friday)

American Hospital Supply Corp........Common

This Week

Washington Water Power Co............Common

February 3 (Wednesday)

Dequense Light Co....................Debentures

continued on page 109
Continued

such government agencies, including salaries, cars, promotion, and the establishment of branch offices, expected to be used in other states, and the establishment of a contingency reserve.

Office—18 East 19th Avenue, Denver, Colo. Underwriter—None.

District Wholesale Drug Corp. of Washington

Debenture—To be exchanged for 103,055 additional shares of common stock (par 50). Price—$1.50 per share. Proceeds—For expenses for advertising and for working capital.

Office—900 Georgia Ave., N.W., Washington, D.C. Underwriter—None.

General Electric Co.

Oct. 21 filed 10,000,000 additional shares of common stock (par $1). Price—$5 per share. Proceeds—For general corporate purposes, including the reduction of indebtedness and the provision of funds for the capital expansion of the company's operations in the United States and abroad.

Office—126 Pearl St., New York, N.Y. Underwriter—None.

Great Lakes Bowling Corp.


Green River Production Corp.

Proceeds—For the acquisition of additional property and equipment for drilling and development. Underwriter—To be filed.


Greek Hydraulics, Inc.

Nov. 27 filed 250,000 additional shares of common stock (50% par). Price—$1.50 per share. Proceeds—For the purchase of additional property and equipment for drilling and development.

Office—Junction, N.C. Underwriter—None.

Hammar Co., Inc.

Proceeds—For the acquisition of additional property and equipment for drilling and development. Underwriter—To be filed.

Office—New Haven, Conn. Underwriter—None.

Hebel-Coil Corp.

Proceeds—For the purchase of additional property and equipment for drilling and development. Underwriter—To be filed.

Office—126 Pearl St., New York, N.Y. Underwriter—None.

Hickerson Bros. Truck Co., Inc.

March 11 filed (letter of notification) 285,000 shares of common stock (par $1). Proceeds—For the purpose of reducing existing liabilities; for additional equipment; and for general corporate purposes.


Hillside, Inc.

Oct. 21 filed 500,000 additional shares of common stock (par $1). Price—To be filed. Proceeds—For the purchase of additional property and equipment for drilling and development.

Office—126 Pearl St., New York, N.Y. Underwriter—None.

Hollander, Inc.

Dec. 16 filed 220,000,000 additional shares of common stock (par $1). Proceeds—To be used for additional equipment; and for general corporate purposes, including the reduction of indebtedness.

Office—126 Pearl St., New York, N.Y. Underwriter—None.

Holley Carburetor Co.

Proceeds—For the purchase of additional property and equipment for drilling and development. Underwriter—To be filed.

Office—126 Pearl St., New York, N.Y. Underwriter—None.
ceived up to 11 a.m. (EST) on Jan. 19 at Room 2033, Two Rector Street, New York 6, N. Y.

Kennesaw Life & Accident Co. Nov. 25 filed 630,000 shares of common stock of the company (par $1), to be offered to the holders of the outstanding common stock of the company for one new share for each four shares held. Price—To be determined by competitive bidding. Probable underwriters—Charles P. D. Lerner, Underwriter—The Benson–Humphrey & Co., Atlanta.


Lake Aircraft Corp., Sanford, Me. Nov. 16 filed 100,000 shares of common stock (par $1). Price—$1 per share. Proceeds—For general corporate purposes. Office—1563 Liberty Street, Sanford, Me., Underwriter—The Robinson–Humphrey & Co., Atlanta.


Lawton Electronics Co., Inc. Nov. 26 filed 5,000 shares of common stock (par $0.50) at the minimum price of $1.50 per share. Proceeds—For general corporate purposes. Office—1220 G St., N. W., Washington, D. C., Underwriter—The Thompson–Cochrane & Co., Washington, D. C.

Layland Furniture Corp. Nov. 20 filed 175,000 shares of common stock (of which 140,000 shares are to be offered by the Laymen of the Church of England and 35,000 shares are to be offered by the Laymen of the Church of England in Canada) at the minimum price of $6 per share. Proceeds—For working capital. Offering—Expected in January.


Lyon & Day Oil Co., Inc. Nov. 1 filed 15,000,000 shares of common stock (par $0.05) and 200,000 additional shares. Price—For the 15,000,000 shares, $10; for the 200,000 additional shares, $20. Proceeds—For expansion and working capital. Office—111 W. Houston St., New York 13, N. Y., Underwriter—Dempsey–Teagler & Co., St. Louis, Mo., and the Far West Securities Co., Seattle, Wash. Offering—Expected in January.


Magma-Bond, Inc. June 20 filed 500,000 shares of class A common stock (par $1). Proceeds—To be used in connection with the issuance of American Convertible debentures, and to provide funds for the purchase of additional shares of common stock. Price—To be determined. Proceeds—For working capital. Office—15 E. 71st Street, New York 21, N. Y., Underwriter—None.

Magnusson Properties, Inc. June 29 filed 500,000 shares of class A common stock (par $1) of the company. Proceeds—For the redemption of 6% debenture convertible preferred stock, par $100, and 150,000 shares of the company’s outstanding common stock. Price—To be determined. Proceeds—For the purchase of such shares of common stock of the company at an initial price of $11 per share. Proceeds—For the redemption of such debentures. Probable underwriters—Blyth & Co., Inc. (jointly); Equitable Securities Co.; White, Weld & Co. (jointly); and Kidder, Peabody & Co. (jointly). Listing—The New York Stock Exchange. Underwriter—American Diversified Securities, Inc., 1028 Broadway, New York 18, N. Y. Offering—Expected in January.

Maiden Products, Inc. Oct. 31 filed 60,000,000 shares of common stock (par $0.10) at the minimum price of $5 per share. Proceeds—For working capital. Office—15 E. 71st Street, New York 21, N. Y., Underwriter—None.

Mayfair Markets Oct. 1 filed 301,177 shares of common stock (par $1), and 60,000 shares of preferred stock (par $5) of the company (par $1). Proceeds—For general corporate purposes, including ex-
Mortgage will use its proceeds to refinance; Guaranty will use its proceeds for additional working capital; Office—269 5th Street, New York, City. Underwriter—None.

**Oil, Gas & Minerals, Inc.**

April 2 issued 260,000 shares of common stock (par $10 each). Price—$1.25 per share. Proceeds—For general corporate purposes; Office—515 International Building, New York City. Underwriter—None.

**Old Empire. Inc.**

Dec. 20 issued 10,000 shares of common stock (par $10 each). Price—$1.25 per share. Proceeds—For general corporate purposes; Office—1155 Broadway, New York City. Underwriter—None.

**Policy Holders Investment Fund, Inc.**

Dec. 10 issued 2,000,000 shares of common stock, which will be offered to the public at the option of certain insurance companies. Office—144 5th Street, New York City. Underwriter—None.

**Preston Moss Fund, Inc.**

Dec. 14 issued 20,000 shares of common stock. Proceeds—For working capital; Office—222 S. Wacker Drive, Chicago, Ill. Underwriter—None.

**Prudential Commercial Corp.**


**Puerto Rico Industries, Inc.**

Oct. 27 issued 10,000 shares of class A common stock (par $1, $100 par value per share). Proceeds—To be used for working capital and to retire indebtedness; Office—1201 Metropolitan Building, Kansas City, Mo. Underwriter—None.

**Rutledge, Inc.**

Aug. 27 issued 330,000 shares of common stock (one cent); 5,000 for sale to the public at $0.50 per share. Proceeds—For working capital; Office—111 7th Street, New York City. Underwriter—B. A. Holman & Co., Inc., New York, N. Y. Offerings are not in all states.

**Seaboard Corp.**

Nov. 30 issued 480,160 shares of common stock (par $.50), for sale publicly at $0.50 per share. Proceeds—To the immediate credit of the corporation in payment for the acquisition of the entire capital stock of Collins, Inc., and the merger, scheduled for Dec. 22, of Rutledge and Oregon Venerco, Inc., by Seaboard Corp., in Oregon. Office—909 Divisery Parkway, Chicago, Ill.

**Save-Mor Drugs, Inc.**

Nov. 10 issued 100,000 shares of common stock (par $1 each). Price—$1 per share. Proceeds—For working capital; Office—22 M St., N. W., Washington, D. C. Underwriter—E. A. Burks, Inc., Washington, D. C.

**Seacrest Industries Corp.**

Dec. 14 issued 160,000 shares of common stock (par $1 each). Price—$1 per share. Proceeds—For general corporate purposes; Office—122 South Treon Street, Charlotte, N. C. Underwriter—The Silverman Management Corp., Wurzen-Satom, Charlotte, N.C. Offerings in all states, except those in which the corporation is registered, are made to public; proceeds to the Fund, and with which all the Fund’s Officers are affiliated.

**Security Mortgages, Inc.**

Nov. 30 issued $250,000 of 11-year sinking fund debentures (par $100 each). Proceeds—For the purchase of buildings and equipment, and for working capital; Office—1401 Federal Reserve Bank Bldg., Detroit, Mich. Underwriter—None.

**Shield Chemical Ltd.**

Sept. 8 (letter of notification) 6,000 shares of common stock (par $10 each). Proceeds—For the purchase and installation of manufacturing equipment; Office—17 Jettland Road, Toronto, Canada, Uni-


The Transportation Plan, Inc., Nov. 12 (letter of notification) 199,000 shares of common stock $1 par. Proceeds—For expenses for drilling and producing oil. Office—1527 Main St., Oklahoma City, Okla. Underwriter—C. E. Dales & Co., Dallas, Tex.

Trinity Corporation of New Jersey, Nov. 9 (letter of notification) 1,400,000 shares of common stock (par $1). Price—$5 per share. Proceeds—To acquire and construct harbor facilities in New Jersey. Office—Burlington, N. J. Underwriter—Burlington Shipbuilding Co., New York, N. Y.

Turner Timber Corp., Dec. 12 filed $2,000,000 of 6% convertible debentures. Proceeds—For the redemption of short-term operating liabilities, real and personal, and for general corporate purposes. Office—60 E. 42nd Street, New York City. Underwriter—Frank P. Hunt & Co., Inc., New York, N. Y.

United Employees Insurance Co., April 10 filed 2,000,000 shares of common stock (par $3). Price—$1 per share. Proceeds—For the acquisition of long-term operating properties, real and personal, and for general corporate purposes. Office—1527 Main St., Oklahoma City, Okla. Underwriter—Burlington Shipbuilding Co., New York, N. Y.

United States Pipe & Foundry Corp., Dec. 13 filed $1,000,000 of participations in its Employee Stock Ownership Plan. These participations are to be used for the purposes of the plan. Office—1832 W. 49th St., Cleveland, Ohio. Underwriter—Mid-West Securities Corp., Littleton, Colo. Statement effective Oct. 9.


Universal Life Insurance Co. of America, April 21 filed $4,000,000 of 5% preference stock. Proceeds—To be used for general corporate purposes. Office—Los Angeles, Calif. Underwriter—None.


W-B Power Co., Nov. 24 filed 10,000,000 shares of common stock (par $1). Proceeds—To be used for the expansion and development of a program of national distribution and for working capital. Office—E. W. Wayment, N. Y. Underwriter—Emerick & Co., New York, N. Y.


Transworld Financial Co., Oct. 26 filed 645,000 shares of common stock (par $1) of which 50,000 shares are 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—$1 per share. Proceeds—To be used to repay bank loans on its own behalf and that of a subsidiary; for the purchase of the common stock of a subsidiary, with the balance to be added to general funds. Office—800 Newbury Beverly, Beverly, Los Angeles, Calif. Underwriter—W. R. Staats & Co., Los Angeles, who has acquired for investment purposes in the stock for $200,000 the 10,000 shares of the filing not accounted for above. Offering expected after Oct. 27.


Tri-States Pipe & Foundry Corp., Dec. 12 filed $2,000,000 of 6% convertible debentures. Proceeds—For the redemption of short-term operating liabilities, real and personal, and for general corporate purposes. Office—60 E. 42nd Street, New York City. Underwriter—Frank P. Hunt & Co., Inc., New York, N. Y.

Tri-States Pipe & Foundry Corp., Dec. 12 filed $2,000,000 of 6% convertible debentures. Proceeds—For the redemption of short-term operating liabilities, real and personal, and for general corporate purposes. Office—60 E. 42nd Street, New York City. Underwriter—Frank P. Hunt & Co., Inc., New York, N. Y.

Aug. 31 a preliminary plan to issue and sell 100,000 shares of common stock (par $1).

Price—To be supplied by amendment. Proceeds—For working capital and expansion of the company's business.

Office—1609 Kalamazoo St., Lansing, Mich.

Underwriter—Midtown Securities Co., same address.

Registration—Expected in a couple of weeks. Offering—To be announced.

Hawaiian Telephone Co.

An announcement was recently approved by the Territorial Public Utilities Commission to issue about $5,000,000 of new bonds. Last bond issues were privately placed.

Hi-Press Air Conditioning Co. of America

July 19, 1959, the company announced that it would register to collect 200,000 shares of common stock in the next few weeks. Proceeds—For working capital and equipment.


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 expansion of the company's radio stations.

Business—Radio broadcasting.

Underwriter—In New York, to be named.


Oct. 18 it was announced that the company plans to issue an issue of 100,000 shares of common stock (par 10 cents). Proceeds—For working capital and equipment.

Office—130 Michigan Ave., Chicago, Ill. Underwriter—To be named later in New York State.

Nedick's Stores, Inc.

Nov. 16 it was announced that the company is contemplating the placing of an issue of 17,000 shares of 1959-1964 preferred stock (par $5). Price—To be supplied by amendment.

Proceeds—For the purpose of acquiring the assets of the corporation and for the purpose of issuing common stock.

South Carolina Electric & Gas Co.

June 22, 3. McClelland & Co. announced plans to sell approximately $5,000,000 of bonds in December, 1959. Proceeds—to repay bank loans incurred for capital expansion. Previous issues have been placed privately.

South Florida Gas Co.

Sept. 22 it was announced that the company plans to come to market twice in 1959. Proceeds—to be used for the purpose of issuing additional first mortgage bonds, and common and preferred stock.

Prospective Offerings

Transcontinental Gas Pipe Line Corp.

Sept. 29 it was announced that the company plans to come to market twice in 1959. Proceeds—for the purpose of issuing additional first mortgage bonds, and common and preferred stock.

Underwriter—Van Atlee, Nutey, New York, N. Y.

West Florida Gas Co.

Nov. 15 it was announced that the company is contemplating the filing of an amendment to its original registration statement filed for the purpose of issuing additional first mortgage bonds and common stock. Proceeds—For the purpose of acquiring the assets of the corporation and for the purpose of issuing common stock.

Engelhard Industries, Inc.

Dec. 7 it was announced that the company is contemplating the filing of an amendment to its original registration statement filed for the purpose of issuing additional first mortgage bonds and common stock. Proceeds—For the purpose of acquiring the assets of the corporation and for the purpose of issuing common stock.

Jan. 14 it was announced that the company is contemplating the filing of an amendment to its original registration statement filed for the purpose of issuing additional first mortgage bonds and common stock. Proceeds—For the purpose of acquiring the assets of the corporation and for the purpose of issuing common stock.

James S. Ferris, Analyst, both with De Voge & Company, Investment Counsel.

Musical ability and Glee Club experience are the major requirement for membership in the organization, which along with the Michigan State and Northwestern University and New York Oratorio Society— is one of the only three groups to appear with the Hallconservatory for over 30 years. The Hallconservatory is the music department of the University of Michigan.

Underwriter of the group is Mr. Edward B. Pendleton, organist and director of the choir of Trinity Church, New York City.

Wagner, Stott Partner

Morris Glazer will become a partner in Wagner, Stott & Co., 20 E. 42nd St., New York City, Jan. 1.

Payson Adds to Staff

Payson, New York City, has added to its staff Kenneth Van Horn, Order Dept., A. M. Kidder & Co. and Wellwel a. Bowers, Account Manager, and

Haas, Raymond Co.

Raymond Co. offered and quickly sold out on Nov. 23, 200,000 shares of its Standard Beryllium Common stock, 1176 Broadway, New York City. The company is a leading manufacturer of Beryllium ore and other proprietary products in this field.

Haas, Raymond Co.

Raymond Co. has been named to the list of Standard Beryllium Common stock.

Haas, Raymond Co.

Raymond Co. purchased 20,000 shares of its Standard Beryllium Common stock.

Haas, Raymond Co., 255 West 57th St., New York City, has been named to the list of Standard Beryllium Common stock.

Rosman & Co.

Roseman & Co. has been named to the list of Standard Beryllium Common stock.

Jan. 1 it was announced that Raymond Co., 165 Broadway, New York City, has been named to the list of Standard Beryllium Common stock.

25th Anniversary

For B. W. Pizzini

B. W. Pizzini & Co., 25 Broad Street, New York City, is celebrating its 25th anniversary.

Founded on Dec. 17, 1934, B. W. Pizzini & Co. is a member firm of the New York Futures Exchange. B. W. Pizzini & Co. is an active member of the New York Mercantile Exchange, and an associate member of the Cotton Exchange. In addition to B. W. Pizzini & Co., the general partners include W. G. Darnell, R. J. Tapp, W. J. Fagan, W. A. Winkler, A. E. Osterhoudt, E. S. Branson, E. H. Rutter, and W. A. Rutter.

Rejoins Thomson McKinnon

Joseph M. P. O'Toole, a member of the firm of Thompson & McKinnon, has rejoined the firm as of Jan. 1, 1959. Mr. O'Toole has been associated with the firm since 1936.

Mr. O'Toole has been associated with the firm since 1936.

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Security Traders Ass'n. of Chicago

The following officers have been chosen by the Security Traders Association of Chicago for 1960:


The Association will hold its annual Mid-Winter Party at the Ambassador-West, Guild Room, on January 25.

Mutual Funds
By ROBERT R. RICH

Investors Inc., a Kansas City, Mo., investment company started in January, is expected to exceed $1,000,000 before the end of the year. It is one of the two classes of stock—20th Century Investors Inc. and 26th Century Growth Investors—in which 15,000 shares have been sold. Directors of Energy Fund, another load mutual fund, have voted to eliminate the redemption charge for the mutual fund. Energy Fund shares are redeemed by the fund at net asset value. Stockholders will be notified of the possibility of an annual meeting on Jan. 10, 1960.

In the year ended Oct. 31, Axelson-Houghton B, Inc. increased its net assets from $100,382,362, equal to $18.71 per share, to $129,467,362, equal to $21.89 per share. The company's income in the year (order) at year-end was: Metropolitan Broadcasting Corp., City Investing, Pittston, Unilever N. V., Norfolk & Western Railway, Dana Corp., Missouri Pacific Railroad, Pennsylvania Railroad, and Cubic Corp.

The board of directors of World Trust, Inc. agreed to pay its key employees a $250,000 bonus for their efforts in the past year. The company specializing in textiles and related industries has returned its first cash dividend, which will amount to $1 per share when paid. At the same time, the directors initiated a pro rata dividend of 50 cents per share to all the company's stockholders.

Florida Growth Fund, Inc. reports that for the first nine months of 1959 it increased its net assets to $1,054,511, an increase of 150% over the same period of 1958. Income for the nine months amounted to $169,022, an increase of 97% over the same period of 1958.

Eaton & Howard, Inc., Boston investment management firm, is celebrating the 25th anniversary of its founding by Charles F. Eaton, Jr., its President, and the late John G. Howard. The firm manages Eaton Howard Balanced Fund, Eaton & Howard Growth Stock Fund, which have combined assets of more than $350,000,000.

Commonwealth Stock Fund reports that on Oct. 31, net assets amounted to $13,518 on each of 951,809 shares. Its combined assets are $13,533 a share and 609,914 shares on Oct. 31, 1958.

Mutual Income Fund had net assets of $20,203,118 on Oct. 31, 1959, up from $12,667,036 a year earlier. During the year shares outstanding rose to 1,097,300 from 10,312.

Emerson W. Ax, President of Axelson-Houghton Funds, regards the high level of interest rates as the principal, if not the only, factor in the business outlook. But Mr. Ax is optimistic about the "flow," he observes, "has been sharply reduced and there is less divergence in rates here and abroad than there was a year ago. Again, therefore, that interest rates will not become a generally satisfactory level of business during the coming year.

Knapper in NYC
D. Klapper, Inc., is now conducting its business offices at 61 Wall St., New York City. The company's offices were previously in Brooklyn.

Daughtery, Butcher & Co. have moved to 111 Broad St., New York City.

Wecker to Be Managing Partner of E. F. Hutton Co.

Ralph E. Cutten, senior partner and Chairman of the Executive Committee of E. F. Hutton & Co., Ltd., 61 Broadway, New York City, since 1968, has announced that Theodor W. Todd Jr. will become a general partner and a member of the Executive Committee. Mr. Todd is now a senior partner and the Chairman of the Executive Committee since the firm was organized in 1963.

Massachusetts Life Fund

Massachusetts Life Fund is offering a dividend of 24 cents per share from net investment income for the quarter ending December 31, 1959.

A distribution of 35 cents per share from realized capital gains is also being made by the Fund.

The dividend from income and the capital gains distribution will be payable to the Trustee on December 14, 1959, and will be distributed to owners of record on December 11, 1959 (as trust provide)

Massachusetts Hospital Life Insurance Company, Texas

50 State Street, Boston

The Funds Report


Florida Growth Fund, Inc.
In its bulletin "Pioneering," there is widespread uneasiness over the future of the dollar, particularly in the world. This, if justified, the future of the country, and in particular of the stock market, which prices are close to the lowest levels of many years, may offer real investment opportunities.

In declaring a fourth quarter dividend of 46 cents a share, the Florida Growth Fund, Inc. noted an anniversary: 30 years ago Mr. Cutten, the entrepreneur, laid the foundation of this company.

The entire question merits and is being given extensive study.

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### Indications of Current Business Activity

**AMERICAN IRON AND STEEL INSTITUTE:** Stainless steel production capacity [in 000 tons] 71.6

**MACHINERY**

- Total new orders, Dec. 18: $51,044,643 (35.2% of Nov. 18).
- Orders received, Dec. 19: 1,945,549.
- Shipments, Dec. 18: $45,720,751.
- Shipments, Dec. 19: 1,894,850.

**COTTON AND LINEN**

- Received at mills (tons), Dec. 18: 1,825,300.
- Received at terminals, Dec. 18: 64,050.
- Delivered to dealers (bales), Dec. 18: 31.250.
- Delivered to cotton oil producers (barrels), Dec. 18: 438,833.
- Total cotton oil received (barrels), Dec. 18: 2,248,140.
- Total cotton consumed (barrels), Dec. 18: 3,509,403.
- Total cotton marketed (barrels), Dec. 18: 17.9.

### Civil Engineering Construction—Engineering

- Total U.S. construction, Dec. 18: $1,070,000,000.
- Public construction, Dec. 18: 195,000,000.
- Private, Dec. 18: 1,040,000,000.
- Government, Dec. 18: 15,000,000.
- State and municipal, Dec. 18: 170,000,000.
- Federal, Dec. 18: 10,000,000.

**CIVIL ENGINEERING CONSTRUCTION—ENGINEERING**

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### Coal

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<td>Coal consumed (tons)</td>
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<td>Coal marketed (tons)</td>
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### Credit Data

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<td>Total credit outstanding (in millions)</td>
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</tr>
<tr>
<td>Total credit available (in millions)</td>
<td>329,300</td>
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</tbody>
</table>

### Expressions in the News

- "Cotton is a major crop worldwide, providing significant economic benefits to countries and regions where it is grown."
- "Steel production capacity has increased significantly in recent years, reflecting growing demand for construction and infrastructure projects."
Volume 199, Number 9000 The Commercial and Financial Chronicle

STATE OF TRADE AND INDUSTRY

Continued from page 12

Thanksgiving Day Holiday during the earlier part of the week

These findings are based on the weekly report of 44 metropolitan areas conducted by the ATA Re¬

seen, but the receipts had increased to $5,195,000,000. The receiv¬

The Index represents the sum of the total price of 31 raw foodstuffs and meat in general use. It is not a cost-of¬

In showing this span, retained earnings equaled $250 million and the market plus retained earnings was more than sufficient to provide for the capital expenditures during this period.

The company has had a relatively good record of sales and earnings returns for the first nine months of 1958 and 1957, when the sharp business downturn failed to materialize. A March 29, 1958, monthly strike in the glass division hampered operations, sales per dollar of average advertising has been around $1.50. With plant production down 27%; however, it is doubtful that the benefits of recent capital outlays becoming significant in 1959, although the company would continue to be considered as a leader in most years. It should recover sharply from the decreased 1957 figure to a 12% to 15% level. In the year ending December 31, 1957, Pittsburgh Plate's total sales were in a sharp upward trend, reaching new record levels. In 1949 to 1950, $620.8 million, a gain of 6% in 1957, $535.9 million, a gain of 6% in 1956. A sharp improvement during the same period was recorded from $183.9 million in 1948 and $169.3 million in 1947; however, a downturn during February, March, and April 1957,不但表现出了持续的销售增长，而且在1956年和1958年之间保持了显著的增长。此外，1959年也显示出不错的增长趋势。总的来说，这表明了Pittsburgh Plate Glass在这一时期内持续扩张并成功地应对了市场挑战。

DOME MINES LIMITED

A meeting of the Board of Directors of Dome Mines Limited was held in Toronto, Ontario, on November 29, 1959, and the following resolutions were passed:

1. To increase the authorized capital of the Company from $64,000 to $100,000,000.
2. To increase the authorized share capital from $64,000 to $100,000,000.
3. To change the name of the Company to Dome Mines Limited.

The resolutions were approved by the shareholders of the Company at the Annual General Meeting held in Toronto on May 3, 1959.

CONSOLIDATED NATURAL GAS COMPANY

30 Rockefeller Plaza New York 20, N. Y.

DIVIDEND NOTICE

In accordance with the annual dividend declared by the Board of Directors of Consolidated Natural Gas Company, as of November 29, 1959, the following dividend will be paid on the common stock of the Company, evidenced by shares of record at the close of business on December 16, 1959.

Common Stock Dividend $1.00

The Trustees have declared a quarterly dividend of twenty-five cents per share on the common stock of the Company.

New England Gas and Electric Association

COMMON DIVIDEND No. 1

The Trustees have declared a quarterly dividend of twenty-five cents per share on the common stock of the Association.

United

United SHOE MACHINERY CORPORATION

The Board of Directors has declared a dividend of 3% on the preferred stock and 62% on the common stock for the three months ended September 30, 1959.

 ballet dance

Arts and Entertainment

The Security I Like Best...

Continued from page 2 deposits. PPG has built its basic chemical plant on the same raw materials. It is one of the largest producers of soda ash; it supplies its own aluminosilicate...
WASHINGTON, D. C.—There is practically a continuous 600-mile band along the Eastern Seaboard region from South of Virginia, Va., to Portland, Maine.

This area of course takes in Greater Metropolitan areas of Baltimore, Philadelphia and the great Metropolitan area of New York. The region has been described as comprising about 2% of the land area of the United States, but the total population living in these sections is more than 20% of the Nation.

There are other great urban areas that are being linked up across the land, including the Los Angeles to San Diego; Chicago to Milwaukee and Chicago to South Bend, Ind.; and the Pittsburgh area for scores of miles in either direction, to name a few.

The population is really "exploding." Obviously, more and more interurbia areas are going to be linked up such as Mobile to New Orleans to Baton Rouge, and from Fort Worth and Dallas which has practically taken place in this Texas area already, there are other interurbia areas in so many cases, it is perfectly natural.

Population Trends

In advance of the census, the new estimates of population, as of July 1, 1956, presents some rather startling figures about the way in which the population is taking place. There is little wonder that the latest figures, which are gradually increasing in nearly every section of the country, tend to appear destined to continue for sometime.

The new official estimates issued by Robert W. Burgess, Director of the Bureau of the Census, shows that the Western States are growing most rapidly, the Northeast somewhat more slowly. The Western population increased about 5%, or only twice the national average of 15% from April, 1950 to July, 1958.

The North Central States, however, outgrew the other regions in absolute gain, with an increase of about 6,600,000 for the 8-year period. Of the four regions, the Northeast, with an increase of about 3,800,000, or 10%, had both the smallest, absolute and relative gains.

Bills by States

From a percentage standpoint Arizona and Nevada—the latter the Nation's smallest in population—had estimated increases in excess of 50%. California, the State with the greatest absolute gain since 1950, chalked up a 35% gain; New Mexico, 29%; Utah and Colorado each gained 20%.

Florida, with a gain of 63%, is by far the fasting growing State in the South. An increase of about 1,000,000 people marks the Florida boom. Today the peninsula State has an estimated 4,151,000 people, more for example than Missouri with its great two cities—St. Louis and Kansas City.

In addition to Florida, six other states had gains of 1,000,000 or more persons. The leader in this group was California, where 2,988,000 people, or 29% of the state's population, gained in 1956, which is more than the total population of the nation in 1950.

Texas rolled up a gain of 1,633,000; Ohio, 1,507,000; New York, 1,489,000; Michigan, 1,296,000; Illinois, 1,288,000. Increases ranging from 500,000 to 1,400,000 were recorded in New Jersey, Pennsylvania, Indiana, Maryland, Virginia and Wisconsin.

The nation, the nation's smallest in land area, has an estimated total population of 5,855,000 people, which is slightly more than half of its 1950 official census. Delaware, small in land area with nearly half of its population located in southern cities, and the District of Columbia, which are the nation's smallest, is a little over 4% of the nation in area and population.

The Census Bureau estimates that the population of metropolitan Washington is about 2,106,000. However, in the District of Columbia proper, the population is about 290,000—perhaps of only 26,000 since 1950.

Washington proper has become one of the largest centers of members of the Negro race in North America. Approximately 70% of the public school children in the District of Columbia are of the Negro race. This is more than other large cities in the eastern part of the country, including Atlanta, Birmingham and Memphis.

The Bureau of the Census says that our two newest states, Alaska and Hawaii, had growth rates well above average, 49% and 32%, respectively, since the 1950 census.

Farm States Losing Ground

It is apparent that the "Farm States" of Iowa and Nebraska are not keeping pace with the national average growth of about 15% since 1950, in contrast to the nation which was estimated at 2,781,000, a gain of 61%, which means that Iowa will lose a seat on the House of Representatives. Nebraska's gain of 1,288,000, or 22%, also means a loss of a seat.

Arkansas, Mississippi, West Virginia, and Vermont actually lost population and Oklahoma barely held its own. Arkansas was the heaviest loser of them all. It lost 135,000 people for a percentage loss of 8.2%. West Virginia, the Mountain State, lost 37,000, less than 1%, among other States, lost an estimated 41,900, Mississippi, an agricultural state, 2,282, and Vermont, 6,000.

Puerto Rico's growth rate was only 5%, as a result of the fact that the natural increase was largely offset by net outmigration to the United States mainland.

Bureau's Technique

The Bureau in its reports explains how it "scientifically" arrived at its estimates. Normally, the Bureau has made good use of its estimates. The method involves, to use the words of the Bureau's report: (1) estimating the civilian population on April 1, 1950; (2) adding to this civilian population an estimate of births for the period between the census and the estimate date; (3) subtracting an estimate of deaths; (4) adding or subtracting an estimate of net migration in the United States; (5) subtracting or adding an estimate of the net movement of civilians into the armed forces; and (6) adding an estimate of the number of persons in the armed forces stationed in the area on the estimate date.

The Bureau has not prepared revised estimates for Guam, the Virgin Islands of the United States, the Canal Zone, or the Trust Territory of the Pacific Islands. The annual censuses of Guam taken by the office of the Chief Commissioner for the Island showed 30,578 for 1955.

This column is intended to reflect "the behind the scenes" interpretation from the nation's Capital and may not go coinside with the "Chronicle's own views.

"I said 'get some debentures' — not dentures, you idiot!"

Businessman’s BOOKSHELF

Consumer Credit Facts for You—Bureau of Business Research, Western Reserve University, Cleveland 6, Ohio (paper), 30¢ (quantity prices on request).


Second Treasury of Contemporary House—Building—Architectural Record—F. W. Dodge Corp., 200 W. 52nd St., New York 19, N. Y.


Bache Appoints Toronto Managers

TORONTO, Canada — Allan G. Findlay has been named resident manager of the firm’s London, England affiliate. Findlay is a long-time acquaintance manager of the Toronto office of the investment firm of Bache & Co., members of the Toronto Stock Exchange, the New York Stock Exchange, and other leading securities exchanges, it was announced yesterday. E. Douglas Huycke and Ralph G. Henderson are the resident partners in the Toronto office which is located at 590 Bay St.