Simpson, Thacher & Bartlett

The COMMERCIAL and FINANCIAL CHRONICLE

ESTABLISHED 1839 Reg. U. S. Pat. Office

Volume 191 Number 5950 New York 7, N. Y., Thursday, May 12, 1960 Price 50 Cents a Copy In 2 Sections — Section 1

Editorial AS WE SEE IT

If the members of Congress who voted for the measure which in 1887 created the Interstate Commerce Commission had been told what the history of this agency would be and what was to become of the railroads under its jurisdiction, they, we are certain, would have been quite incredulous. If the framers of the Sherman Act three years later could have foreseen the proliferation of legislation to prevent monopoly and of the agencies created to administer these laws, they too, would not have taken the forecast at all seriously. No one, we are certain, at the turn of the century forsaw even in dim outline the growth of legislation and so-called independent agencies designed to place business more and more under the thumb of government that would characterize the first half of the century ahead. It may even be that there are those living in this day and time who do not fully realize the extent to which government of all types, but particularly the Federal Government, has reached out to place its dead hand upon business in this country.

The New York Chamber of Commerce just recently performed a public service by calling sharp attention to one highly important phase or aspect of this situation—public regulation of utility enterprises. Utilities are defined, as they should be, to include electric, gas, telephone, telegraph and water companies as well as the railroads, trolleys and buses, highway and water carriers, and airlines. Agencies of Federal Government alone now include an Interstate Commerce Commission, a Federal Power Commission, a Federal Communications Commission, a Civil Aeronautics Board, a Securities and Exchange Commission, a Federal Trade Commission, a Federal Maritime Board, and a National Labor Relations Board — all commonly called "independent agencies," though they are certainly not independent of the politicians, or at least some of them are not. In addition, all states now have public utility commissions to carry on the same type of supervision and regulation. Still further, regular departments of government now often are empowered to meddle in one (Continued on page 22)

How Long Can We Continue to Live With Our Financial Fiction

By Dr. Melchior Palyi, Chicago, Illinois

Economist pointedly answers advocates of a large and rising federal debt who claim: (a) we owe it to ourselves and, thus, is not a burden on the nation as a whole, and (b) bankers who "hollered" about a $50 billion national debt no longer do so though the debt is close to $300 billion. Dr. Palyi attacks "something-for-nothing illusion" of liquidity and economic strength, and sees harmful far reaching economic consequences resulting from our debt load; "faked balance sheets"; fiscal legerdemain, and inconsistent accounting practices. Author comments on our debt zooming ahead of dubious GNP, and the phenomenon of an inflated national debt holding up an over-inflated and rapidly growing structure of non-federal debts.

Is the national debt a burden on the Nation? It is not, provided that it is being held domestically, proclaimed President F. D. Roosevelt. "One pocket owes it to the other." (Debt owed to foreigners belongs in another chapter.) The theory that the public debt is no debt in the common meaning of the term, goes back to the famous, or infamous John Law in the early 18th century. If so, it need not be, virtually never has been, repaid — according to a host of Managed Money and Creeping Inflation advocates. They point to the skyrocketing, since 1914, of national debts all over the world. In short, we should learn to live with the Mammoth Debt and accept the alleged necessity of its further growth. Let us go on accumulating budget deficits whenever "needed." Consider the size of the pile as irrelevant. As a Harvard professor put it not so long ago: it makes no difference whether the federal debt is $300 billion (nine zeros) or $300 trillion (twelve zeros). The clear implication was that far from being a national liability in a meaningful sense, it might be considered as a wealth-creating asset. How, indeed, could one enjoy all the "blessings" of currency-diluting if it were not for the Debt and its recurrent monetization? Otherwise, how would we overcome depressions (in the midst of booms), maintain full employment, whatever that is, and spend ourselves into ever-greater richness? He who believes in Inflation as a panacea for curing social ills, alleged or real, is driven to justify the existence and growth of the overextended national debt.

Dr. Melchior Palyi

An Ideological Reminder

Taken literally, the principle of "one pocket owes it to the other" applies to a communistic society only. Where everything belongs to the state, all liabilities are a matter of mere bookkeeping. And vice versa: he who denies that the Debt is more than a bookkeeping item, wittingly or unwittingly negates the system of private property. Under that system, the "pockets" of creditors are distinctly separate from those of debtors. A gain of the one is no compensation for a loss to the other. Incidentally, if the two "pockets" are in effect two sides of a ledger, then the same holds for claims of all kinds—and there is no debt burden of any sort.

Yet, the "two pockets" principle asserts that, in contrast to private debts, servicing the public debt merely means a transfer of income from one group to the other. Real resources are not affected. "The fact that the government owes its citizens certain sums is not really a burden on the nation as a whole," concluded *The* (London) *Economist* of November 21, 1959. That would be true if a 100% tax were levied on income derived from federal securities. Of course, no one would buy the bonds, except the Federal Reserve that delivers to the Treasury practically all earnings on its huge portfolio instead of putting (Continued on page 26)

PICTURES IN THIS ISSUE: Candid photos taken at the 24th Annual Dinner of the Security Traders Association of New York, Inc. appear in Section Two of today's issue.

The Security I Like Best . . .

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

This Week's Forum Participants and Their Selections

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

Acme Electric Corp. — Horace I. Poole, Manager, Corporate Finance Dept., Eisele & King, Libaire, Stout & Co., New York City. (Page 2)

LYNN L. McCORMICK

Research Dept., Dallas Rupe & Son, Inc., Dallas, Texas

Ennis Business Forms, Inc.

Ennis Business Forms, Inc. is one of the more recent companies to "go public." The company had its original public offering of stock in October of last year. The offering by Kidder, Peabody & Co., consisted primarily of shares sold by original stockholders, but a portion represented company financing. It provided the public with its first opportunity to participate in the growth of an old-line established company in a rapidly expanding growth field.

Lynn L. McCormick

Ennis Business Forms, Inc, has long been recognized as a leader in the field of salesbooks and business forms. The company heretofore has been a closely held family institution and recently celebrated its 50th anniversary. Some of its present top executives have been with the company since its inception. G. G. Dunkerley founded the company with an investment of only a few thousand dollars in 1909. The company is now guided by his son, Garner Dunkerley, who has been instrumental in building it into the company that it is today with total assets of $5.5 million and sales of $11.2 million. The company has earned a profit and paid a dividend every year since its organization.

The company manufactures a widely diversified line of business forms and other business paper products. For many years, the company specialized in salesbooks, restaurants checks, specialized tags, and carbon paper. With the trend toward office records automation and electronic data processing, the company's management several years ago initiated a program designed to capitalize on the new growth market for specialized business forms. Ennis Business Forms is now rapidly expanding into the field of register forms, snap-a-part forms, tabulating machine cards, and tabulating and other continuous forms. In 1955, the company's total volume for these items amounted to only $200,000 annually. Volume in this line is now at the rate of over $4,000,000 annually.

Much has been said in recent years regarding the tremendous growth potential for the office equipment industry. A leading advisory service has predicted a doubling of annual sales by 1965 in the data processing segment of the office machines industry. This should be followed by another two-fold increase in sales by 1970 according to the same source. Ennis Business Forms, Inc., as a supplier of expendable items for such equipment, stands to benefit doubly from the expansion in office equipment sales, not only from the increased number of consumers of its products but also to the repeat sales resulting from the expendable nature of its products.

Register forms are principally two or three part continuous forms which are interleaved without carbon paper. They are used in register machines which contain the necessary carbon paper and serve as a permanent record for the business concern. The company also sells the register machines which it purchases from outside sources. Snap-a-part forms are multicopy forms with interleaved carbon paper. The copies can then be separated for distribution. These forms are adaptable to either manually operated or automatic machines. Continuous copy forms are multi-copy interleaved with carbon paper and are specially designed for use on high speed tabulating and form-writing equipment.

Salesbooks and restaurant checks are made in a wide variety of styles and sizes for standard orders and for custom orders. Carbon paper is manufactured for the company's own use and also for sale to others. The company also produces typewriter carbon paper, office machine ribbons, and specialty inks. A wide variety of shipping tags for airlines, railroads, manufacturing and retail establishments is produced.

The company manufactures tabulating cards under a license arrangement with International Business Machines Corporation. The cards are similar to corresponding IBM cards in all respects. A recent development which holds great promise is the printing and production of specialized forms using magnetic ink. This allows the company to participate in the trend toward office procedures automation. Other products manufactured by Ennis Business Forms include stationary supplies, file folders, and paper rolls for teletype machines.

With its widely diversified line of products and long standing record of quality and integrity, Ennis Business Forms, Inc. is in an enviable position to participate in the growth which is rapidly developing in the field of business forms. Through the addition of new products and the gradual expansion into new trade territories, the company can be expected to continue its growth. A large Chicago business forms firm was recently acquired, and specialized equipment has been installed to expand production facilities.

The company now has plants in Paso Robles, California and Chatham, Virginia in addition to its main plant and home offices in Ennis, Texas. Warehouses are located in Birmingham, Houston, and St. Louis. Distribution is handled by over 14,000 dealers located in every state. The dealers include stationers, printers, business forms dealers, paper wholesalers, wholesale grocers, and restaurant suppliers. In the business forms industry, there is a rising trend toward dealer distribution, and Ennis Business Forms' firmly established relationship gives it a competitive edge over those companies now establishing dealer outlets.

Ennis Business Forms' financial condition is strong, with current assets of $3,858,334 and current liabilities of $1,208,759 as of Feb. 29, 1960. Plant and equipment amounted to $3,366,702 less allowance for depreciation of $1,700,705. Other assets consisted of deferred charges amounting to $2,333. Long-term debt in the amount of $75,000 in 5% Serial Debentures will mature in July, 1963. Stockholder equity consisted of 550,000 shares ($2.50 Par Value) common stock, $588,434 in Capital Surplus, and $2,279,471 in Retained Earnings. Total stockholder equity amounted to $4,242,905.

Since the public offering at $16¾ in October of last year, Ennis Business Forms, Inc. has been actively traded in the "Over-the-Counter" market and now has over 1,300 stockholders. Active trading markets are maintained by several of the nation's major securities dealers. At the current price of approximately $20 per share, Ennis Business Forms is selling at 17.6 times its earnings of $1.13 reported for the year ended Feb. 29, 1960. The $0.65 annual dividend provides a 3.3% return.

Ennis Business Forms, Inc. will provide an attractive opportunity for investors interested in a "businessman's risk" investment in a field with an exceptionally promising future.

FINANCIAL SUMMARY
(Fiscal Year Ended Feb. 28)

	1960	1959	1958	1957	1956
Net Sales*	$11,219	$9,126	$8,115	$7,713	$6,894
Net Earnings Before Taxes*	1,281	816	868	813	682
Net Earnings*	621	397	426	405	337
Net Earnings Per Share**	1.13	0.72	0.77	0.74	0.60
Dividends Per Share**	0.50	0.16	0.15	0.14	0.13
Current Ratio	3.19:1	2.19:1	2.64:1	2.61:1	2.70:1

*000's omitted.
**Based on 550,000 shares currently outstanding.

HORACE I. POOLE

Mgr., Corporate Finance Department, Eisele & King, Libaire, Stout & Co. New York City

Members New York Stock Exchange

Acme Electric Corporation

My last contribution to your column, "The Security I Like Best," was Barnes Engineering Corporation, trading Over-the-Counter at $0.50 per share. Last week this stock sold at $35 a share. In this article I pointed out that a sixth sense of timing was most important to the successful speculator. I further stated that the big profits made in the past in the shares of automobile companies, chemicals, television and drugs were made by those who realized that the stocks of a certain group had "caught on."

Horace I. Poole

During the last several years, Acme Electric has done intensive engineering work with transistors and other semi-conductors, combining the unique advantages of these components in circuits with magnetic components to produce transistorized power control panels, resulting in improved performance of power supplies which are used to energize computers, business machines and for other applications.

Research and engineering costs of Acme during 1959 continued a

Continued on page 16

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

Facts vs. Fancy Regarding Drug Industry's Economics

By Dr. Jules Backman,* *Research Professor of Economics, New York University, New York City*

An economic brief on the drug industry deals with the profits position, effect upon over-all prices and per cent of all medical care costs, differences in drug prices here and abroad, and growth performance to date. It makes clear, also, that the intensity of competition is as great as that in any industry. Pointed out, further, are errors and misuse of data by some members of the Kefauver Committee and its Staff. Noting the start being made by the industry to collect data on an annual basis, Dr. Backman suggests what more can be done by the industry to make the data complete so that the knowledge of the industry, now being unveiled by testimony, will be made consistently and fully available on an annual basis in some readily accessible form.

During the past few years, the drug industry has been subjected to a variety of public examinations by administrative agencies, legislative groups, and in the courts. The FTC study of antibiotics, the Fountain and Kefauver Committee hearings and anti-trust cases involving Salk vaccine and tetracycline are familiar illustrations. And if reports from Washington are correct, the end is not yet in sight.

Jules Backman

As a result of these developments and the accompanying headlines you have sometimes been made to appear to be a profiteering, conspiratorial, monopolistic industry. The statements—often inaccurate and misleading—made by Senator Kefauver and his staff have received considerable publicity. The following exchange dealing with profits is a classic.

Dr. Blair: Schering buys prednisolone from Upjohn for $1.57 and sells it to the retail druggist for $17.90—"it is 1118% mark-up, roughly 11 times."

After Dr. Brown, President of Schering, testified that the company's research costs were 8½% and selling and distribution was 23% of the sales dollar, Mr. Kefauver stated:

"I understand for the industry that selling and distribution was 23%. You add 23% to 8.5%. That still is a long way from 1118%.

". . . assuming you add 23% and 8%, that doesn't take much away from 1000%." (Kefauver Drug Hearings, Dec. 7, 1959).

This was a fantastic misuse of figures since the correct profits figure was 12.3%.

In light of such distortions, there is a real need for proper perspective concerning the economics of the drug industry.

Sober appraisal must take the place of sensationalism if the contributions of the drug industry to our national economy are to be evaluated and harmful legislative actions are to be avoided. Let me review briefly some of the significant economic characteristics of the drug industry.

A Major Growth Industry

We are told by many persons that economic growth is a vital national necessity. Such growth is required to meet our aspirations for higher living standards, to provide job opportunities, and to meet the threat of Russia. While many persons are playing a numbers game with growth rates, there is agreement that growth yields beneficial results.

The drug industry has been a great growth industry particularly since the end of the war. The rate of increase in employment in the industry has been more than twice the national average and more than three times as great as for all manufacturing industries since 1947.

	1947	1959	% Inc.
	(000 omitted)		
Drugs & Medicines	86.4	104.0	20.4
All Manufacturing	15,290	16,156	5.7
Total Civilian Employment	60,168	65,581	9.0

Clearly, the drug industry has provided more than its proportionate share of job opportunities and has, therefore, played an important role in growth.

However, the dollar increase sales by drug manufacturers increased from $890 million to $2,700 million or by 203%. During the same period total Gross National Product increased from $234.3 billion to $479.5 billion or by 105%. Thus, in dollar terms, the drug industry has been growing almost twice as rapidly as the national economy.

However, the dollar increase in Gross National Product was due to higher prices to a greater degree than was true of the pharmaceutical industry. Thus, the general wholesale price index rose by 23.3% and the consumer price index by 31.4% between 1947 and December 1959. In the same period, wholesale drug prices **declined** by 11.0% and retail drug prices increased by 28.2%. It is evident that the increase in manufacturer's sales in the drug industry was due largely to greater volume.

A similar pattern developed in the 20-year period from 1939 to 1959. Drug sales rose by 800% as compared with the increase of 426% in Gross National Product.

A breakdown of the sales figures makes it clear that the rapid

Continued on page 30

CONTENTS

Articles and News Page

Regular Features

Published Twice Weekly

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Patent Office

WILLIAM B. DANA COMPANY, Publishers

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

REctor 2-9570 to 9576

GEORGE J. MORRISSEY, Editor

WILLIAM DANA SEIBERT, President

CLAUDE D. SEIBERT, Vice-President

Thursday, May 12, 1960

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

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

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

Subscription Rates

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

Other Publications

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

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

Life Insurance, and American Heritage Life

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

Some notes on life insurance trends and specific comment on the rapid growth of American Heritage Life Insurance Company.

Life insurance is the most important vehicle for personal and family thrift in the United States. Today 115 million Americans own life insurance policies. The growth in this business has been remarkable. In the 10 years period 1950-1959, life insurance in force in the United States increased from $213 to $534 billions; and assets of life companies, in the same period, burgeoned from $59.6 billions to $113.6 billions. Even more spectacular have been the market advances in life insurance stocks. Capital gains of 1,000% or more in these stocks in the past decade are by no means uncommon; and certain shares have recorded astronomical advances. For example, you might have purchased 100 shares of Connecticut General Life capital stock, at the end of 1940 for $2,925. By Feb. 1, 1960 this original investment would have attained a market value of $142,400 not counting cash dividends received in the meantime.

Because of this amazing growth factor, the stellar long-term market performance of most "life" shares, and the high rate of return on invested capital achieved in their industry, hundreds of new life insurance companies have entered the business since the end of World War II. There are now over 1,400 life insurance companies in the United States. But all of these companies do not, of course, grow and prosper equally. Some do much better than others; and the superior performers are usually distinguished by the evidence of three qualities: better management, more effective salesmanship and smarter investing. A dynamic young company that assays high in these three qualities is American Heritage Life Insurance Company, of Jacksonville, Florida.

American Heritage Life Insurance Company

There's plenty of life in American Heritage. Starting out as a brand new company in 1956, with $500,000 in capital, this energetic enterprise has scored some remarkable gains. Most new life companies take at least five years to get into the profit column. Not so with American Heritage. In its third full year of operations (1959), this Company reported a net income of $348,113. Life insurance in force today is about $154,000,000, with $44 million in ordinary life business and the balance in group insurance.

The achievements of last year alone, are dramatic. Gross insurance premiums in the Ordinary Life Department increased 56% over 1958; and in the Group Department this year-to-year advance was 28%. Most significantly, the company's net worth at the 1959 year-end had increased by 38% over 1958.

Techniques for Expansion

How does American Heritage achieve this unusual expansion and growth? Importantly by virtue of a young and energetic management team headed by Mr. Claude Roy Kirk, Jr., President (34) and William Ashley Verlander (40). These gentlemen are dynamos in ideas and in action. They're progressive and imaginative, especially in their development of the sales and the investment ends of the business.

For example, they have developed an "exposure" system of selling, based primarily on asking people to save money. One of these "exposure" methods is to secure permission to solicit the employees of a company, or the personnel in a factory. Managements often encourage this to promote thrift among employees, and management helps sales along by permitting individual payroll deduction of insurance premiums. Thus, a myriad of systematic thrift plans for insurance protection are begun with payments of as little as $5 a month.

A second imaginative approach to selling, advanced by American Heritage, is the installation of insurance desks in supermarkets. This is obviously a wonderful way to bring prospects to the Agent. People doing their household shopping in a supermarket are in a buying mood; and many are eager to learn about insurance coverage and the price of individual policies. Actual selling at the booths is not the important thing; it's the making of effective contacts so that, when the Agent calls at the home later on, he is assured in advance of a welcome, and a genuine interest in the saving and insurance program he sells. This shopping center sales technique is well under way with American Heritage booths now located in selected supermarkets of the Winn-Dixie and Safeway chains.

The third "center of influence" for sale of insurance is through the stockholders of American Heritage. The company has 2,700,000 of its capital shares outstanding, owned among over 13,000 stockholders. Each stockholder is, theoretically, a booster for the sale of American Heritage insurance, and the management is constantly seeking to broaden the base of its share ownership both to spread the sales message and to assure a reservoir of capital for possible future expansion.

All of these sophisticated sales techniques have been combined with, and added to, the traditional methods of successful insurance selling.

Investment Program and Results

We mentioned earlier the importance in the achievement of above average corporate success, of an aggressive investment program. American Heritage definitely has such. Most life companies have about 40% of their investment portfolio in mortgages. American Heritage mortgage investment is less than 10% of portfolio. Management has stressed, in its bonds holdings, the purchase of convertibles, and it has done well in such "converts" as American Machine & Foundry and Sperry Rand. Illustrative of the success of this less traditional and more aggressive program, investment income (including capital gains) rose steeply from $236,000 in 1958 to $644,000 for 1959.

Vista for Sustained Progress

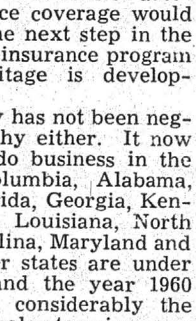
Progress at American Heritage bids fair to continue. Last year American Heritage Life acquired Reliable Insurance Company, a well-known fire insurance company which began business way back in 1865. Reliable earned a net profit after taxes of $193,607 in 1959. Its policyholders and agency system will substantially broaden the sales horizon for American Heritage and provide entry into "one agent — one charge" insurance programs where life and home fire protection are offered within one corporate family. Provision of automotive insurance coverage would appear to be the next step in the comprehensive insurance program American Heritage is developing.

The Company has not been neglecting geography either. It now is licensed to do business in the District of Columbia, Alabama, California, Florida, Georgia, Kentucky, Indiana, Louisiana, North and South Carolina, Maryland and Virginia. Other states are under consideration and the year 1960 should expand considerably the above licensed sales terrain.

American Heritage Life stock sells over-the-counter at around $9¼ a share. It pays no dividend but the "plough-back" of earnings should redound substantially to stockholder benefit over time. Life insurance is growing dynamically and American Heritage is growing faster than most companies in the business. It has an impressive board of directors, and the operating management, merchandising skill, zeal and energy conducive to corporate greatness.

Walter Gutman to Leave Shields Co.

Walter K. Gutman has resigned from Shields & Co., New York City, and it is reported that he may join Bear, Stearns & Co., the name of which would be changed to Gutman, Stearns & Co. Mr. Gutman, who is well known in Wall Street for his market letters, has been planning the move for some time.



Walter K. Gutman

Fane & Gilbert Branch

BERNARDSVILLE, N. J.—Fane & Gilbert, Inc. has opened a branch office at 19 Mine Brook Road under the management of Robert J. Peters.

The State of TRADE and INDUSTRY

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

The economy appears to be pulling out of its weather-influenced late-winter doldrums, although the evidence continues mixed, the Federal Reserve Bank of New York observes in its May *Monthly Review*. In April consumer purchasing, in particular, brought a breath of springtime to businessmen. Automobile sales advanced smartly, and department stores reported a record Easter season.

Industrial production in April may have steadied after two months of slight decline. Hiring of workers for outdoor activities, postponed in blustery March, probably was made up in part in April, as winter turned abruptly into spring. Finally, the McGraw-Hill survey of business plans for spending on new plant and equipment, taken at the "high point of uncertainty" in March and early April, showed even larger planned outlays for 1960 than the survey made only a few months ago by the Securities and Exchange Commission and the Commerce Department.

Analyzing the long-run unemployment picture, the Reserve Bank notes that unemployment as a proportion of the civilian labor force has continued for almost two and a half years at levels in excess of 4.7%. A rather striking development in recent years has been the rising number of long-term unemployed, those idle for 15 weeks or more. In 1953 this group was 15% of the total unemployed, but in the past seven years this proportion has never fallen below 22%.

Many of the long-term unemployed are workers 45 years and older or members of non-white minorities. Many are also workres who have been displaced by long-term declines of industries and occupations, the replacement of old products by new ones, changing consumer tastes, shifts in government defense programs, and automation and other technological developments. The effects of these changes in economic structure are particularly strong in some localities. In the high employment period of June 1956-June 1957, unemployment in chronically depressed areas accounted for at least one-fifth of total unemployment.

Some other areas, of course, also have relatively high unemployment. In March 1960, 33 out of 149 major labor market areas had unemployment of more than 6% of the civilan labor force. While a year earlier there had been 72 such areas, the remaining pockets of "surplus" labor still represent close to one-fourth of the country's major labor market areas.

The future may well bring other problems, the *Review* article noted. Employment opportunities will have to be expanded considerably more rapidly than heretofore if the number of unemployed is to be kept from swelling. Department of Labor projections indicate that the 1960's will see 26 million young people enter the labor force, 37% more than entered during the 1950's. None of the problems to be faced, however, should be viewed as a cause for grave alarm. They are, in fact, the problems of a society that not only is expanding in size but also is growing in technology, extending its life span, and developing increasing recognition of social responsibilities.

Bank Clearings for May 7 Week 17% Above Last Year

Bank clearings this week will show an increase compared with a year ago. Preliminary figures compiled by us based upon telegraphic advices from the chief cities of the country, indicate that for the week ended Saturday, May 7, clearings for all cities of the United States for which it is possible to obtain weekly clearings will be 17.0% above those of the corresponding week last year. Our preliminary totals stand at $28,947,901,338 against $24,742,620,262 for the same week in 1959. At this center there is a gain for the week ending Friday of 27.7%. Our comparative summary for the principal money centers for the week ending May 7 was as follows:

Week Ended May 7—	000 Omitted 1960	1959	%
New York	$16,180,943	$12,675,484	+27.7
Chicago	1,312,807	1,224,809	+ 7.2
Philadelphia	1,178,000	1,121,000	+ 5.1
Boston	831,390	778,973	+ 6.7

Prospects Dim for Larger Steel Output

New steel orders may be approaching the low point, but a pickup will not reverse the week-to-week downtrend in steel production, "The Iron Age" reports.

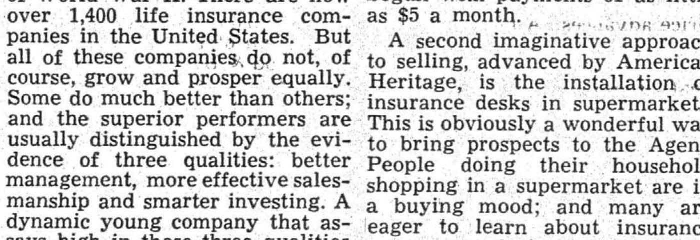
This apparent contradiction is the result of current new order rates as low as 42 to 48% of capacity of individual mills while production is still well over that. Even if orders do pick up, production will have to continue its decline to the rate of new business.

The magazine says the seriousness of the overall steel outlook is covered up by the strength of the sheet market. And recently the automakers came back for more June cold-rolled sheet tonnage. With some other new orders for June, flat-rolled is holding up surprisingly well.

But at the same time, automakers are eying the close-out time for 1960 models. Some will start in July; the rest will close out at intervals into September.

"The Iron Age" points out it is significant that the longer auto production will be in the compacts, which use an average of

Continued on page 12



OBSERVATIONS...

BY A. WILFRED MAY

A STIRRING BULL

In the context of the long view, and far more significant than day-to-day "market views," are still remaining huge potentials of demand for common stocks. In the institutional area, the huge investible assets of the life insurance companies, hitherto relatively bereft of equity securities, are now stirring in that direction.

Although in recent years agitation has appeared for greater engagement in the equity market by the life companies, the prospective marriage has rather remained in a state of mere "flirtation" ever since their boycott of the common stock resulting from the Armstrong Committee investigation in 1905-1907. At that time the objection to commons was not based on the risk elements, but rather on violation of corporate ethics, as the too frequent emergence of interlocking relationships and broad double dealing. Such sublimation of the risk feature was fully justified by the actual relative market performance of stocks and fixed interest securities. Both before and after the 1907 panic, their common stocks related to book value fared much better than did their holdings of bonds, in the case of 28 leading life companies. And a similar story of their bonds' greater emasculation followed the post-1929 crash.

The 1941 Look-See

Proposals to permit greater portfolio participation by the life companies in commons enlisted a major airing in 1941 in hearings before a New York State joint legislative committee. The important proponents included Securities and Exchange Commissioner Sumner Pike among other government officials who urged the need for increased income versus the then low-yielding bonds. Such suggested easing of the restrictions was opposed by some of the industry's foremost leaders, including Lewis Douglas of Mutual Life, who was highly skeptical about their potential market performance.

No relaxation of the existing regulation restricting the holdings of commons to 3% of assets was made at that time; not until 1957 was the permissible maximum raised to 5% of assets or one-half of the surplus to policyholders, which ever is less.

Rise of Limit Disregarded

In any event, the legal ceiling has not been controlling, aggregate stock holdings remaining far below them, both before and after their recent rise. With recognition of the common stock's respectability centered on the *Variable Annuity* instrument, the proportion of the industry's portfolio of total of common stocks has remained under 2% (approximately 1.8% now). Last year only $354 million of the total of newly acquired assets, or 1.9% of total investment acquisitions, took the form of common stocks. This compares with $277 million, or 1.4% in 1958; $257 million, or 1.5%, in 1957; and $56 million, or 0.6%, back in 1947. During the first two months of this year, only $49 million has been routed in common stocks, against $50 million last year. (The break-down by industries of new acquisitions in 1959 shows, in railroads, practically none against $5 million in 1958; $150 million in utilities, against $52 million; industrials and miscellaneous, $350 million against $220 million in 1958).

While these data show that there has been some increase in leaning toward the common stock, the further potential is enormous. And the increases during the recent past and immediate future, at least, will take place in the face of values, as measured by dividend and earnings yields, that are only one-half of those at the time of the turn-down of the proposal in 1941.

While the step-up in actual common stock purchases made thus far has been pre-empted by a relatively few companies, important expressions of the new equity trend have also been made by others.

Stock Conscious Companies

Penn Mutual initiated equity buying in 1958 to the tune of $5,701,400, to which it added $6,-421,446 in 1959. Giant Lincoln, whose previous common stock holdings have been negligible, totaling less than 5% of the securities portfolio, purchased $7,300,000 of common stocks last year, through a weekly *dollar averaging* program. It acquired an additional $1,400,000 of commons through the exchange of convertible debentures and preferreds. John Hancock also stepped up its buying of equities last year.

Acquisition of commons, together with appreciation of their existing holdings, in the case of several companies constituted a goodly proportion of the 1958-1959 increase in their assets. These included Mutual of New York, 28%; Massachusetts Mutual, 29%; State Mutual of Worcester, 52%; National Life & Accident, 33%; Occidental Life, 34%, and Jefferson Standard, 33%.

Equitable, through its President James F. Oates, Jr., has announced its embarkation on a $40 million annual stock purchase program. Holding only $37 million of commons before the initiation of this program in 1959, it added $20 million in latter 1959, and $9 million during the first quarter of 1960. Previously, the Equitable, like giant Metropolitan, had almost completely eschewed common stocks. Spokesmen for Metropolitan, whose only share holding is comprised of $32 million worth of American Telephone which it "acquired" through conversion of its bond-holdings have again stated their full intention to continue their complete forbearance from the equity stock share (but not from real estate equity).

New Tax Law Stimulus

The recent gains in "respectability" by the share equity have been only partly motivated by the epochal reconstruction of the tax law applicable to insurance companies, enacted in mid-1959. The absence of more substantial response to the tax incidence is largely due to its complexities, which require study and more study. But our sampling of some of the companies' investment executives furnish substantial grounds for the conclusion that it provides a substantial stimulus for the future adding of equities. In the case of one of the largest companies, whereas under the old statute the tax bite took 6% of the income from bonds and stocks, now the impost on bond income is raised to 12%, with only 2% assessed on dividends from stocks. To another company the net effect of the change in the statute is that a dollar of fully taxed income on bonds and on mortgages is equal "net" to 85 cents on common and preferred stock income, but to only 71 cents on the income from tax exempt bonds.

Another large unit points out the ancillary advantage of the new law in making capital gains taxable; which facilitates the taking of losses on discount bonds with a low coupon, in switching to get a better current rate of return.

Whatever the exact source of the fillip to the life companies' swing into common stocks, there is plenty of room for further additions below the legal limitation. And, incidentally, there is plenty of leeway behind the British, whose life company portfolios are way ahead of us in the inclusion of equities.

* * *

BICENTENARY INFLATION

Note From Colonial Williamsburg

The American public's subjection to successive in-flation and de-flation psychoses is assuredly becoming chronic. Such de-flation frame of mind is currently highlighted by the sudden abandonment by investor psychology—during the 80-point fall in the Dow Jones Average—of the preceding "collapse of the dollar" credo. Common to each phase is the concurrent fiction that it will continue permanently and constantly.

So it is timely, for light on the secular performance, to gather longest-term available data. This we have done in a visit to Colonial Williamsburg, the restored capital of 18th century Virginia, collating comparative prices of today and the 1760-1770's. (In our calculations we base the late 18th century value of the dollar on the gold content of the pound sterling, which was 8.33 grams of fine gold.)

Do not our data substantiate the conclusion that while inflation is a secularly effective force, even over the longest-term it is highly selective as well as spasmodic?

Deflation Items

Leading the category of price laggards is, as we can appreciate, the publishing industry. In fact, some items, as subscriptions, now actually cost us less than our forefathers. A year's subscription to the 18th Century *Virginia Gazette* was priced $3.15—now the rate is $3.00. Likewise, a lost and found advertisement in the same journal would have cost 78 cents—now 75 cents.

Thomas Jefferson purchased a two-volume set of Machiavelli from the Printing Office here in Williamsburg for $13.10. Today's Modern Library edition costs only $1.65.

Likewise, mail postage, one of our present-day subsidy gluttons, shows a drastic deflation over the centuries. In contrast to our present 4-cent letter rate, our forebears sending a letter of a single sheet, folded somewhat like the modern air letter and mailed without an envelope, from Williamsburg to Annapolis, paid 18 cents.

Inflation Leaders

As in all countries, and all times, food is in the forefront of our long-term consumer price rises. In General Washington's travels around Virginia in the 1760's and 1770's he generally paid about 65 cents for an evening meal in a tavern, $1.30 with drinks included. Today, an evening meal, with wine, at the celebrated Chowning's tavern will set you back $5.00.

Recreation items also show big price advances. A box seat to the Williamsburg theatre in the 18th Century cost $1.90—now orchestra seats in Richmond for road company performances are priced $4.80 for dramatic productions, $6.00 for musicals.

Washington paid $1.30 to attend a concert here in 1767. Reserved seats for the present-day concerts at the Governor's Palace are $1.80.

Still in the recreation area: a dozen packs of good Colonial playing cards cost $3.80—a dozen packs of modern playing cards are priced $12.00 at the Craft House.

On the Selective Inflation Ladder

In 1764, Washington received $210 for 54 days of attendance as a member of the House of Burgesses, plus $47 for travelling expenses. Today members of the Virginia State Legislature receive $1,080 for a 60-day session and an additional $720 for expenses.

Thus, the largesse to our politicos may be seen as one of many items part way up our Selective Inflation ladder.

Bond Club Outing Set for June 3

The annual Field Day of the Bond Club of New York will be held this year on Friday, June 3, according to an announcement by William B. Chappell of The First Boston Corporation, President of the club. This year will mark the 36th outing for the Bond Club which will take place at the Sleepy Hollow Country Club, Scarborough, New York.


Maitland Ijams

Maitland T. Ijams, of W. C. Langley & Co. has been named Field Day Chairman this year. Assisting him will be four general chairmen — Frederick C. Braun, Jr. of F. S. Moseley & Co., H. Lawrence Parker of Morgan Stanley & Co., Alfred J. Ross of Dick & Merle-Smith, and Robert M. Gardiner of Reynolds & Co.

Heading the 13 committees appointed to supervise sports, entertainment and other activities at the outing are the following Chairmen: Attendance—Laurence C. Keating of Eastman Dillon, Union Securities & Co.; Arrangements—Robert A. W. Brauns of McDonnell & Co., Incorporated; Bawl Street Journal—Howard B. Dean of Harris, Upham & Co.; Bawl Street Journal Circulation—William W. Pevear of Irving Trust Co.; Entertainment — Charles L. Bergmann of R. W. Pressprich & Co.; Food & Beverage—Dudley F. Cates of Kidder, Peabody & Co.; Golf — James F. Burns, III of Blyth & Co., Inc.; Publicity—William H. Long, Jr. of Doremus & Co.; Special Features—J. Hindon Hyde of Halle & Stieglitz; Stock Exchange—J. Howard Carlson of Carl M. Loeb, Rhoades & Co.; Tennis—Harold H. Sherburne of Bacon, Whipple & Co.; Trap Shooting — Charles L. Morse, Jr. of Hemphill, Noyes & Co.; Trophy —Ralph Hornblower, Jr. of Hornblower & Weeks.

Named Director

Walter Van Blerkom, Ira Haupt & Co., New York City, has been elected to the Board of Directors of Standard Security Life Insurance Company of New York.

Addison Secs. Opens

WEST HEMPSTEAD, N. Y.—Addison Securities, Inc. has been formed with offices at 578 Buxton Avenue to conduct a securities business.

TAX-EXEMPT BOND MARKET

BY DONALD D. MACKEY

During the past few days the tax-exempt bond market, as measured by new issue bidding, has shown abrupt improvement. Upon successful completion of the Treasury's $2,000,000,000 refunding and extension of debt, government issues led the way to general bond market improvement. The municipal bond market, in nice technical balance, followed as new issues were successfully underwritten and apparently well placed with investors. Concurrently, it appeared that secondary market offerings were taken to some degree with the result that dealer shelves have been considerably lightened. The Street Float, as indicated by the "Blue List," totaled $381,012,500 last week. Yesterday (May 11) the total was $344,384,754.

As measured by the *Commercial and Financial Chronicle's* state and municipal bond yield index, the market is up only about one-quarter point during the week. The average yield was reduced from 3.47% to 3.45%. The impetus of the new issue market will not be reflected in the index for another week because of the inevitable secondary lag implicit in a rising market.

Small Volume of New Business Persists

The technical position of the state and municipal market has improved measurably during the past few weeks. The new issue calendar is relatively light, particularly for this time of year. The volume of new issues during 1960 has fallen well behind estimates and it appears that for the first half the volume may be off as much as 25%. This is a surprising development in view of the dynamic estimates made early in the year.

Institutional and investor demand has more than kept pace with available offerings even though their interest has been reluctant in face of the diminished yields. Consequently, secondary volume has not built up for more than brief periods during the past few months. At present it is no problem and may not be for some weeks, particularly should new issue business not be generated in large volume during late May and June. The summer months can be almost counted on to be lacking in heavy underwriting.

Danger of Premature Easing of Credit

There are many that view the developing financial situation as calling for further easing of money. There is talk and some general sentiment, as well as political clamor, for a lowering of the discount rate. It would appear, however, that so important a change is likely to be made only after very careful consideration on the part of the Federal Reserve. Official statements indicate a reluctance to disturb this delicate credit mechanism at this time.

Most bond men would go along with this general premise. To definitely establish a bull bond market at this time might easily prove an economic mistake despite its political desirability. An increase in the cost of money may easily evolve in the coming months and again an upsetting change in rates would be required.

With the high success of the Public Housing Authority financing, dealers and investors proceeded to bid the longest bonds to a substantial premium. The issues seem well placed and the general market for New Housing bonds seems better established than ever.

Recent Financing

The largest and most interesting offering this week (May 10) involved $30,000,000 Jacksonville, Florida, electric revenue (1962-1980) bonds. The successful group was headed by the First Boston Corporation-Shields & Company-Lehman Brothers and C. J. Devine & Company. The interest cost bid was 3.48% and the maturities were scaled to yield from 2.70% to 3.50%. The offering has gotten off to a fair start with the balance reported at about $14,000,000.

An offering of significance, particularly to New Yorkers, $5,500,000 Suffolk County Water Authority, New York was also made on May 10. These revenue bonds (1961-1998) were bought by the Harriman, Ripley & Company-Goldman, Sachs & Company-Glore, Forgan & Company-L. F. Rothschild & Company groups. Scaled to yield from 2.75% to 4.10% the initial investor reception was moderate. About $4,000,000 remains in account at this writing.

On Tuesday, Cambridge, Mass., a city that rarely comes to market, accepted bids on $4,500,000 serial (1961-1980) bonds at a new high level for this market move. The First Boston Corporation-The Northern Trust Company-Estabrook & Company and others were successful bidders and reoffered the bonds to yield from 2.35% to 3.25%. This issue is reported less than half sold.

As we go to press (May 11) a group managed by Glore, Forgan & Company has submitted the winning bid of 3.357% interest cost for $6,000,000 Colorado Springs, Colorado, utility revenue bonds. This highly rated issue (1961-1975) is scaled from 2.50% to 3.35%. A good reception by investors is anticipated. This offering completes the important new issues scheduled for this weekly period.

Older Issues Quickly Sold

It is interesting to note the good follow-thru sales in recent new issue accounts which have been reported since last week's article. After initial reoffering on Tuesday, a week ago, there were $15,500,000 State of Minnesota bonds remaining in account. This balance has been reduced daily to the present total of $2,900,000. Over $3,500,000 Cook County, Ill., bonds have been sold since last week's offering and this account has been marked closed. The recent New York City account is also closed out. Numerous other recent issues such as State of Tennessee; Cascade County, Mont.; Florida Development Commission (Orange County) and University City, Mo. have all been marked closed since last week. Altogether it has been a busy week.

Another Slow Week Ahead

The new issue calendar for the coming week is of little consequence and includes no issues larger than $10,000,000. On May 17, Cincinnati, Ohio, will offer for competitive bidding, $9,515,000 various purpose improvement bonds maturing 1961-1995. Later the same day, Phoenix, Ariz., will sell $9,000,000 (1961-1988) water revenue bonds. These two issues will compose the week's important new underwritings.

The turnpike revenue issues have been quiet but firm during the last weekly period. The Smith, Barney & Company Index was reported at 3.99% on May 5. There are no new announcements concerning turnpike or similar revenue financings.

King-Size California Issue Later On

The largest addition to the new issue schedule is $50,000,000 State of California serial bonds to be offered on May 24. Although the sheets are replete with offerings of California bonds, the announcement of this offering has not in any manner upset the market. This highly rated obligation is now in a class by itself and a heavy supply of California bonds seems not directly related marketwise to other high grade offerings which appear in the market less often.

The present calendar of scheduled new issues amounts to only $350 million. This is less than half than it was a few weeks back. It is considerably less than the market might absorb in the period ahead. Extravagant new issue bidding seems likely to continue.

MARKET ON REPRESENTATIVE SERIAL ISSUES

	Rate	Maturity	Bid	Asked
California (State)	3½%	1978-1980	4.00%	3.80%
Connecticut (State)	3¾%	1980-1982	3.50%	3.35%
New Jersey Highway Auth., Gtd.	3%	1978-1980	3.45%	3.30%
New York (State)	3%	1978-1979	3.30%	3.15%
Pennsylvania (State)	3⅜%	1974-1975	3.25%	3.10%
Vermont (State)	3⅛%	1978-1979	3.25%	3.10%
New Housing Auth. (N. Y., N. Y.)	3½%	1977-1980	3.55%	3.40%
Los Angeles, Calif.	3¾%	1978-1980	3.90%	3.75%
Baltimore, Md.	3¼%	1980	3.65%	3.50%
Cincinnati, Ohio	3½%	1980	3.40%	3.25%
New Orleans, La.	3¼%	1979	3.80%	3.65%
Chicago, Ill.	3¼%	1977	3.85%	3.70%
New York City, N. Y.	3%	1980	3.90%	3.80%

May 10, 1960 Index=3.45%

Wild Announces Retirement

SAN FRANCISCO, Calif.—A long and distinguished career on Montgomery Street came to a close May 1 when Richard W. Wild retired as a Vice-President of First California Company.

Richard W. Wild

"Dick" Wild has been on the Street for 46 years, except for a 2½ year tour of combat and Occupation duty with the U. S. Marine Corps during World War I. Most of his career was spent with First California Company and its predecessor firms, Bankamerica Company and National Bankitaly Company.

He joined National Bankitaly in 1928, as the great bull market of the late 20s approached a climax. The nightmarish events of the following year are among his strongest memories.

The big proxy fight for control of Transamerica Corp., then the parent company of Bank of America stirred up a hornet's nest in Bankamerica Co., he recalls. The titanic proxy contest pitted the late A. P. Giannini, Bank of America founder, against Wall Street Elisha P. Walker. "The Walker faction sent our salesmen out to work for them, soliciting proxies. The sentiment in the office, however, was all for A. P. We were happy when he won."

Mr. Wild, who is now 66, had hoped to retire a year ago but First California management persuaded him to stay on. He did relinquish the post of Executive Vice-President and his seat on the board of directors last year, however.

Mr. Wild's career has been spent almost entirely on the administrative and financial side of the investment business.

The greatest satisfaction of a long career? "I would say it was our expansion during the Fifties. In 1945, when First California first opened its doors, we had 15 offices. We now have 31."

Equity Investment Opens

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Equity Investment Corporation has been formed with offices at 650 17th Street to engage in a securities business. Officers are Robert F. Barbey, President; Ora R. Leverett, Vice-President; and Robert L. Barbey, Secretary-Treasurer.

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.

May 12 (Thursday)			
Fairview City School Dist., Ohio	1,100,000	1961-1980	Noon
Groton, Connecticut	1,000,000	1961-1980	Noon
Utica, New York	1,093,632	1961-1975	Noon
May 16 (Monday)			
Chillicothe School District, Ohio	1,000,000	1961-1980	Noon
Cullman, Alabama	1,250,000	1961-1990	2:00 p.m.
May 17 (Tuesday)			
Bonneville Co., class "A" School District No. 9, Idaho	1,400,000	--------	8:00 p.m.
Bridgeport Comm. Sch. Dist., Mich.	2,200,000	1961-1989	8:00 p.m.
Cincinnati, Ohio	9,515,000	1961-1995	--------
Green Bay, Wisconsin	1,055,000	1961-1978	11:00 a.m.
Hot Springs, Arkansas	1,300,000	1963-1990	2:00 p.m.
Lawrence Township School Dist., New Jersey	1,188,000	1962-1981	2:00 p.m.
Montgomery, etc., Central School District, New York	2,250,000	1961-1980	2:00 p.m.
Phoenix, Arizona	9,000,000	1961-1988	10:00 a.m.
Pittsburgh, Pennsylvania	3,750,000	1962-1985	10:00 a.m.
Sequoia Union High School Dist., California	1,500,000	1961-1985	10:00 a.m.
Terrebonne Parish Con. Sch. Dist. No. 1, Louisiana	1,000,000	1962-1985	10:00 a.m.
May 18 (Wednesday)			
Maine	7,250,000	1961-2000	11:00 a.m.
Mississippi	5,000,000	1964-1994	10:00 a.m.
Onondaga County, New York	5,750,000	1961-1983	11:00 a.m.
Princess Anne County, Virginia	2,500,000	1962-1985	Noon
Weston, Massachusetts	2,325,000	1961-1975	11:00 a.m.
May 19 (Thursday)			
Rensselaer County, New York	2,028,500	1960-1988	3:00 p.m.
New Baltimore, Michigan	1,290,000	1962-1989	8:00 p.m.
May 24 (Tuesday)			
California	50,000,000	--------	--------
Detroit, Michigan	9,125,000	1962-1995	10:00 a.m.
Detroit School District, Mich.	10,000,000	1961-1985	10:00 a.m.
Gary School City, Indiana	1,500,000	1962-1965	7:30 p.m.
Lynchburg, Virginia	2,800,000	1961-1980	12:30 p.m.
Madison, Wisconsin	3,000,000	1961-1980	10:00 a.m.
Middletown Sch. Dist., New Jersey	3,750,000	1962-1982	8:00 p.m.
Portland, Oregon	2,000,000	1963-1982	11:00 a.m.
Three Rivers Local Sch. Dist., Ohio	1,700,000	1961-1980	Noon
Wauwatosa, Wisconsin	1,400,000	1963-1997	7:30 p.m.
May 25 (Wednesday)			
Atlanta, Georgia	2,300,000	1962-1990	11:00 a.m.
Bunkie, Louisiana	1,558,000	1962-1999	11:00 a.m.
Denver, Colorado	11,750,000	1963-1987	--------
Grants Municipal School District No. 3, New Mexico	1,000,000	1961-1970	Noon
May 26 (Thursday)			
Fort Pierce, Florida	1,325,000	1964-1988	2:00 p.m.
May 31 (Tuesday)			
West Baton Rouge Parish School District No. 3, Louisiana	2,000,000	1961-1980	3:30 p.m.
June 1 (Wednesday)			
Harlingen Consolidated Independent School District, Texas	2,285,000	--------	--------
King County, Washington	10,000,000	1962-1980	11:00 a.m.
Upper Arlington School Dist., Ohio	2,000,000	--------	Noon
June 7 (Tuesday)			
Memphis, Tennessee	15,000,000	1961-1990	2:30 p.m.
Memphis Bd. of Education, Tenn.	2,700,000	1961-1990	--------
June 8 (Wednesday)			
Kern County Joint Union High School District, California	5,870,000	1964-1970	11:00 a.m.
Los Angeles Dept. of Water & Power System, California	15,000,000		
June 9 (Thursday)			
Calcasieu Parish School District No. 30, Louisiana	2,000,000	1961-1980	10:00 a.m.
June 14 (Tuesday)			
Michigan	25,000,000	--------	--------
St. Paul, Minnesota	2,495,000	--------	--------
June 16 (Thursday)			
Honolulu, Hawaii	2,000,000	--------	--------
June 21 (Tuesday)			
Norfolk, Virginia	9,000,000	--------	--------
July 14 (Thursday)			
New Orleans, Louisiana	6,200,000	--------	10:00 a.m.

Current Policies of Pension Fund Investing

By Philip Hampton,* Investment Manager, the State Teachers Retirement System of Ohio

Mr. Hampton notes growth in knowledge and soundness by pension fund managers, and traces historical broadening of the fund he manages—one of the nation's older. Lists fund characteristics, including geometrical growth from cash in-flow and tax advantages. Envisages complete elimination of government bonds, shunning of preferred stocks, with concentration on taxable corporation bonds. Notes aversion to foreign issues. Comments favorably on World Bank bonds and on call-protected bonds. Approves greater purchases of common stocks, under "dollar averaging" and "formula" techniques.

Pension funds are comparative newcomers in the investment business; indeed, only since World War II have they come into their own on a large scale, so to speak, and have their special problems been recognized. In contrast, the commercial and savings banking industry has evolved over many, many years, as have the insurance industries. We can find many of the modern practices of banking and insurance in the records of the merchant-bankers of the Renaissance, and in more rudimentary form even in the baked clay tablets of Babylon.

Undoubtedly, the recent growth, both in number and in capital, of pension funds reflects a basic social philosophy which recognizes the desirability — even necessity—of providing for the needs of aged workers to an increasing extent. The advent of the Federal Income Tax just prior to World War I and the Federal Estate and Federal Gift Tax laws of the early 30's brought on the Federal Social Security law of the middle 30's. These laws, in effect, have given further impetus to the necessity of developing pension funds adequate to meet the needs of aged workers. As a consequence, older pension funds have been re-examined in the light of changing needs and new experience, and new pension funds have been started on a wide scale.

Gradually, experience is being gained in this relatively new field of pension fund management, and, it seems, certain definite management policies are beginning to emerge. Those who are charged with the responsibility of the establishment and management of pension funds are breaking away from some of the old "strait-jacketed" ways of thinking. Actuaries are developing experience and "know how." Management of pension funds is gradually changing from a guessing game to a more certain business.

The evolvement and development of pension funds—the private, quasi - public and public funds—and the management of pension funds over the next several years will give rise to many problems. The economic and social consequences of pension funds, with their many facets and ramifications, have not been fully recognized and probed. There are many questions still to be answered. No attempt will be made here to list all of the questions; much less answer them. However, it may be of some interest to discuss in some depth one particular pension fund and from that discussion we may draw some guidance.

As pension funds go, **The State Teachers Retirement System of Ohio** is not one of the oldest funds in the country today, but it can be said that it is one of the **older** funds. Legislation for its creation was enacted in 1919 and the fund actually had its inception in 1920, approximately 40 years ago. As was so often the case in those days, the investment of its funds was severely limited by law. In its case, investments were limited to United States Government Securities and to State of Ohio general municipal obligations.

Relaxation in 1949

It was not until 1949 that any real attempt was made to relax these restrictions. In 1949 it became legal for the fund to invest in certain AAA and AA Corporation bonds, but since most of the bonds that fall into these select categories are so-called "money rate" bonds they often yield not too much more than U. S. Treasury issues. This widening of permissible investments did not provide the fund with the increased earnings it needed. Having been so restricted in its investments from 1920 to 1949, the return on the total investment portfolio of the fund was very low indeed. Specifically, at the end of World War II the fund was 70% invested in United States Treasury bonds, most of which were the various 2½% issues that were sold during the war years. (The government during that period, you will remember, was the big borrower and practically the only borrower, so the funds had to go into U. S. Treasury securities.) Even as late as the end of August 1955, the return on the entire portfolio was only 2.88%.

It was not until 1955 that a realistic approach was taken. The law, at that time, after much study and effort, was changed to permit a far wider latitude for conservative investments.

At the present time the fund can be invested in "A" grade or better corporate bonds; municipal bonds of any of the states including revenue bonds (with certain restrictions); U. S. Government insured and guaranteed mortgages; 15% of the fund can be invested in stocks, and of the latter amount, 10% can be invested in common stocks. The fund also may invest in productive real estate within the state.

For comparison, the General Electric Company was one of the pioneers in industrial pension funds. That company started in 1912 a "pay-as-you-go," unfunded, retirement program. It was not until 1927 (15 years later) that its retirement plan was "funded," which would indicate that enough experience had been gained during that time to make it wise to do so. In 1946, 20 years later, the fund although "funded" was still entirely invested in government bonds. In 1947, after the fund had reached $150 million in total assets, the policy was changed to permit the investment of funds in "legals" for New York Life Insurance Companies, but it was not until 1950 that the policy was changed to permit the purchase of common stocks. Similarly, it was until 1958 that the Bell Telephone System Pension Fund was permitted to be invested in any common stocks. These instances are cited to point out that pension fund investing has evolved over a period of years in the light of actual experience, and undoubtedly will continue to improve and develop in the light of new experience and changing times and conditions.

The Ohio Teachers' pension fund has approximately $475 million in total assets at this date, and it is growing at the present time at the rate of about $60 million a year. There are, roughly speaking, 80 thousand members who pay into the fund each month; there are approximately 12 thousand on the retired list. Last year there were about 11 hundred new retired pensioners. Mortality, among both active and retired, is about 40 persons a month. These statistics are cited to point out the fact that all pension funds have certain specific characteristics that may vary somewhat between funds due to the nature of the business or profession involved. On the other hand, certain factors are common to **all** of them and are important in forming investment policy. I mention three very important characteristics that are common to all pension funds:

(1) All are exempt from income and capital gains taxes.

(2) All are set up on a long-range basis, as to the accumulation and distribution of funds.

(3) If the fund is set up on an actuarially sound basis, the flow of cash into the fund will exceed the cash outgo by a substantial margin and the fund will continue to grow in a more or less geometrical proportion, at least until stabilization between new members and pensioners is reached.

There are some other common characteristics but the three above are certainly basic and from them certain criteria can be formed to govern investment policy. I will name a few of the major investment considerations:

(1) A pension fund is primarily concerned with buying income and capital appreciation. *This is the major consideration over eveything else.*

(2) There is practically no need for concern over liquidity, as we think of the term, as the pension fund will probably never be liquidated and the cash flow provides all of the liquidity needed.

(3) Pension funds should be fully invested at all times as the cash flows into the fund. This permits in effect a "dollar cost averaging" over a period of years.

(4) Since retirement funds are not subject to catastrophes and many other business hazards, there is no need to take a so-called defensive position.

As was pointed out, at the end of World War II the Ohio Teachers' pension fund was approximately 70% invested in government bonds. This was brought about by two factors—

(1) The legal restriction of the fund itself, at that time, and—

(2) The fact that during World War II the U. S. Government was the largest borrower.

It has been several years since the fund has made any new purchase of U. S. Treasuries and unless and until the return on government bonds exceeds the return on other eligible and otherwise sound investments, there is little likelihood that any new purchases of government bonds will be made. Although the present holding of government securities yields substantially less than 3%, the current dollar prices prevailing for these old issues are so far below their ultimate maturity value that it is difficult indeed, even for a pension fund, to liquidate these holdings for reinvestment in the current high return bonds available today. Especially is this so if no protection against an early refunding of the new bonds is provided. It would seem, therefore, that over a period of years these holdings of government bonds (and the same situation undoubtedly prevails with most pension funds) will be held to maturity and the fund in effect will be "dollar cost averaged" over the years. Conceivably, due to the growth of the fund, the holding of government bonds could ultimately be reduced to a small percentage, and by ultimate maturity to practically zero. In fact, unless government bonds afford a greater income return than can be found elsewhere, there appears to be little reason why any pension fund need own any government bonds at all. The same thing can be said, of course, of Federal Agency bonds.

The Mortgage Situation

A few words about *mortgages*—it has been our experience in very recent years that, at particular times, due to the over-supply of government insured and guaranteed mortgages and their consequent lower price and higher yield, it has been to our advantage to buy such mortgages rather than bonds. In our own case, an FHA mortgage—known as the "Capehart" mortgage—has afforded the fund an attractive investment opportunity over the past few years, and we now have a total mortgage holding of about 50 million, or about 10% of the fund at the moment. The overhead cost to the fund of handling and servicing these mortgages is very low as they can be acquired in large denominations, and the monthly

Continued on page 33

DEALER-BROKER INVESTMENT LITERATURE AND RECOMMENDATIONS

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

Air Trunk Line Prospects—Bulletin—H Hentz. & Co., 72 Wall St., New York 5, N. Y. Also available is a bulletin on **Mississippi River Fuel Corp.**, a review of the **Motors** and analyses of **Waste King Corp. and Minneapolis & St. Louis.**

Bank Stocks—Quarterly comparison of leading banks and trust companies of the United States—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

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

Chemicals—Study with particular reference to **Union Carbide, Monsanto Chemical** and **Olin Mathieson**—Carl M. Loeb, Rhoades & Co., 42 Wall St., New York 5, N. Y.

East Tintic Mining District of Utah—Report with particular reference to **Chief Consolidated Mining Co.** and **Tintic Standard Mining Co.**—A. G. Edwards & Sons, 485 Lexington Ave., New York 17, N. Y.

Fire & Casualty Stocks—Bulletin—Robert H. Huff & Co., 210 West Seventh St., Los Angeles 14, Calif.

Gold Equities—Bulletin—A. M. Kidder & Co., Inc., 1 Wall St., New York 5, N. Y. Also available are studies of **Springfield Monarch Insurance Companies, Anheuser-Busch, Inc.,** and **Massachusetts Protective Association,** and a report on **Brown Company.**

Hawaiian Securities—Bulletin—Bishop Securities Ltd., King and Bishop Sts., Honolulu 4, Hawaii.

Iron Ore, Copper and Gold Stocks—Data—Draper Dobie and Company Ltd., 25 Adelaide St., West, Toronto, Ont., Canada. Also available is a bulletin on the "Bank Index Theory vs. Barron's Confidence Index."

Japanese Imports—Review and outlook in April issue of "Investor's Digest"—Yamaichi Securities Co. of New York, Inc., 111 Broadway, New York 6, N. Y. In the same issue are analyses of the **Heavy Duty Electric Equipment Industry and Automobile Sales.** Also available are reports on **Mitsubishi Shipbuilding and Engineering Co., Ltd., Sumitomo Chemical Industry Co., Kawasaki Steel Corp., and Tokyo Electric Power Co. Ltd.**

Natural Gas—Discussion of the industry—In the May issue of "The Exchange"—The Exchange Magazine, 11 Wall St., New York 5, N. Y.—20 cents per copy, $1.50 per year. In the same issue are a list of the 20 most valuable equities in Penn Mutual Life's year-end portfolio; 51 listed companies with sales or revenues of $1 billion or more in 1959; and data on **American Photocopy Equipment Co., Suburban Gas Co., Dentists Supply company of New York** and **Tractor Supply Co.** Also available is a brochure "Telling Your Corporate Store," an editorial guide for listed companies.

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

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

Selected Investments—List of securities which appear attractive—Courts & Co., 11 Marietta St., N. W., Atlanta 1, Ga.

Steels—Review—Schirmer, Atherton & Co., 50 Congress St., Boston 3, Mass. Also available is a bulletin on **S. D. Warren Co., Craig Systems, Inc., West Point Manufacturing Co.,** and **Texaco, Inc.**

Understanding Put & Call Options—Herbert Filer—Crown Publishers, Dept. A-7, 419 Park Avenue, South, New York 16, N. Y.—$3.00 (ten day free examination).

* * *

Alabama Gas Corporation—Bulletin—Georgeson & Co., 52 Wall St., New York 5, N. Y. Also available is a bulletin on **Williams-McWilliams Industries.**

American Cyanamid—Bulletin—Federman, Stonehill & Co., 70 Pine Street, New York 5, N. Y.

American Express Co.—Memorandum—Goodbody & Co., 2 Broadway, New York 4, N. Y. Also available is a memorandum on **Ryder System, Inc.**

American Gypsum Company—Report—Lowell, Murphy & Co., Denver Club Building, Denver 2, Colorado.

American Marietta—Analysis—First California Company, Incorporated, 300 Montgomery Street, San Francisco 20, Calif.

American Viscose Corporation—Analysis—Halle & Stieglitz, 52 Wall Street, New York 5, N. Y.

Argonaut Insurance Company—Analysis—Walter C. Gorey & Co., Russ Building, San Francisco 4, Calif.

Brown Company—Data in May "Investment Letter"—J. R. Williston & Beane, 2 Broadway, New York 4, N. Y. Also in the same bulletin are data on the **Record Keeping Industry** and **Summertime Favorites.**

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

Canadian Breweries—Memorandum—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also available are memorandum on **McGregor-Doniger** and **Magnavox.**

Canadian Gas & Energy Investments, Ltd.—Review—Gairdner & Company Limited, 320 Bay St., Toronto, Ont., Canada.

Carolina Power & Light Company—Analysis—Cooley & Company, 100 Pearl Street, Hartford 4, Conn. Also available are data on **National Video Corporation.**

Cary Chemicals Inc.—Analysis—P. W. Brooks & Co. Incorporated, 120 Broadway, New York 5, N. Y.

Combustion Engineering Inc.—Bulletin—Reynolds & Co., 120 Broadway, New York 5, N. Y.

Crompton & Knowles—Report—Simmons, Rubin & Co., Inc., 56 Beaver St., New York 4, N. Y. Also available is a report on **Big Apple Supermarkets.**

Denver & Rio Grande Western—Bulletin—Paine, Webber, Jackson & Curtis, 25 Broad Street, New York 4, N. Y. Also available are data on **Gimbel Brothers, Republic Aviation, Youngstown Sheet & Tube, Harris Trust & Savings Bank, Pepsi Cola Co.** and **Southern California Edison.**

Dresser Industries—Memorandum—Pershing & Co., 120 Broadway, New York 5, N. Y.

Ferro Corporation—Analysis—Eastman Dillon, Union Securities & Co., 15 Broad Street, New York 5, N. Y. Also available is a memorandum on **Copeland Refrigeration.**

First Financial Corporation of the West—Report—William R. Staats & Co., 640 South Spring Street, Los Angeles 14, Calif.

Geco Mines Limited—Analysis—Wills, Bickle & Company, Ltd., 44 King Street, West, Toronto, Ont., Canada.

Gillette Co.—Data—Sutro Bros. & Co., 80 Pine Street, New York 5, N. Y. Also in the same circular is a discussion of **Cessna Aircraft** and **Beech Aircraft.**

Grumman Aircraft Engineering Corp.—Review—John H. Lewis & Co., 63 Wall Street, New York 5, N. Y.

Hartford Electric Light—Analysis—Ernst & Company, 120 Broadway, New York 5, N. Y.

Harvey Boat Works, Inc.—Analysis—Walter R. Blaha & Company, Inc., 29-09 Bridge Plaza North, Long Island City 1, N. Y.

Hershey Chocolate—Memorandum—Hardy & Co., 30 Broad St., New York 4, N. Y.

Honeycomb Products, Inc.—Analysis—Alessandrini & Co., Inc., 11 Broadway, New York 4, N. Y.

International Nickel Co. of Canada—Review—Droulia & Co., 25 Broad St., New York 4, N. Y.

International Rectifier Corporation—Analysis—Woodcock, Moyer, Fricke & French, Incorporated, 123 South Broad Street, Philadelphia 9, Pa. Also available are a list of favorite stocks, and a memorandum on **Beckman Instruments.**

International Resistance Co.—Analysis—Steiner, Rouse & Company, 19 Rector Street, New York 6, N. Y.

Interstate Bakeries—Memorandum—Boenning & Co., 1529 Walnut Street, Philadelphia 2, Pa.

Koppers Company—Analysis—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y. Also available is an analysis of **Haveg Industries, Inc.**

Lukens Steel—Memorandum—Theodore Tsolainos & Co., 44 Wall Street, New York 5, N. Y.

Marquette Cement Manufacturing Co.—Analysis—L. F. Rothschild & Co., 120 Broadway, New York 5, N. Y.

Merchants Fast Motor Lines—Analysis—Eppler, Guerin & Turner, Inc., Fidelity Union Life Building, Dallas 1, Texas.

Mesta Machine—Bulletin—Bache & Co., 36 Wall St., New York 5, N. Y. Also available is a bulletin on **"Six Oils for the Long Pull."**

National City Lines—Memorandum—Bruns, Nordemen & Co., 115 Broadway, New York 6, N. Y.

Parke Davis and Company—Analysis—Cohen, Simonson & Co., 25 Broad St., New York 4, N. Y.

M. F. Patterson Dental Supply Co. of Delaware—Memorandum—Cruttenden, Podesta & Co., 209 South La Salle Street, Chicago 4, Ill.

Peoples Gas Light & Coke—Review—Fahnestock & Co., 65 Broadway, New York 6, N. Y. Also in the same circular is a review of **Pittsburgh Plate Glass Co.**

Pet Milk—Memorandum—Julien Collins & Company, 105 South La Salle Street, Chicago 3, Ill. Also available is a memorandum on **Harris Trust & Savings Bank.**

Public Service Electric & Gas—Memorandum—Thomson & McKinnon, 2 Broadway, New York 4, N. Y.

Purex Corp. Ltd.—Memorandum—A. C. Allyn & Co., 122 South La Salle Street, Chicago 3, Ill. Also available is an analysis on **Culligan, Incorporated.**

Richardson Co.—Memorandum—Chesley & Co., 105 South La Salle Street, Chicago 3, Ill.

Richman Brothers—Memorandum—A. G. Becker & Co. Incorporated, 120 South La Salle Street, Chicago 3, Ill.

Singer Manufacturing Company—Analysis—Green, Ellis & Anderson, 61 Broadway, New York 6, N. Y.

Singer Manufacturing Company—Bulletin—Hill, Darlington & Co., 40 Wall St., New York 5, N. Y.

Standard Register—Memorandum—Merrill Lynch, Pierce, Fenner & Smith Incorporated, 70 Pine Street, New York 5, N. Y. Also in the May 11th "Investors Reader" are data on **General Cable, Union Carbide, Allied Chemical Corp., Manpower, Vendo, Corn Products Company, Worthington Corp., Foote Mineral Company, Sanborn Company, Revere Copper & Brass Inc., Koppers.**

Telephone Service Co. of Ohio—Data—Alfred L. Vanden Broeck & Co., 55 Liberty Street, New York 5, N. Y. Also in the same circular are data on **Chicago Aerial Industries, Inc.,** and **McGraw Hill Publishing Co.**

Texas International Sulphur Co.—Memorandum—Kakouris & Co., Ainsley Building, Miami 32, Fla.

Toledo Scale Corporation—Analysis—McDonald & Company, Union Commerce Building, Cleveland 14, Ohio.

U. S. Vitamin & Pharmaceutical Corporation—Analysis Hay, Fales & Co., 71 Broadway, New York 6, N. Y. Also available is a circular on **Hydrometals Inc.**

Jim Walter Corporation—Report—Johnson, Lane, Space and Co., Inc., 101 East Bay Street, Savannah, Ga.

Western Casualty and Surety Company—Analysis—Blair & Co., Incorporated, 20 Broad Street, New York 5, N. Y.

White Motor Company—Analysis—Auchincloss, Parker & Redpath, 2 Broadway, New York 4, N. Y. In the same circular is a review of the **Kendall Company.** Also available is a study of **Magnavox Company.**

Winn Dixie Stores, Inc.—Memorandum—Walston & Co., Inc., 74 Wall Street, New York 5, N. Y. Also available is a memorandum on **Bestwall Gypsum.**

St. Lawrence Seaway and Canadian Mineral Industry

By R. B. Elver,* *Minerals Economic Section, Mineral Resources Division, Dept. of Mines and Technical Surveys, Ottawa, Canada*

Canadian expert evaluates the effect of the St. Lawrence Seaway on the Canadian mineral industry and upon alternate transportation routes. Mr. Elver expects the high grade relatively inexpensive ore from Labrador-Quebec may lead to plants in U. S. A., or Canada, or both, to feed the local steel market and to take advantage of the cheaper Seaway transportation to some market areas. He describes the producers of iron ore and their plans, and devotes most of this study to iron ore but does not neglect coal and coke, petroleum and petroleum products, nonferrous and ferroalloys and steel. In recounting the events leading to the Seaway's construction, he refers to our pressuring need for iron ore, and the mutual needs of defense, electric power and industrialization of the Great Lakes and St. Lawrence River valley.

Introduction

The St. Lawrence Seaway, a deep-water canal system between Montreal and Lake Ontario, was opened for navigation on April 25, 1959. Prior to the opening of the new Seaway, small boats known as canalers and a few deep-sea carriers, primarily from Norway since World War II, were the only ships able to journey past Montreal into Lake Ontario through the old Canadian St. Lawrence canal system.Thus it was necessary for many tons of bulk and general cargo to be shipped all-rail to and from Atlantic ports or to be transshipped to and from canalers. With the opening of the new Seaway, large Great Lakes bulk carriers and a much larger percentage of the world's shipping fleet are now able to sail directly from the sea to the headt of industrial North America.

R. B. Elver

In this paper, the historical events leading up to the construction of the Seaway and the physical nature of the Great Lakes transportation system are briefly reviewed. Following this, an attempt is made to evaluate the effects of the new Seaway on Canada's mineral industry. Because the Seaway has been in operation for only one season, this paper must be considered only an interim report. Because of the importance of the Seaway to iron ore, this commodity will be dealt with in detail, although the effect on other mineral commodities such as coal, petroleum, non-ferrous ores, iron and steel will be mentioned.

Historical Background

Much has been written on the historical events leading up to the completion of the joint Seaway and power project. Probably the most complete account under one cover is T. L. Hill's "The St. Lawrence Seaway." (Methuen & Co. Ltd., 36 Essex St., London, 1959, 157pp.).

The initial canal-building period on the St. Lawrence River dates back to the first half of the nineteenth century. By 1848, a ship drawing not more than 8 feet of water could avoid the rapids on the St. Lawrence River. The chief impetus for the construction of these canals was to provide an economic trading link from what is now southern Ontario to Montreal and overseas markets. The threat of economic absorption by the United States to the south also encouraged an east-west transportation link.

With the rapid increase in the size of ships, the 1848 canal system was outmoded by the time it was completed. Within the next few years, this 9-foot system became the main bottleneck for large boats of the day wishing to go from the Great Lakes system to the Atlantic Ocean. Thus only small boats and barges could use the system. The Montreal-Atlantic Ocean portion had been dredged to 20 feet and the Welland Canal deepened to 14 feet by 1887. During the next decade the various locks and connecting channels were deepened or twinned but it was not until 1903 that a 14-foot canal system linked Montreal with Lake Ontario.

As in 1848, the new system was outmoded for most of the Great Lakes and ocean-going freighters of the day. Throughout the whole era of canal building on the Great Lakes, the St. Lawrence canal system has continued, until 1959, to be the main bottleneck in the link between the world's largest network of inland waterways and the oceans of international commerce. During the 1920's and 1930's the capacity of the system to handle even small boats and barges was reached.

Iron and Steel Swung the Balance

Agitations for and against what is now the St. Lawrence Seaway continued intermittently since the early 1920's, until 1954 when a Canadian-United States agreement was concluded, authorizing the joint Seaway and power project. Prior to World War II, midwest grain and coal producers and port authorities on the Great Lakes agitated for the Seaway but important groups in the United States, primarily the railways, had the effect of delaying United States government action, although the Canadian government had supported the Seaway project for many years. After World War II, several factors appeared which swung the balance of influence to the pro-seaway interests, by now enlarged to include many industrial groups among which the iron and steel industry was prominent. At the time of decision the following points were of utmost importance:

(1) With the recognition of the limitations of the Lake Superior area to meet the increasing demand for iron ore, the need for importing ore into the United States was a serious matter. The recent developments in the Labrador-Quebec fields provided the only large, new source on the continent and the old, shallow canal system limited the tonnage of ore that could be delivered cheaply to Lake Erie ports. Besides economic reasons, the question of national defense entered the picture.

(2) The demand for electrical power was critical, not only in New York state, but also in Canada's main industrial province, Ontario. The development of the joint Seaway and power project would help to alleviate the problem.

Besides these factors, the proponents of the Seaway contended that it would spur further industrialization in the Great Lakes and St. Lawrence River valley and improve the general economy of these regions with the advent of lower cost imports and exports with overseas countries. Although there would be dislocations these would be minor relative to the overall benefits.

Between 1954 and 1959 over one billion dollars was spent to develop to Seaway and power projects. The $600-million power project with a generating capacity of 2.2 million h.p. was financed jointly by the New York Power Authority and the Ontario Hydro-Electric Power Commission. The $475-million Seaway was financed by two federal agencies, the St. Lawrence Seaway Development Corporation of the United States and the St. Lawrence Seaway Authority of Canada. Canada spent about $325 million on the Seaway's construction while the United States share was $150 million. The St. Lawrence Seaway Act passed in both countries states that the $475 million for the Seaway must be recovered over a period of 50 years through tolls. This reverses a long-standing Canadian-United States policy of waterway provision and maintenance through general taxation.

Besides the development of the Seaway canals, considerable sums of money have been spent on dredging and improving other connecting links on the Great Lakes Waterway beyond Lake Ontario.

Previous Estimates of Future Seaway Traffic

Before the Canadian-United States agreement was concluded in 1954, several agencies made estimates of future Seaway traffic.

In general terms, the volume of traffic was expected to rise from the 10-12-million-ton level carried between 1953 and 1958 to 36.5 million tons in 1959, to 47 million tons in 1965 and level off at 50-60 tons after 1968. The role of the new Seaway was not expected to change greatly. All predictions indicated a continued, but greatly expanded, specialization in bulk commodities such as grain, iron ore and coal. The major change anticipated was an increase in the relative importance of general cargo.

During the first five years of operation, iron ore shipping was expected to average 10 million tons annually. By the end of the first ten years, the average was expected to rise to 20 million tons and constitute about 50% of all Seaway traffic. Coal and coke shipments were expected to rise less spectacularly to between 4 and 6 million tons within five years. Exports of coal to western Europe were to account for the major part of this increase. Increases in petroleum and petroleum products were not expected to rise significantly, especially with the prospects for additional pipeline construction to refineries and market areas. Significant increases in non-ferrous ore and metal traffic were not expected. During 1958, the 1959 estimate was revised downward from 36.5 to 25.0 million tons.

For the first year of Seaway operations preliminary figures suggested a total traffic of 20 million tons or 80% of the revised estimate. The 1959 traffic did, however, represent a 71% increase over the 1958 traffic.

With the decrease in expected traffic during the first year of operation, there has been increasing pressure by anti-Seaway interests for increased tolls. Since the Seaway must be paid for through tolls within 50 years, as required by law, they argue that the 1959 toll rates are insufficient to generate enough revenue. There is no indication that the tolls will be changed at this time.

Effects on the Canadian Mineral Industry

The success of the power phase of the St. Lawrence project was assured from the start because of a large increasing demand and relatively low total cost of production. An increasing demand for hydroelectric power existed in both upper New York state and southern Ontario. During the 1950's this increasing demand became so critical that had the St. Lawrence power project not been undertaken, costlier steam-generating plants would have been required in much larger numbers. The cost to produce hydroelectric power on the Seaway has been estimated at 4.3 mills per kwh compared with 7.0 mills per kwh from thermal power plants recently built in southern Ontario. Certainly power authorities on both sides of the border will operate the St. Lawrence power project at capacity before installing additional thermal power generating units.

Although a large demand for the power to be generated existed there was also a surplus available which, due to its relative cheapness, has attracted new industry to the area. Besides relatively cheap power, there are several other favorable factors, such as abundant water supply, Seaway transportation, rail transportation and favorable location relative to many market areas.

For reasons outlined above, Reynolds Metal Company recently completed an $88 million alumina reduction plant at Massena, New York, and Chromium Mining and Smelting Corporation, Limited, recently closed its Sault Ste., Marie, Ontario, ferroalloy plant in favor of its Beauharnois, Quebec, plant. Similarly, further industrial expansion can be expected, especially for such mineral processing plants as related to the aluminum, ferroalloy and artificial abrasive industries.

For companies wishing to locate in Canada, however, the St. Lawrence River valley area is equally as attractive. Although transportation costs to Great Lake and inland markets would be somewhat higher, transportation costs for marketable products to the east coast and overseas markets would be lower. In addition, more favorable hydroelectric power costs are available in several locations. At

Continued on page 28

Terminological Appraisal Of Life Insurance Stocks

By Hugh M. Ettinger, *Specialist in Bank and Insurance Stocks*
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An investment appraisal of insurance stocks requires a working knowledge of the industry's vocabulary. In explaining why this is so, Mr. Ettinger outlines the different kinds of insurance and the adjustments that have to be made to reflect correct values of earnings and book value. He classifies insurance companies by their different types and characteristics, and delves into the factors that lift and depress basic earning power as well as other aspects of the profitability of insurance.

The life insurance industry is not too well understood by the average investor because of its unusual terminology and the fact that earnings and book value require some adjustment to reflect their correct values. Furthermore, there are different types of companies within the industry, and these have different characteristics. Therefore, in this article we will try to explain a bit about the industry.

Hugh M. Ettinger

First, there are several different kinds of insurance written by life insurance companies. Some companies specialize in just one or two of these kinds of insurance, some companies write many kinds of insurance. The growth potential and earnings prospects of a life insurance company relate to the kinds of insurance which it writes. Without getting into the details of different types of insurance policies, the broad kinds of insurance are:

Whole Life Ordinary: This is the type sold usually to individuals which builds up cash values in the years to maturity.

Ordinary Term Insurance: Term insurance does not usually build up cash values for the policy holder. The rate is set entirely on the basis of the mortality expectancy of the policy holder, depending on his age. It is inexpensive covereage for young people, but becomes more expensive as the policy holder grows older.

Group Life Insurance: Straight life insurance written on a group basis is essentially term insurance, unless the contract calls for a build up in values for the policy holders. Since buyers of group insurance can shop around for the best price, rates often are lower than individual term insurance rates.

Credit Life Insurance: This is term insurance written on a person's life for the duration of an installment purchase contract on a car or appliance or on a cash loan. If the person dies before paying up his installment contract, the life insurance company pays the contract.

Industrial Life Insurance: This is the type of insurance where the agent comes around and collects the premium, usually once a week. Also called "weekly debit" insurance, this type is usually sold in small amounts. The premium is often as low as $0.50 per week per policy.

Reinsurance: Certain life insurance companies do a substantial business reinsuring the life insurance risks of other companies. What they do essentially is to write a term policy covering the risk and charge a fraction of the annual premium as compensation.

Accident and Health: Life insurance companies write insurance of the Blue Cross type and also insurance which pays the policy holder a salary, if he loses time on the job because of health reasons.

Profitable Type for the Investor

It is not easy to say which type of insurance is most profitable. For example, individual term insurance usually returns a respectable profit. However, term written on a group basis can carry a very thin margin. Under certain circumstances, credit life insurance can have a fat profit but under other circumstances, it can be practically profitless. By the same token, depending on competitive conditions, reinsurance can be profitable or not. Accident and health business shows very widely different profit experience, depending on many factors, such as the type of business written, management experience in the business, whether or not the policy is tied-in with sale of life insurance and so forth.

Industrial insurance, both life and accident and health, usually is a rather profitable business. However, a lot depends on the volume per agent, and the level of operating expenses. Also, industrial business has not been growing very rapidly.

Surveying the overall picture, whole life ordinary insurance seems the most desirable type from the point of view of the stockholder. There are good profits in ordinary under current circumstances, and economic factors appear to favor a field force geared to sell this type of insurance.

Ordinary insurance is both "participating" and "non-participating." This means that the policy holder is entitled to participate in profits or not. Generally speaking, unless the company does business in one or two states, including New York, "participating" ordinary is probably as profitable to the stockholder as the non-participating variety. However, if other things are equal, I would prefer a company with non-participating ordinary business.

The more term and group business a company has, the less attractive it is likely to be from a profit point of view. This is an over-simplification, actually, because there are big companies which have a substantial group business which do rather well profitwise. However, group was once much more profitable than it is now. There are companies, traditionally heavy in group insurance which are attractive because they are building up volume in ordinary insurance. The same is true for certain of the large industrial insurance, or "combination" companies, as they are called. Industrial insurance has been slow to grow in recent years, because, as people's incomes have risen they have become buyers of ordinary insurance, dispensing with the inconvenience of weekly payments. However, many of the leading "combination" companies are aggressively striving to sell ordinary insurance, not only through their existing field force of "debit agents," but in many cases, through recently-organized ordinary departments. By the same token, certain companies traditionally heavy in accident and health lines, are moving into sale of ordinary insurance. A & H once was a rather profitable business but competition has increased strongly in recent years, and inflation has boosted claim settlement costs. Companies traditionally in the field are in many cases seeking to diversify.

It might be said, therefore, that life insurance companies write many kinds of insurance but that profit potential appears greatest in ordinary insurance under current conditions.

Of course, there are important exceptions to this. Certain of the accident and health companies do quite well, concentrating on preferred risks and carefully writing their policies. Also, in the industrial insurance field, growth can develop through acquisition of smaller companies, consolidating expenses and building profits by widening profit margins. Also, certain of the giant companies will write group life insurance and accident and health insurance at very thin profit margins. However, excluding these considerations, the above conclusions appear generally valid.

Glamour Companies of the Industry

Therefore, the companies which combine (1) heavy emphasis on sale of ordinary insurance with (2) aggressive management are the "glamour" companies in the life insurance field. Large or small, they usually sell high in relation to earnings and book value. Franklin Life Insurance Company, Jefferson Standard Life Insurance Company, Government Employees Life Insurance Company, United Service Life Insurance Company, Philadelphia Life Insurance Company, Midwestern United Life Insurance Company, American Heritage Life Insurance Company, Maryland Life Insurance Company are examples of this type.

Conversely, companies which are (1) heavily in industrial insurance and (2) not vigorously expanding sales, are the companies which appear "cheap" on a statistical basis. These have had worth-while earnings growth in most cases, but the market is somewhat skeptical about their future growth potential. Mergers are wont to take place within this group, as managements seek to beef-up profits by consolidating expenses. Life Insurance Company of Virginia, Monumental Life, Gulf Life are examples of this type.

Then there are companies which combine some of the characteristics of both groups, or which are heavily in other lines such as group insurance, credit life insurance or accident and health insurance. Some of these companies are striving to break out of historical patterns and, in many cases, are seeking to build up sales of ordinary insurance. I would include the more aggressive industrial companies in this group. Examples are National Life and Accident Insurance Company, Provident Life and Accident Insurance Company (heavy A & H and group) Life and Casualty Insurance Company of Tennessee, Interstate Life and Accident Insurance Company, Beneficial Standard Life Insurance Company (heavy A & H), American National Insurance Company of Galveston, U. S. Life Insurance Company (heavy group), Commonwealth Life Insurance Company, Businessmen's Assurance Company (heavy group).

As can be seen, there are many companies in the third category. Perhaps, some of the companies in the second group belong in this class also, such as Monumental Life or Gulf Life. The number of companies in the third group partly reflects the fact that the life insurance business in certain parts of the country grew up on industrial insurance and the heavy emphasis on ordinary is a relatively recent development.

Then, there are companies heavily in ordinary insurance where managements strive for an only gradual growth. Kansas City Life Insurance Company or Standard Life Insurance Company of Indiana would be examples of this type. Generally, these stocks are conservatively valued by the market.

Also, there are a few companies which specialize in reinsurance. Examples of better-known reinsurance companies are Lincoln National Life Insurance Company (about a third of its volume is reinsurance) and Republic National Life Insurance Company of Dallas. Reinsurance volume has shown tremendous growth, particularly for a relatively small company like Republic National. However, rate competition is heavy, and thus far profit margins have been on the thin side.

Finally, of course, are the giant life insurance companies which write all types of insurance. These include Aetna Life Insurance Company, Travelers Insurance Company, Connecticut General Life Insurance Company, Lincoln National Life Insurance Company (also under reinsurance category), and Continental Assurance Company. These companies can be expected to share fully the prospects for their industry, although growth in volume, varies from company to company.

It should be realized that the life insurance industry is dominated by mutual companies. The six largest companies in the industry and 16 of the 20 largest companies, are mutual companies.

Life Insurance Company Earnings

It is not difficult to recognize the factors which affect the basic earning power of a life insurance company. The difficulty most investors have with life insurance stocks is understanding just what they are looking at when they study any one particular year's earnings of a company.

First, let us discuss the basic earning power of a life insurance company. It is affected by three main influences: (1) interest rates available on bonds, mortgages and other fixed-income investments; (2) the life span of the policy holder; (3) whether expenses can be controlled. There is a second tier of considerations such as the rate of lapse of policies, and capital strength (as it can affect per-share earnings growth), but first we will discuss the three main influences.

When management of a life insurance company sets the premium rate on a life insurance policy, it makes assumptions about three things: (1) the level of interest return available on fixed-income investments over the life of the policy; (2) the life expectancy of the policy holder; and (3) expenses likely to be incurred over the life of the policy. Once the rate is set, it stays fixed for the life of the policy (we are talking about an ordinary whole life policy).

Therefore, it is easy to see that in a period of long-term decline in interest rates, such as the period from the 1920's to 1947, life insurance earnings suffer. Conversely, in a period such as 1947 to 1960, when interest rates rise strongly, life insurance earnings benefit. Mortality trends have been favorable for many years, and so the industry has derived continuous benefit from that source. As to the third source, although inflation has caused a continual increase in operating expenses, the life insurance industry has done very well in controlling expenses on a unit basis. The business is susceptible to mechanization (in the bookkeeping and billing end) to a high degree and this has helped control expenses per policy. Also, salesman are paid on a commission basis and this keeps overhead down.

The investor might logically ask at this point: if the trend in interest rates has been favorable and if the trend in mortality has been favorable and if expenses have been controlled, then why don't we see strong year-to-year jumps in life insurance earnings, especially in years when volume rises strongly.

The answer to this question takes us into a discussion of the earnings statement of a life insurance company, and the way sales expenses are allocated.

An important influence which depresses life insurance earnings is the fact that it costs the typical life insurance company at least the entire first year's premium to put new business on the books. The company pays the agent anywhere from 50% to 100% or more of the first year's premium in the form of commissions and allowances. Then, there are printing, bookkeeping and other costs which which come out of the first year's premium also. These first year costs constitute a heavy part of the costs of the policy for its entire life. They will be amortized over the life of the policy. Hence, earnings will build up over the life of the policy. However, it is a fact that a policy loses money in its early years.

It becomes clear, therefore, that if a company is writing a heavy volume of new business, then its normal earnings level will be pulled down and distorted by the drain of the losses incurred on the new business.

For example, the table below shows what the profits on a whole life ordinary insurance policy might look like based on industry averages. This is a rough calculation:

TABLE I

Estimated Profits on a Whole Life Ordinary Policy Assuming No Lapses

Year	Profit per $1,000 Insurance In Force	Year	Profit per $1,000 Insurance In Force
1 ---	d$6.50	11	$6.10
2 ---	2.45	12	6.30
3 ---	2.40	13	6.50
4 ---	2.20	14	6.30
5 ---	2.15	15	6.40
6 ---	5.20	16	7.00
7 ---	5.30	17	7.50
8 ---	5.60	18	8.00
9 ---	5.80	19	8.60
10 ---	5.90	20	8.80

d deficit

It can be seen from the above that it would take until the fourth year for this policy to break into the black. Thus, if a company were writing a lot of these policies, there would be quite a drain on earnings because of the first year losses.

Actually, the above table is not realistic because we should realize that of a given number of these policies written in any year quite a few will lapse before the twenty years are up. The agent receives his commission as the premium is paid. Therefore, if a policy lapses in the second year of its existence, the company can lose money on it.

If we take all the business of the above type which a company might write and apportion the profit over all policies, in force and lapsed over a 20 year period, then we have a much different (and more accurate) picture of the profits on the business. Below we do this, very roughly, based on what might be typical experience of a company in Table II.

It is clear from comparing Tables I and II that the lapse ratio can have an important effect on the profitability of a life insurance company. In fact, some people contend that the rate of lapse is as important as the trend in interest rates in determining life insurance profitability.

Adjustment to Earnings

A number of paragraphs ago we were talking about the heavy drain on the earnings of a life insurance company if it is writing heavy new ordinary business. Since this drain distorts and de-

Continued on page 22

Consumer Credit as an Economic Stabilizer

By E. F. Wonderlic,* *President, General Finance Corporation Evanston, Illinois*

Study provides detailed rebuttal of the claim that consumer credit stimulates consumer buying and, under certain conditions, is price inflationary. Sales finance companies are found unable to contribute to price inflation or have an appreciable impact upon over-all economic stability. Concern is expressed about the quality of credit and the repossession-rate of cars because of the competitive inroads of factory financed credit subsidiaries. Neither of these credit problems is believed conducive to government regulation on down payments or maturities as they are said to have only a temporary effect and deal with but a small per cent of the total. Aggregates analyzed show that a small part of consumer credit is used for consumer services and is much less than total financial savings.

Much attention has been given to the fact that consumer credit in terms of outstandings has been increasing steadily in the post-war period. This single statistical development has been used as the basis for a persistent campaign to "control" consumer credit because of the undocumented and apparently obvious conclusion that consumer credit is a major factor in causing "inflation." The consumer credit industry has done a poor job of combatting this approach. We have apparently accepted the assumptions and have offered a rather apologetic defense that consumer credit is a good thing because "it makes possible mass purchasing which ties in with mass production which leads to lower prices, etc., etc."

Has Credit Stimulated Over-Buying?

Let us examine the assumptions and the resulting theory that consumer credit (and the implication is that this is "easy" credit) has stimulated over-buying of automobiles and other consumer durable goods and that this over-buying has stimulated over-production which leads to inflation, etc., etc. Translating this theory apparently means that too many people are buying too many cars and that car production has been going up by leaps and bounds year after year in a huge inflationary spiral which will obviously wreck the economy, and the villain in the whole thing is consumer credit. Obviously then the most recent years would show the largest figures in this terrific overstimulation of automobile buying.

The figures of course, are quite different. 1955 still stands as the largest automobile sales year with 7,170,000 passenger cars. The *second biggest year* was 1950 with 6,326,000 cars. The recent year of 1958 was the *second poorest year* in 10 years, with only 4,650,000 cars and we have to go back to 1952 to find a lower figure (4,158,000). 1959 barely topped the six million mark (6,027,000) and there is no danger at all that 1960 will set any new record. What has happened to the easy assumptions that consumer credit is causing too many cars to be built and sold?

Could it be that consumer credit has become "tighter" in the past few years? We all know that this is not the answer. Automobile purchase credit was at its "easiest" level in 1958 and 1959. Actual down payments are now in the 10% to 20% range and maturities are standard at 36 months with an occasional breakthrough to 42 months. This compares with the record breaking years of 1955 and 1950 when it was still prevalent to have one-third down payment and 24 months with *occasional* stretching to 30 months and 36 months.

The advocates of consumer credit as an inflationary influence ignore all of these minor details and use only the single measuring stick that consumer credit outstanding in *dollars* is rising! They also ignore such factors as the constantly rising population and the higher price levels which have raised the dollar figure for all other economic factors such as gross national product, wage levels, government spending, taxes of all kinds, etc. There is no particular point in mentioning these adjustment factors so long as so many people continue to be mesmerized by the rising level of consumer credit outstandings and so long as our industry accepts this one measuring stick as a figure to be defended.

What do these figures on consumer credit outstandings actually represent? Let's take automobile credit which is the largest single factor and is generally the favorite point of attack by the control advocates. The number of private passenger cars in use as measured by registrations was at the war-time low in 1944 when there were 25,466,000 passenger cars in use. By 1950 this had increased to 40,185,000. The latest accurate figures are for 1958 when the total reached 56,645,000. A projection of sales figures and scrappage figures indicates that there are currently more than 58 million passenger cars on the road. This huge mass of mobile transportation represents a great economic and social asset. These cars also represent a terrific asset in terms of national defense.

Was this accomplished by putting the 58 million owners heavily in debt with reckless disregard of the national welfare? Are these cars heavily "plastered" with debt made possible by uncontrolled consumer credit? If we divide the total amount of auto credit outstanding by the number of private passenger cars in use, we get a figure of $251 per car at the end of 1958. This is a small fraction of the value of each car and represents possibly two weeks pay for the families which own these cars. This gives a somewhat different picture than talking about 15 billion of automobile credit outstanding. It is the same technique as reducing the national debt to per capita figures of relatively small amounts for each man, woman, and child, including yesterday's newly born babies.

Incidentally, this figure of $251 per car is the lowest figure since 1954. Back in 1953 the figure was $213 per car and the difference is more than accounted for in the increased cost of automobiles and the reduced value of the dollar.

There is another realistic approach to automobile credit and automobile usage which is frequently overlooked. It can be conservatively stated that present day automobiles have a potential life of 10 years and 100,000 miles of satisfactory service. (Industry figures show that both mileage and years of use have been steadily increasing and are presently *above* the 10 years and 100,000 mileage combination.)

The new car buyer using installment credit on a 36 month contract will have used only three-tenths of the potential life and mileage of his car during the time he is paying for it. At the completion of his payment period, he has built up an equity of seven years and 70,000 miles of additional usage. It is immaterial whether this additional life and mileage will be used up by the original purchaser or by a second and third owner of the car. Hence, the installment buying of an automobile is a savings process as well as an act of purchasing and spending. The results of this savings process are clearly measurable as a part of our national wealth in the form of the 58 million passenger cars in current operation with an average debt of only $251 per car.

Adjusts for Rising Non-Credit Costs

A substantial part of the increase in automobile credit extended and outstanding is directly related to the higher price of automobiles. Probably the most reliable measurement of automobile prices is the average wholesale price per car at factory level and before adding excise taxes and retail mark-up, both of which are fairly constant percentages of the factory wholesale price. This price has been increasing consistently each year. Back in 1950 (the second highest sales year) the average wholesale price was $1,270. In the record breaking year of 1955, this wholesale price had increased to $1,572. In the disappointing sales year of 1958, the price had increased to $1,881. The increase continued in 1959 to a level of $1,920. These are all domestic prices and not influenced by the recent popularity of foreign economy cars. 1960 will probably show a tapering off in average domestic wholesale prices because of the substantial sales of domestic economy cars to meet the foreign competition threat.

Note that this tapering off of automobile prices has been dictated by consumer preference and not by factory desires or by either the availability of credit or the lack of credit.

It should also be kept in mind that this constantly rising level of automobile prices over the past 10 years is based on the *cash price* at the factory, long before the possible effects of "inflationary" consumer credit. We are told by the factory people that these higher prices have been forced on them by higher wage levels and higher cost of materials, principally steel which in turn was higher priced because of higher wage levels in the steel industry. Where does consumer credit fit in this inflationary spiral?

Let us examine automobile credit in relation to the number of automobiles put into use and the price level of these automobiles. We have seen that average wholesale prices have increased approximately 50% from $1,270 to $1,920. It is difficult to determine the average amount of *financing per car* because of the changing trends of cash buying versus credit buying, and the lack of complete statistics on the average credit extended per car financed. However, if we relate the total number of new private passenger cars sold to the total amount of auto credit extended in any given year, we get some interesting comparisons. This figure will represent the amount of credit needed to finance all of the private passenger cars which are not bought for cash, *plus* the amount of credit used to finance the sale of the trade-ins and other related activity in the used car market.

Back in 1952 this figure was $2,829 of total auto credit extended for every *new* private passenger car registered. This figure dropped the following year to $2,262 and further dropped to $2,133 in 1954. There has since been a continuous yearly increase up through 1958 which at $3,079 was the first year to exceed the 1952 figure of $2,829. 1959 showed a tapering off to $3,003 reflecting the increased sale of both foreign and domestic economy cars. This trend of fewer dollars of automobile credit extended in relation to new cars sold may well continue into 1960. Again, there is very little in these figures to support the easy assumption that consumer credit is the villain responsible for all inflationary developments.

Actually the figures on auto credit extended in the past two or three years would be somewhat lower if credit charges and insurance costs, both of which are included in total credit figures, had remained at the somewhat lower levels which prevailed in earlier years. Higher credit costs and insurance rates are *deflationary factors*, but they make up part of the total of automobile credit extended and outstanding, and these are the figures which the control advocates insist on using.

Harm Caused by Factory-Owned Finance Company Competition

There is one aspect of automobile credit which is of increasing concern to the industry. This is the deterioration of credit *quality* which has been brought on by competition. A very significant factor in this competition is the factory-owned finance company. Rates, terms, and other factors being approximately *equal*, the dealer all too often chooses the factory finance subsidiary in preference to all other competitors. This decision is influenced by the not too subtle relationship with the factory itself—such things as a desirable flow of auto inventory to the dealer, and when the chips are down, the power of economic life or death for the dealer by unilateral cancellation of the franchise. Finance companies, bank, and other credit sources have nothing to offer in improving relationships with the factory. They must offset this disadvantage by providing better service and by *making concessions on borderline credits.* This is having a noticeable effect on the frequency of repossessions and the average loss per repossession.

In our own case, this average loss has increased all out of proportion to the rising price level of new and used automobiles. In 1950 our average loss per repossession was $121. This has increased to an average repossession loss of $359 for the year 1959.

This deterioration of credit *quality* is not something that can be effectively controlled by government regulations on down payments and maturities. It is related to credit factors such as paying habits, stability of employment and residence, and other personal characteristics not susceptible to arbitrary control. Our industry is well able to police these matters without government assistance, provided there is a healthy climate of competitive conditions without the elements of

Continued on page 32

STATE OF TRADE AND INDUSTRY

Continued from page 4

800 pounds less steel than the medium-sized cars.

It is also significant that the new automotive orders were placed without lengthening the delivery time on the new orders. But except for an occasional rush, there is no pressure for delivery in less than four to six weeks from the automakers.

There is little hope for any early buildup in inventories. Some companies which had cut to the minimum number of days of inventory now are cutting further as their own rates of production lag. And steelmakers anxious for orders are doing little to discourage rock-bottom inventory policies. They will make prompt delivery for most products and are competing for sales on a delivery basis.

A few mills, however, are cautioning against letting inventories get too low on products that have a long lead time. They warn any upturn in business could result in shortages of these products.

"The Iron Age" makes these additional comments on the state of the steel market:

In reporting market information, the closer the source is to the customer, the more likely he is to be pessimistic. Executives take the long-term view while salesmen in direct contact with the customers are extremely pessimistic about the outlook for new business.

Products which had been considered the strongest have shown sudden signs of weakening. Galvanized has weakened in the Midwest while tinplate inventories are piling up at the mills as releases are coming in slower than expected.

There is little indication of a pickup in already-depressed products, while the indications are that sheets will inevitably fall off.

Mills are ranging far from their own geographic area for orders, absorbing freight to distant places to get orders.

Odds Still Favor a Record Steel Output This Year

Odds still favor a record steel output this year, "Steel" the metalworking weekly, said on May 9.

Business may not be booming, but it's good enough to warrant record production of 118 million ingot tons this year. The record: 117 million tons in 1955.

"Steel" expects steelmakers to produce 62 million tons in the first half and 56 million in the second.

At annual meetings, industry leaders attributed the current weakness in steel demand to consumer inventory policies. Since the first of the year, users have boosted their stocks from 13.5 million tons to 18 million. Most observers had counted on a buildup to 22 million or even 24 million tons.

Though the ingot rate tumbled almost 20 points in the last ten weeks, steel production is ahead of 1959's record first half pace. Output through April: 44.6 million ingot tons (vs. 41.8 million in the corresponding period last year).

"Steel" said to look for steelmaking operations to average about 73.5% of capacity this month and 69% of capacity in June.

The ingot rate could go even lower, but the odds are against it. Reason: May shipments will be about 6.8 million tons—equal to or slightly less than consumption. A drop to an average of 69% in June would put shipments nearly 1 million tons below consumption, meaning that users will dip into inventories. Stocks are not big enough to permit liquidation at that rate for too long.

Last week, steelmaking operations skidded 2.8 points to 74.8% of capacity. Production was about 2,132,000 ingot tons. If operations held at the current level through June, first half output would be nearly as high as last year's (63 million vs. 64.3 million), but the decline is sure to continue.

The Texas market continues to be overrun with foreign steel, the magazine reported. While its tonnage figures are not yet available for April, the total may be almost as high as that in March when 83,000 tons were imported. Much of the March-April tonnage was ordered before settlement of last year's steel strike.

In the scrap market, substantial mill buying is lacking, with steelmaking operations falling. "Steel's" composite on the bellwether grade of steelmaking scrap, prime heavy melting, fell 34 cents a ton to $33.33, the first decline in five weeks.

"Business is good but not as high as we expected," eight out of ten metalworking executives in the lower Great Lakes states told "Steel" editors last week on an air safari to check the business pulse of the nation. The other two are not too pessimistic, but they don't see much of an upturn until later this year.

There is a closer split between optimism and uncertainty about the second quarter in this area than in the Eastern states checked previously where metalworking sales are holding well to first quarter levels.

This Week's Steel Output Based On 73.8% of Capacity

The American Iron and Steel Institute announced that the operating rate of the steel companies will average *130.9% of steel capacity for the week, beginning May 9, equivalent to 2,102,000 tons of ingot and steel castings (based on average weekly production of 1947-49). These figures compare with the actual levels of *133% and 2,137,000 tons in the week beginning May 2.

Actual output for last week beginning May 2, 1960 was equal to 75% of the utilization of the Jan. 1, 1960 annual capacity of 148,570,970 net tons. Estimated percentage for this week's forecast based on that capacity is 73.8%.

A month ago the operating rate (based on 1947-49 weekly production) was *138.5% and production 2,225,000 tons. A year ago the actual weekly production was placed at 2,631,000 tons, or *163.8%.

*Index of production is based on average weekly production for 1947-49.

Near-Record Car Output Expected in May

The auto industry's plan to produce a near-record 613,000 passenger cars in May got off to a running start this week as output climbed to the second highest weekly total in a month, "Ward's Automotive Reports" said.

"Ward's estimated the turnout for week ended May 7 at 142,874 cars, 5% more than last week and the second highest volume since the week ended April 9 when production was at a 1960 low of 133,460 cars.

As of May 6 no revisions in plant production schedules were apparent.

The low-level of 135,515 units in week ended April 30 was the result of two separate strikes, both of which have been settled.

Two Falcon plants and a Comet assembly line were back in full production after being idled most of last week by strike-caused parts shortages. In Detroit, Cadillac Division of General Motors also went back into action after a shortage of bodies resulting from a strike at the Fisher Body Fleetwood plant forced an almost complete halt to production last week.

"Ward's" said the only auto plants planning to work Saturday, May 7, were Ford Motor Co.'s Falcon and Comet facilities, Chevrolet at Flint, Mich., and American Motors at Kenosha, Wis. With the exception of Imperial at Detroit, Chevrolet at Kansas City (still idled by a strike) and Ford at Norflok, Va., which were closed the entire week by production cutbacks, most plants operated on a five-day basis, and a few were down to three and four days.

"Ward's noted that cumulative auto production for the first four months of this year increased 19% to 2,585,138 units from 2,179,205 in the same period a year ago.

Electric Output 3.8% Above 1959 Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, May 7, was estimated at 13,139,000,000 kwh., according to the Edison Electric Institute. Output was 161,000,000 kwh. below that of the previous week's total of 13,300,000,000 kwh. but showed a gain of 480,000,000 kwh., or 3.8% above that of the comparable 1959 week.

Freight Car Loadings for Week Ended Apr. 30 Decreased 4.9% Below Same 1959 Week

Loading of revenue freight for the week ended April 30, 1960, totaled 643,271 cars, the Association of American Railroads announced. This was a decrease of 32,923 cars or 4.9% below the corresponding week in 1959 but an increase of 110,066 cars or 20.6% above the corresponding week in 1958.

Loadings in the week of April 30 were 17,897 cars or 2.9% above the preceding week.

There were 10,346 cars reported loaded with one or more revenue highway trailers (piggyback) in the week ended April 23, 1960 (which were included in that week's over-all total). This was an increase of 2,414 cars or 30.4% above the corresponding week of 1959 and 5,793 cars or 127.2% above the 1958 week. Cumulative loadings for the first 16 weeks of 1960 totaled 165,943 for an increase of 48,940 cars or 41.8% above the corresponding period of 1959, and 92,992 cars or 127.5% above the corresponding period in 1958. There were 52 class I U. S. railroad systems originating this type traffic in the current week compared with 47 one year ago and 40 in the corresponding week of 1958.

Lumber Shipments Down 8.7% From 1959 Week

Lumber shipments of 457 mills reporting to the National Lumber Trade Barometer were 2.1% above production during the week ended April 30, 1960. In the same week new orders of these mills were 3.4% below production. Unfilled orders of reporting mills amounted to 35% of gross stocks. For reporting softwood mills, unfilled orders were equivalent to 19 days' production at the current rate, and gross stocks were equivalent to 52 days' production.

For the year-to-date, shipments of reporting identical mills were 5.4% below production; new orders were 7.1% below production.

Compared with the previous week ended April 23, 1960, production of reporting mills was 0.6% below; shipments were 4.3% above; new orders were 0.2% below. Compared with the corresponding week in 1959, production of reporting mills was 2.1% below; *shipment were 8.7% below;* and new orders were 16.7% below.

Wholesale Commodity Price Index Up Fractionally in Latest Week

There was a fractional rise in the general commodity price level in the latest week, reflecting higher prices on some grains, flour, lard, hogs, hides, and rubber. These gains offset declines in steers, and steel scrap. The Daily Wholesale Commodity Price Index, compiled by Dun & Bradstreet, Inc., stood at 275.15 (1930-32=100) on May 9 compared with 274.82 a week earlier, and 275.89 on the corresponding date a year ago.

Despite limited activity in rye flour sales, over-all trading in rye moved up during the week and prices finished slightly higher. Wheat prices remained close to a week earlier, reflecting sluggish trade which resulted from reports on excellent growing conditions; wheat stocks were ample for trading.

A fractional rise in oats prices occurred during the week as trading expanded somewhat. Volume in corn slackened towards the end of the week and prices finished slightly lower than a week earlier. Prices on soybeans were steady and transactions were close to the preceding period.

While domestic buying of flour was sluggish during the week, export purchases moved up somewhat, with moderate sales made to Indonesia, Latin America, and Japan; flour prices were up fractionally from a week earlier.

Both domestic and export buying of rice picked up and prices matched those of the preceding week. Negotiations were pending for sizable sales of rice to India and Venezuela. Rice stocks in some markets were limited.

Sugar trading lagged during the week and prices were unchanged from the preceding period. Although volume picked up at the end of the week, coffee prices remained close to a week earlier. There was a fractional increase in cocoa prices, reflecting a slight rise in volume.

A slight increase occurred in hog prices at the end of the week, despite little change in transactions; hog supplies in Chicago were down somewhat from the prior week. Interest in steers slackened from the prior week and prices finished fractionally lower. Lamb prices were unchanged as trading remained close to a week earlier.

Prices on the New York Cotton Exchange moved within a narrow range and finished the week close to the prior period. Prices were sustained by price fixing and short covering.

Wholesale Food Price Index Up Slightly From Preceding Week

There was a slight rise this week in the wholesale food price index, compiled by Dun & Bradstreet, Inc., but it was down moderately from a year ago. On May 3 it stood at $5.97, up 0.5% from the prior week's $5.94, but 2.6% below the $6.13 of the corresponding date a year ago.

Higher in wholesale price this week were flour, rye, oats, barley, lard, butter, cottonseed oil, cocoa, potatoes, and steers. On the down side were wheat, corn, hams, sugar, eggs and hogs.

The Dun & Bradstreet, Inc., wholesale food price index represents the sum total of the price per pound of 31 raw food stuffs and meat in general use. It is not a cost-of-living index. Its chief function is to show the general trend of food prices at the wholesale level.

Business Failures Rise to 327 in Week Ended May 5

Commercial and industrial failures edged up to 327 in the week ended May 5 from 325 in the preceding week, reported Dun & Bradstreet, Inc. Casualties were considerably higher than a year ago when 265 occurred, or in 1958 when there were 279. Also, 16% more businesses failed than the prewar toll of 281 in the comparable week of 1939.

Casualties with liabilities of $5,000 or more rose to 294 from 286 in the previous week and 237 last year. However, there was a dip in small failures, those involving liabilities under $5,000, to 33 from 39 a week ago but they remained slightly above the 28 of this size in 1959. Liabilities exceeded $100,000 for 28 of the failing concerns as against 38 in the preceding week.

Construction failures climbed to 69 from 46 a week earlier, while the toll among manufacturers edged to 56 from 51. In trade and service groups, on the other hand, declines prevailed during the week. Retail casualties fell to 144 from 159, wholesaling to 31 from 40, and commercial service to 27 from 29. Despite these week-to-week dips, all lines suffered heavier mortality than a year ago. The most noticeable upturns from the 1959 levels occurred in construction and service businesses.

Consumer Buying Slips From Prior Week

Despite numerous post-Easter and Mother's Day sales promotions, consumer buying slipped from the prior week, due to cold and rainy weather in some areas. However, over-all retail trade was up moderately from a year ago. Best-sellers were apparel, linens, furniture, and some appliances. Scattered reports indicate that sales of new passenger cars were sustained at high levels and were up appreciably from a year ago.

The total dollar volume of retail trade in the week ended May 4 was 4 to 8% higher than a year ago, according to spot estimates collected by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1959 levels by the following percentages: Middle Atlantic +10 to +14; East North Central +6 to +10; Mountain +3 to +7; West North Central and South Atlantic +2 to +6; New England, East South Central, West South Central, and Pacific Coast 0 to +4.

Although Mother's Day shopping was slow in getting started, year-to-year gains were chalked up in sales of women's sportswear, fashion accessories, Spring dresses, jewelry, and lingerie; interest in beachwear, coats, and suits lagged. Promotions helped volume in men's apparel rise appreciably over a year ago, especially Spring suits, slacks, and dress shirts. Purchases of children's clothing were up moderately over the similar 1959 week.

Over-all sales of household goods showed slight year-to-year gains. Furniture stores reported moderate increases in lawn tables, occasional chairs, and bedroom sets. Shoppers stepped up their purchases of air conditioners, laundry equipment, and lamps during the week, and appreciable increases over last year prevailed. Traditional "May White Sales" attracted considerable interest, and volume in linens was up sharply from a week earlier and slightly higher than a year ago.

There was slight dip in food sales from the prior week, with declines in canned goods, frozen foods, dairy products, and fresh meat.

Volume in women's Summer apparel was sustained at a high level at wholesale this week; retailers were most interested in replenishing their stocks of sportswear, beachwear, and cotton dresses. There was a rise in last-minute fill-in orders for merchandise suitable for Mother's Day gifts, especially jewelry, housecoats, and lingerie. Orders for men's Fall apparel at openings in the mid-West and West matched those of a year ago and initial orders for children's back-to-school clothing were up somewhat from last year. Both attendance and orders at the Popular Price Shoe Show of America in New York City matched the year ago record levels.

Nationwide Department Store Sales Up 8% for April 30 Week

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended April 30, 1960, increased 8% above the like period last year. In the preceding week, for April 23 an increase of 4% was reported. For the four weeks ended April 30 a 12% increase was registered over the same period in 1959 while the Jan. 1 to April 30 period showed a 3% increase.

According to the Federal Reserve System department store sales in New York City for the week ended April 30 increased 17% over the like period last year. In the preceding week ended April 23 sales increased 9% over the like period last year. For the four weeks ending April 30 a 16% increase was reported over the 1959 period, and from Jan. 1 to April 30 showed a 6% increase over 1959.

Study of Regulatory Agencies Urges Modifications in Eight Areas

Eight improvements in our regulatory practices are urged by N. Y. Chamber of Commerce. Stress is placed on better selection and fixing of responsibility of personnel instead of 'judicializing' commissions. Recognition of competition's effectiveness, realistic costs and need for more prompt information for investors are also recommended.

A basic reappraisal of concepts underlying government regulation of utilities, and of the organization and procedures of regulatory agencies, was called for in a 12,500-word report concluding a two-year study by two committees of the New York Chamber of Commerce.

In the report, recently released, the Chamber's committees on public service and on industry, trade, and transportation recommended far-reaching "modifications" in eight areas of regulatory practice. They also expressed regret over recent "apparent lapses" in conduct by regulatory officials, but suggested that "the cure for such indiscretions" lies in better selection of officials, rather than in legislation.

Specifically, the committees warned against "the enactment of drastic legislation which would unduly 'judicialize' commissions or preclude proper informal contacts between the regulators and the regulated."

Such contact, they went on, "can contribute greatly to the understanding by each of the problems of the other, to the avoidance of unnecessary delays, and thus to the public interest in wise and effective regulation."

The committees stated: "The basic concept of our system whereby public service industries are subject to regulatory control is a sound one. Nevertheless, much of the regulatory philosophy now being applied evolved in an economic climate markedly different from that which exists today, or which can be expected to prevail in the future."

Modifications called for by the committees include:

(1) Rate-making and other decisions based on long-run considerations rather than on "the exigencies of the moment."

"Too often, in their judgment, regulators tend to sacrifice long-run benefits for the sake of the short-term advantage to the consumer of a lower rate level, or other short gain," they said.

(2) Recognition of the effect on regulated industries of discretionary or optional spending.

"The pricing of utility service is more and more subject to competitive control," the committees held, "and, less and less, needs price control as a monopoly product."

(3) Consideration in determining utilities' earning levels, not only of the need to attract capital, but also of "the concept that profit plays an affirmative role in contributing to a grade of business performance that is beneficial to the society."

(4) Recognition of "the impact of permanent changes in the price level" on regulated industries.

"Despite the overwhelming evidence of economists that it is unlikely that there will be any substantial return to price levels prevailing prior to or immediately after World War II, many regulatory commissions have refused to modify the original cost concept. Because depreciation allowances are computed on the basis of original cost dollars, the amounts being set aside will not provide adequate capital to replace property.

"The effect of this is a continuous expropriation of the investor's dollar," the committees said.

(5) More aggressive action by regulators "to correct such conditions as restrictive or outmoded statutes, failure on the part of legislative bodies to establish clear cut policies, administrative difficulty in prompt processing of cases, and excessive zeal for precision of measurement."

"Too often regulators take refuge in the plea that such situations are beyond the scope of their responsibilities," the committees noted. But, they asked: "Who is better qualified to promote needed changes?"

(6) Increased effort by regulators "to reach decisions with reasonable promptness."

"In some branches of regulated industry literally thousands of investors throughout the country today are unable to appraise the soundness of their investments, because, due to excessive delays, they don't even know how much money their companies made or lost during the past four or five years," the committees maintained.

(7) Elimination of staff influence in decision-making.

"We urgently need regulatory commissions who are capable of making and willing to make their own judgments," the committees declared. They deplored the fact that "the same staff group which may organize and present a case against a utility's request will also advise the Commission in its decision and assist in writing the opinion."

(8) More care in the selection of members of regulatory bodies. Improvement of caliber of commission members would not only help avert cases of misconduct, but would also help attract and keep more able staff people, the committees held. They urged consideration of heading agencies with "one boss rather than with some amorphous thing called the Commission."

The study, which began in 1958, was conducted by the Chamber's committee on public service, Leslie T. Fournier, Vice-President of the Panhandle Western Pipe Line Co., Chairman, and by the committee on industry, trade and transportation, Lester A. Crone, President of the Buffalo Brake Beam Co., Chairman.

It will be sent to members of all Federal regulatory agencies, members of Congress, and to state regulatory bodies throughout the nation.

Grimm V.P. of Govt. Dev. Bank

Richard W. Grimm has been named Vice-President of the Government Development Bank for Puerto Rico, Dr. Rafael Pico, President, has announced. He will be located in the New York office in charge of the public relations program. Mr. Grimm has been associated with the portfolio management of Keystone Custodian Funds, Inc. of Boston for the past several years. Prior to that time, he was associated with N. Y. Hanseatic Corp. of Boston and formerly was a registered representative in the Boston office of Brown Bros. Harriman & Co. He was a 1st Lieutenant, U. S. Army, Signal Corps in the Korean War and a 1st Lieutenant, U. S. Marine Corps in World War II.

Richard W. Grimm

D. G. Mandel With H. A. Riecke Co.

PHILADELPHIA, Pa.—H. A. Riecke & Co., Inc., 1433 Walnut Street, members of the New York Stock Exchange and other leading exchanges, announce that Daniel G. Mandel is now associated with them as Manager of their listed department.

Mr. Mandel, formerly associated with the Philadelphia office of Reynolds & Co., has been active in the investment securities business since 1946.

Dixon Co. to Admit

Dixon & Company of Philadelphia, members of the New York Stock Exchange, will admit John G. Carhart, a member of the Exchange, to partnership May 10th. Mr. Carhart will make his headquarters at the firm's New York office, 20 Broad Street.

Joins Morgan Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Doyle D. Miller has joined the staff of Morgan & Co., 634 South Spring Street, members of the Pacific Coast Stock Exchange. He was formerly in the trading department of Oscar F. Kraft & Co.

FROM WASHINGTON ...Ahead of the News

BY CARLISLE BARGERON

Not since just after World War I when a Major Yardley wrote a magazine story and exposed that we had been operating a black chamber of espionage has there been so much excitement in Washington as the shooting down by the Russians of an American plane, now admitted to have been on a spy mission.

The attitude of the Administration is that we got caught and there should be a full admission of it. The public is thirsty for details. On Monday, Secretary of State Herter and CIA Director Allan Dulles went before a selected group on Capitol Hill. The group was held to about 20 men. It was said that at that meeting Herter and Dulles explained that we were in a grim game and that this was not the first time we had flown over Russia. There was some doubt as to how the plane was brought down.

If the Russians had brought it down the way they said they had, there would not have been enough of the plane or the pilot left to tell the tale. Instead, the pilot parachuted safely to the ground still in possession of his equipment, his pistol and the film he had taken. The Russians have been displaying those films.

Instead of the Russians having a rocket which can go to unusual heights as they claim, officials here believe that it was a case of the pilot having ordinary engine trouble and simply bailing out.

At any rate, the United States Government by admitting that he was a spy seems to have thrown him to the wolves.

Senator Styles Bridges, of New Hampshire, says there is no doubt that the Russians have flown reconnaisance flights over our country. It is hard to see why the Russians would go to that trouble. Every military installation in the United States is widely known. There is no secret about it at all. Last week about 1500 government employees went off to a cave in the mountains about 100 miles from Washington to go through a Civil Defense drill. They had to live in the installation for three days. The purpose was to see how people live and work together cramped together. Asked if they didn't think the whole performance was ridiculous, the Civil Defense officials replied that it was no more ridiculous than the various war games which the military has and they may be right.

The feeling on Capitol Hill is that we were perfectly justified in sending the plane over Russia. Some Senators and Congressmen are questioning the timing, just before the celebrated Summit Conference which is to begin next Monday in Paris.

Some Senators in prominent committee positions are also incensed because they were not invited to the Herter-Dulles briefing. Senator Capehart, of Indiana, aired his displeasure on the Senate floor. He is a member of the Senate Foreign Relations Committee and feels that he should know something about what is going on. Another member of the committee, Senator Lausche, of Ohio, heard there was a meeting being held and showed up but was not permitted to enter the room. He took the incident in stride, however, explaining that he felt he would be advised of what went on in due time.

That the pilot made no effort to destroy his film comes in for considerable discussion, also the fact that he made no attempt to use his suicide kit. In the highly specialized business of spying, some strange things happen. The pilot was a civilian, presumably working for the CIA.

The CIA is this country's first attempt to go in for organized and world wide spying. It is a highly hush hush agency. Its appropriation requests are not itemized. It is just given a lump sum and its mission is to roam the world, and conduct its operations in the best interests of the United States. It's our first time in such operations and when we get caught we should not throw up our hands in holy horror and exclaim it can't be true. The Russians are past masters in the art of spying and we are quite inexperienced at it so far.

First Republic Branch

WASHINGTON, D. C.—The First Republic Corporation has opened a branch office at 2941 Brandywine Street, N. W., under the management of Grace W. Lambert.

Free Market and Free Press

By George Koether,* *Staff Writer, Public Relations Department, U. S. Steel Corp., New York City*

Writer depicts the interdependence of a free press and a free market, and decries the growing jeopardization of these free institutions. Mr. Koether makes the reminder as to how lately our liberty was won, how new are our freedoms and how rapidly they are being reduced. He singles out as one of the responsible causes the extension of government secrecy over news and intervention in the market place, and avers that this is a more insidious enemy than Communism as "almost everyone can see the dangers of Communism . . . but the evils of interventionism lie behind a deceptive facade."

Our discussion is concerned with the Free Market and the Free Press. All of us can agree, I believe, on what we mean when we speak of the *free press*. We mean far more than the giant presses themselves or the buildings which house them. We mean more than the men and women who gather, edit and publish our news. By free press we mean—in addition to all of the people and property required—*a freedom of action* for those people, and a freedom in the ownership and use of their property. Freedom of action for reporters implies freedom of information and freedom from censorship. Freedom in the use of property means freedom for men to accumulate capital and invest it in printing plants. If the press is to remain free, these property rights must be protected. There *can* be *no* free press in a nation where only the government can own the printing machinery. There *can* be *no* free press without free presses. We can readily understand the importance of these rights of private property when we think of them in connection with the freedom of the press.

George Koether

Defines Free Market

I am not so sure, however, that we all understand the importance of property rights in the *free market*, or the importance of the free market in relation to the freedom of our press. By "market" we do not mean the stock or commodity exchanges, nor do we mean the shopping centers of retail and wholesale trade. By "market" we mean the *process* by which millions of American people freely exchange their products and services for the products and services of their fellow men. In the United States, with almost 200 years of relatively-unfettered personal liberty behind us, we would not call a "press" worthy of the name if it were not a *free* press. Likewise, a "market" cannot truly be called a market unless it operates by the free choices of its consumers and producers. If it is not free, it is no longer a market. It is a state-controlled system.

Perhaps some may feel I have stretched this parallel too far. At first, there may seem to be little logic in valuing equally the right of a crusading editor to expose official corruption and the right of a man to package pickles or pills and sell them at a price he is willing to accept and a buyer is willing to pay. Yet—as I hope to demonstrate — I am *convinced* that *all* "freedoms" are integral, that freedom, in fact, is indivisible—and that a nation which loses the freedom of its market will soon lose the freedom of its press and, finally, the freedom of its people.

Recalls Newness of Freedoms

We forget, all too easily, that freedom is an exceptional condition in the history of man. To appreciate how recently our freedom was really won, consider civilization as telescoped into a span of only half a century, with 50 years representing all the elapsed time between a point halfway through the paleolithic age (500,000 B. C.) and the present. On the basis of this compressed calendar of 50 years man would have spent something like 49 years in nomadic wanderings, before he learned to settle down in villages. He would have developed writing about six months ago. His Grecian civilization would have existed three months ago. Christianity would have arrived two months ago. The printing press would be about two weeks old. And a little more than a week ago, men would have had their ears sliced off, their noses split, and their eviscerated entrails burned before their very eyes — prior, of course, to being beheaded — as a penalty for printing words displeasing to His Majesty, the King of England and his Ministers. And The Constitution of the United States would have been adopted only three days ago!

Perhaps we forget how lately our liberty was won, how brief a time we have really possessed it, and how rapidly it is being taken from us.

Jeopardizing Factors

How free *is* our press today? According to some of our ablest journalists and publishers the freedom of the press is in great and growing jeopardy. . . .

In an article on freedom of the press in the February first issue of *Vital Speeches*, Clark Mollenhoff, distinguished Washington reporter, says that "Government secrecy represents our major reason for concern today." The 1959 Sigma Delta Chi report on Freedom of Information concurs in that view by saying that "Federal officials, from the President on down have resorted more and more frequently to the vague claim of 'executive privilege' to withhold information from the public, the press and the Congress." The exercise of this executive privilege, has established a principle and a precedent under which a broad and dangerous black-out of all information could be put into effect.

Under this principle, any administration could withhold from the public essential facts on the spending of billions of dollars for such things as foreign aid. It may hide imprudence, mismanagement or fraud and in some cases material that has resulted in later indictments. At some time in the future, it is possible that another administration might keep secret information vital to the national security and the public safety.

Undoubtedly, all journalism students have read Mr. Mollenhoff's well - documented, and somewhat frightening account of Washington's violation of the people's right to know. No doubt they have also read the excellent report of the Sigma Delta Chi committee on Freedom of Information. I only wish that every American would read and study both of these documents. In fact, I do not know why more of our newspapers do not publish both of these reports as a service not only to the freedom of the press but, more importantly, to the freedom of the American people.

All of us recognize the necessity for government and the role of government power in behalf of citizens in a free society. The sovereign people assign to their government the monopoly of coercion, so that their government can protect them against force or fraud.

This police power is not an intervention into the market. Today, however, our government intervenes pervasively into the private lives—the market rights—of the people.

Increasing secrecy on the part of the government is only a result that might be expected from the growing power of government to intervene into the private lives of the people—into their right to produce and consume, to earn and to save, to invest and exchange—into their marketplace.

Intervention into the marketplace—as I define it—is *infringement upon the freedom of consumers with the excuse of protecting the welfare of producers—or vice versa—with results, in the long run, harmful to both.*

Interventionism, like tyranny, has a long, long history. Perhaps the oldest—and still one of the best-known — interventionists — was Joseph.

Government Intervention in Market Place

According to the Bible, Joseph created the first government-managed farm plan. It came to him in a dream. He sold his idea to Pharaoh, and Pharaoh made him "ruler over the land of Egypt." Today, in the United States, we have a much more complex version of Joseph's farm plan, and many people think it, too, is a dream—impossible of fulfillment. Today's farm price support program is our best-known example of government intervention into the market process. It piles up surpluses, raises the price of food to the housewife, increases the tax load upon taxpayers, and wastes land resources. At least, that is the judgment of Professor William Peterson, whose recent book, *The Great Farm Problem*, says: "The farmer is no longer a free agent. Neither is the consumer. . . . The farmer and the consumer, and, in a sense the politician are all victims of intervention."

If the government claims the right to regulate the supply of cotton, corn and wheat, why should we be surprised when it claims the right to control the supply of information?

If the government thinks itself competent to determine such a sensitive economic factor as a minimum wage rate, why should we be surprised if it considers itself competent to decide what is too "sensitive" for the people to know?

Government and Gold

If the government could call in the people's gold and replace it with paper money and then continue to withhold that gold to which the people were entitled—why, then, can it not also withhold information to which the people are entitled?

What it all boils down to is this: "he who pays the piper calls the tune." The Supreme Court made it all very legal 18 years ago when it ruled that the government could dictate how much wheat a farmer could grow. The Court said: "It is hardly lack of due process for the government to regulate that which is subsidizes." By the same logic, perhaps, the government feels entitled to censor that which it regulates. And it continues to "regulate" more and more of our economy.

Today, so much of our economy is regulated that some authorities feel it is a delusion to say we are living in a completely "free enterprise" system. As economist F. A. Hayek says, "the world of today is just interventionist chaos."

A Greater Insidious Enemy

In one sense, interventionism is a far more insidious enemy of freedom than is Communism. Everyone — or, perhaps I should say almost everyone—can see the dangers of Communism. They have been devastatingly demonstrated. But the evils of interventionism lie hidden behind a deceptive facade of seemingly benevolent social policy.

The basic idea of most interventionism is to improve the welfare of society by taxing the rich and distributing the proceeds. But, as our growing surpluses of farm products indicate, intervention into the market defeats its own purpose and ends in costly failure. The costs rise so high that there are not enough rich men to foot the bill. So everyone finds his taxes increased. With each intervention into the market new problems are created and new taxes needed. Then more intervention is attempted to cure the problems created by the previous intervention. Thus the problems grow still more complex and costly, and seem to require even *more* intervention. The process — if continued long enough—leads inevitably to full socialism.

This creeping interventionism, if stretched out over a period of years, can deceive many people who do not realize they are headed into full socialism until they are past the point of no return. Then it's too late. Recently, however, from Cuba we have heard a telescoped version of the interventionist process. A radio report quoted Dr. Castro's finance minister as saying: "We are not communists, we merely reserve the right to intervene into any business up to 100%!" Recent news from Cuba indicates that the Castro regime is fast approaching the 100% point.

Quite often the announced purpose of government intervention is to "help save free enterprise." But the intervention is more likely to stifle free enterprise. In food it produces a permanent surplus and higher prices. In money "management" usually produces inflation. In labor it condones violence. The effect upon government itself is the growth of "executive secrecy" — and a swelling bureaucracy. Today there are more Americans engaged by government than there are growing the nation's food. Since 1900, the number of workers in private jobs has increased 100%. In the same period, the number of workers in government jobs has increased 650%. The Federal Government is operating some 20,000 commercial businesses in competition wtih private enterprise.

As long as the government is knee-deep in the people's freedom of markets, it will be knee-deep in the people's freedom of information. And as it extends control in those markets, it will also tend to want to extend control over that information—and that control will increasingly be directed to covering up the government's mistakes or hiding its reach for more power.

In the words of the Chinese essayist, Lin Yutang, "It is not always realized that there is always a conflict between public opinion and authority, inevitable in whatever country and age . . . if the government wins, the people must lose, and if the government loses, the people must win." Printing began in China, and so, quite probably, did censorship. Confucius defined the "executive secrecy" of his day as follows: *"The people may be allowed to act, but may not be allowed to know."*

Confucius' idea was taken up in earnest by the Emperor Shih Huang Ti. He applied what may have been history's first brain washing. He tried to wipe out the past by burning all the records of his predecessors. Next, he censored the present by burying alive 400 scholars of history (the reporters of their day) — and then announced himself as China's "first" Emperor.

A modern version of wiping out the past—or, at least, trying to conceal it—was the State Department's admission, less than two years ago, that it was suppressing 37 volumes dealing with foreign relations since 1939. It might appear that the American people like the Chinese of Confucius' day, "may not be allowed to know."

Government secrecy has become so widespread—at the state and local, as well as the federal level — that the press, as you know, has had to keep up a running battle with bureaucratic suppression of news. "Right to know" laws have been passed in 37 states, requiring state officials to keep open books—or open meetings, or both.

*From a talk by Mr. Koether before the School of Journalism, University of Michigan, Ann Arbor, Mich.

Renneisen V.-P. Of G. E. Parks

Irwin C. Renneisen has been elected Vice-President and director of G. Everett Parks & Co., Inc., 52 Broadway, New York City.

Joins Livingston, Williams

(Special to The Financial Chronicle)

CLEVELAND, Ohio — James E. Rettew is now connected with Livingston. Williams & Co., Inc., Hanna Building.

Past Month Reveals Slight Gains In Production and New Orders

Continuation of good—but not booming—business is seen in the immediate months ahead in the latest survey of purchasing agents. Wariness, however, is expressed about the employment hiring rate and the desire to rebuild inventories which were found to have been rebuilt much faster than anyone anticipated.

Business is generally good, but it is less good than the overly optimistic estimates made at the first of the year. Inventories have been replenished, all items are available in plentiful supply and, in many fields, price competition has been much more intense than was expected. In short, business has not shown the buoyancy that was expected, but it is continuing on a relatively satisfactory plateau.

In examining the statistics for this month, the Business Survey Committee of the National Association of Purchasing Agents, find that both production and new orders have improved slightly in the last 30 days. In telling of production, 26% of the members say their company's output has increased, 56% report no change and 18% state there has been a decrease. The NAPA Survey Committee is headed by Chester F. Ogden, Vice-President of the Detroit Edison Company, Detroit, Mich.

Looking at the all-important new order position, 32% have booked more business this month than last, 48% the same amount, and 20% less.

Employment looms as a dark cloud on the horizon; for, again this month, more of our members report a reduction in the size of their work force than those who tell of adding employees to their payrolls.

It is now quite clear that Purchasing Executives were able to rebuild year-end depleted inventories much faster than anyone anticipated. As a result, most of our members now believe their present stocks are in balance and there is no further desire to increase them.

Prices are continuing to inch upward; but, they are spotty, and many competitive buying opportunities are available.

Our members generally look for a continuation of this good—but not booming—business in the immediate months ahead; and, as a result, are following a cautious buying policy, whereby they are restricting their forward coverage to the minimum consistent with assured deliveries.

Commodity Prices

Over-all commodity prices are steady to a shade higher. This is reflected by the fact that 70% of our members report that in the past 30 days there has been no change in the prices they are paying; 26% say there have been minor increases, and 4% slight decreases. However, as is often the case, these over-all statistics do not tell the entire story. There are numerous reports of local market conditions and specific product developments that are offering real competitive buying opportunities.

Inventories

Two things are most often mentioned in the survey reports from Purchasing Executives as the major reasons for keeping inventory balances at a minimum at this time. These are: (1) availability of materials, and (2) strong competition. They see no need to build up inventories of purchased materials beyond immediate foreseeable needs. So, again, stocks of purchased materials on hand are down this month. There are 26% reporting lower inventories, and 25% reporting higher inventories. This leaves 49% indicating that their balances have remained unchanged from March.

Employment

In the period immediately preceding the steel strike in 1959, employment had climbed to a new post-Korean War high. During the last half of 1959, there was the expected drop in employment and the low point was reached in October-November. In December, 1959, and January, 1960, employment gradually picked up as everyone looked for the predicted boom. Since February, however, employment has dropped at a faster rate than can be explained by seasonal or other normal factors. Again this month, there is an increase in the number reporting fewer employees on their rolls, 26%, as compared with 22% in March. Also, 13% say employment is somewhat higher this month, as against 14% last month. Reporting no change are 61%.

Buying Policy

Although not readily apparent when looking at only two months statistics, the shortening in time-ahead for which buyers are willing to commit, continues. With very few exceptions, suppliers' inventories of buyers' requirements are more than adequate to meet their needs.

	Per Cent Reporting— Hand to Mouth	30 Days	60 Days	90 Days	6 Mos. to 1 Yr.
April					
Production Materials	6	33	40	14	7
MRO Supplies	23	46	22	8	1
Capital Expenditures	10	6	13	21	50
March					
Production Materials	8	36	28	22	6
MRO Supplies	26	44	23	5	2
Capital Expenditures	9	8	14	23	46

Specific Commodity Changes

Again, this month, there are spotty movements, both up and down, on some commodities, as markets are affected by over-inventories of some items, and temporary shortages in others.

On the **up** side are: Kraft paper and multiwall bags, hand tools and drills, burlap, calcium chloride and chlorine.

On the **down** side are: Steel scrap and many items of electrical apparatus.

In short **supply** are: Anhydrides.

Principal Factors Involved In the Fall of U. K. Stocks

By Paul Einzig

London Stock Exchange weakness is attributed not so much to the recent mild U. K. disinflationary moves as it is to the discounting of further measures expected to be taken to check the inflation said to be incubating now. Dr. Einzig writes of the growing capital spending boom and continuing consumer demand contributing to a state of over-full employment and the anticipated unabated upward wage pace. He also refers to the unfortunate need to act on inflation by checking expansion which places any democracy at a disadvantage with the Communist world.

LONDON, Eng. — Ever since the Budget the London Stock Exchange has had a weak undertone. Industrial equities lost their entire gains since the beginning of this year and their index shows a series of new low records for 1960. From time to time there is a recovery but it has no real strength and does not last. Investors seem to have made up their mind that for the time being at any rate the boom is over.

The reason for this pessimism, which is in sharp contrast with the optimistic atmosphere that prevailed throughout 1959 and earlier this year, lies in the Government's declared disinflationary policy. Once more, as in 1957, the British economy appears to be overloaded, and once more the Government is determined to prevent inflation. On the present occasion, however, the disinflationary measures have not been decided upon as a result of any actual rising trend in the price level which in fact has remained remarkably stable for nearly two years. They have been decided upon for fear of a resumption of the rise in prices in the absence of disinflationary measures. That fear is not altogether unjustified. There are indications that, as in 1957, the trade unions have lost their heads and are ready to plunge into a wage spree. Likewise there are indications that once more employers are inclined to take the line of least resistance, and give way to unwarranted wage demands.

Not Due to Sterling Threat

This is practically the only reason why the Government feels impelled to inflict disinflationary measures on the national economy. But for the threat of inflation the British boom could be allowed to proceed unhampered. It would be possible to raise productive capacity, output and the standard of living for the benefit of all. With their usual short-sighted selfishness the trade unions endeavour to secure the entire benefit of the expanding production for their members with the result that by their attitude they deprive the community (including their own members), of the prospective benefits.

While in 1957 the threat to sterling and the resulting decline in the gold reserve was the immediate cause of the decision to embark on a credit squeeze, in 1960 sterling seems to be safe and sound and the gold reserve has been increasing. The fact that for once a postwar Government is pursuing a disinflationary policy without being compelled to do so by an acute attack on sterling has created a good impression on the Foreign Exchange market and has led to an improvement of sterling. There has been quite an appreciable influx of gold during the last two months. This fact does not prevent the Government from administering mild doses of disinflation, coupled with the warning that the dosage would be increased if necessary.

Explains Basic Reason

The actual extent of the credit squeeze would not in itself have been sufficient to produce the adverse effect on equities witnessed during the last month or so. It is the anticipation of further measures that tends to depress the Stock Exchange. Investors and dealers have no illusions about the probable attitude of the trade unions. It would take a much more severe credit squeeze, leading to an increase of unemployment, to bring them to their senses. So long as disinflation is applied in moderation, wage demands are likely to continue unabated, which means that the economy is doomed to put up with further disinflationary measures of increasing gravity.

Owing to the inevitable time lag between changes in the business situation and corresponding changes in the capital investment plans of industry the prosperity of 1958-59 is only just beginning to produce its full effect on industrial expansion. In the absence of a last-minute scaling down of plans, 1960 will witness a boom in the capital goods industry. This means that in the absence of a corresponding contraction in consumer demand the overload on the economy is likely to tend to increase. Already there is over-full employment in most industrial areas, and the scarcity of labor is likely to increase further. This will provide further temptation and opportunity for excessive wage demands, which again will call for further disinflationary measures. At present the object of the official policy is confined to preventing the development of inflationary symptoms. There is a danger that before very long its object will have to be to fight actual inflationary symptoms, which requires more drastic measures.

Disadvantage With U.S.S.R.

This state of affairs is not special to Britain. Similar conditions as this are in all industrial countries of the Free World. It means that while the countries of the Soviet bloc are in a position to go ahead with their industrial expansion unhampered, in the Free World trade union greed and selfishness makes it impossible for the authorities to allow industries to expand to the full extent of their capacity. Such an unhampered expansion would mean inflation which would react on the standard of living in the long run. So there seems nothing for it but to check the expansion even if this places the democracies at a grave disadvantage in competitive co-existence with the Communist world.

THE MARKET . . . AND YOU

BY WALLACE STREETE

An already **nervous** market during the past week turned into a nervous "plane" market, which after the rally of March 3 and 4 skidded to a net loss of 1% ($6 by the Dow Jones Industrial Average). The tightening of international tension with the heating-up of the Cold War with its inflationary implications, constitutes a typical news item which might well have been construed as bullish in a more confident market atmosphere.

What "Market"?

While it has become bromidic to refer to **selectivity** in market fluctuations, the present cross-currents are indeed remarkable. For example, in the Tuesday session, which was head-lined by a leading commentator as having "crumbled" and after a four-month 12% market decline, no less than 36 new highs for the year were registered—against 133 new lows. And in the same "crumbling" market session, of the 1,193 issues traded, 338 rose, against 626 declining and 229 closing unchanged.

* * *

Minnesota Mining, one of week's "new high" stocks, demonstrated the still persevering market effectiveness of the Split. This week's due date for the previously announced 3-for-1 slicing, coupled with the reporting of an earnings increase, stimulated this glamor chip's further climb to an all-time high of 196 (50 times the raised earnings).

* * *

Another new-high stepper, Great Western Financial, has benefited, along with other savings and loan institutions, from news of both the long- and short-term variety. Organized in California in 1955 to take over the ownership of the Great Western Savings and Loan Association, and now encompassing seven associations with combined total assets of over $660 million, it has been enjoying full participation in California's renewed real estate boom, together with increased consumer incomes resulting in larger savings. This week's market fillip to the issue resulted at least in part from Senator Paul Douglas' vigorous attack on the legislation before the Congress to increase Federal taxation on savings and loan associations, along with the mutual savings banks. His bitter onslaught on the pending legislation as a "blatant example of irresponsible pressure politics," by Mr. Douglas, who as head of the relevant Senate Banking subcommittee is in a key position, is serving to relieve the bulls on the savings and loan companies of their chief overhanging worry.

* * *

Against a background of ever-lessening investor interest in the rails (the life insurance companies turned a completely cold shoulder to carrier commons last year), a few individual issues are arousing some interest. One of these is Denver & Rio Grande, presided over by Alfred Perlman in his pre-New York Central career. Not only have this efficient carrier's gross revenues and net income during the past decade fared considerably better than the rest of the industry; but also, coupled with a modest and declining debt structure, its working capital, at $25½ million, stands at its highest level since 1952. The common shares are earning about $1.50, and pay a $1 dividend, which at its market price of 15, offers a yield of 6.6%.

An Area of Investment Value

Understandable in the present quieted investment atmosphere, are signs of a return of interest to the insurance stock area. Particularly because of recent years' destructive results underwriting-wise, along with their market's illiquidity in contrast to the pyrotechnical displays put on by the electronics and other Stock Exchange favorites, they have lain quite neglected. Now, in with the deflated market psychology, the improved underwriting results, and the market pricing reasonably capitalizing the companies' investment earnings, the fire and casualty shares are gradually stirring up long-pull buying interest.

* * *

American Insurance Company, the outgrowth of a three-way merger, at 26, can be bought for but 13 times its **investment** income of $2.03 per share. Its underwriting operations were in the black last year, with its total adjusted earnings at $2.14. With the dividend at $1.30, the issue yields 5%. A further increase in total earnings, to $3, is looked for in 1960.

In the high-quality category in the casualty field, Employers seems to offer exceptional value. Its rate of growth and underwriting profit margin have always been well above average. Yet it is selling at approximately 10 times this year's estimated investment income of $3.75 per share contrasted with its current dividend of $1.40 per share. Earnings last year were $4.20 per share so that the stock is selling at only nine times last year's earnings. If automobile experience continues to improve, it is not hard to envisage earnings of at least $5 per share compared with the current market of 38. Net worth at the year-end was $68 per share.

New Hampshire Insurance is another example of an extremely cheap insurance stock. Selling around 50 to yield 4.2%, it had investment income of $4.48 per share last year with total earnings of $6.01. The dividend is $2.10 per share with net worth $97 per share. New Hampshire has traditionally sought business in the rural areas and its underwriting is usually somewhat above average. Investment income alone this year should be in the neighborhood of $5.00 per share so that the stock is selling at only 10 times this estimated investment income alone.

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

The Security I Like Best

Continued from page 2

program in effect for many years and amounted to 7.2% of sales. It equalled $2.60 per share of common stock. Acme's continued emphasis on new product development made it necessary for it to erect a new building adjoining the company's main plant at Cuba, N. Y., to be used for research and as an engineering laboratory.

Acme's engineering advance was the natural outgrowth of the wealth of experience accumulated through over forty years of manufacturing transformers and other magnetic components.

Printed-circuit panel controls, incorporating transistors, provide a further control step in the regulation of Acme Electric power supplies and other equipment, within close limits not possible before. The high amplification factor of these transistorized control panels makes it possible to sense extremely small variations in power and regulate or control the power output instantly, with a high degree of accuracy. The basic principles of transistorized-magnetic component control panels are not limited to size of finished products. They are an important feature of miniature devices as well as equipment weighing thousands of pounds. Transistorized control circuitry improves the performance and adds important features to such of its products as Magnistrol Battery Chargers, Motor Speed Controls, DC Regulated Power Supplies, Automation and Control Circuits.

As a result of the company's expended program in engineering and research over the last several years, a contract has been received from Brookhaven National Laboratory amounting to several hundred thousand dollars and calling for the development and manufacture of a number of large regulated D.C. power supplies, ranging in capacity up to 600 kilowatts output, and weighing approximately 16,000 lbs. each. The units being supplied are larger than equipment produced in the past by Acme Electric, and offer opportunities in active new fields. This equipment will be part of a new giant atom smasher, known as an Alternating Gradient Synchrotron, being constructed at the Brookhaven National Laboratory to conduct further research in the field of nuclear physics. In the past, D.C. power for similar applications has been provided by rotating electrical machinery.

Operations for the balance of the fiscal year ending June 30, 1960, appear very favorable as the company's backlog of orders was reported at approximately 50¢ higher than the backlog of a year ago. The company's sales forecast indicates shipments for the last six months will be equal to or exceed the first six months' results.

In these days of 40 to 1 ratios prevalent in quotations for the stock of many electronic companies, it is most difficult for the analyst to find the issue of a 43-year-old company with established earning power selling at eleven times earnings. Acme's earnings for its fiscal year ended June 30, 1959, were $1.45 per share. For the six months ended Dec. 31, 1959, earnings were 77¢ per share compared with 59¢ per share for the same period of 1958. The common stock is selling at 16 and traded Over-the-Counter.

I recommend this company's Annual Report as necessary reading for a more thorough study of this situation.

Apy to Be Officer Of Amott Baker

On May 19th, Edward C. Apy will be elected an Assistant Vice-President of Amott, Baker & Co., Incorporated, 150 Broadway, New York City, members of the New York Stock Exchange.

NSTA NOTES

BOND CLUB OF DENVER

The Bond Club of Denver Bowling League reports the final standing for 1959-1960 season for the teams (three men each), 81 games 108 Peterson points.

—TEAM STANDING—

	Won	Lost
Founders Mutual Depositor Corp.	65½	42½
J. A. Hogle & Co.	64	44
Bosworth, Sullivan & Co.	63½	44½
Garrett-Bromfield & Co.	59	49
Merrill Lynch, Pierce, Fenner & Smith Inc. (#2)	58	50
Mavericks (3 strays)	57	51
Currie Investment	52½	55½
Boettcher and Company	52	56
Peters, Writer & Christensen, Inc. (#2)	48½	49½
Merrill Lynch, Pierce, Fenner & Smith Inc. (#1)	48	60
Kirchner, Ormsbee & Weisner	42	66
Peters, Writer & Christensen, Inc. (#1)	38	70

HIGH TEAM GAME—Mavericks (596)
HIGH TEAM SERIES—J. A. Hogle & Co. (1,642)
INDIVIDUAL HIGH GAME—Neiswanger, *Mavericks* (266)
INDIVIDUAL HIGH SERIES—
Bromfield, *Garrett-Bromfield & Co.* (615)
INDIVIDUAL HIGH LEAGUE AVERAGE—
Mayer, *J. A. Hogle & Co.* (181)
INDIVIDUAL SECOND HIGH LEAGUE AVERAGE—
Neiswanger, *Mavericks* (179)
INDIVIDUAL THIRD HIGH LEAGUE AVERAGE—
Cowan, *Bosworth, Sullivan & Co.* (168)

Members of the 1959-1960 Committee were Jim Roberts, *Bosworth, Sullivan & Co.*; Don Langley, *Merrill Lynch, Pierce, Fenner & Smith Inc.*; Oscar Hasselgren, *Walston & Co., Inc.*; and Cully Mayer, *J. A. Hogle & Co.*

1960-1961 Committee Members are: Bill Gunderson, *Merrill Lynch, Pierce, Fenner & Smith Inc.*; Alex Forsyth, *Calvin Bullock Ltd.*; Oscar Hasselgren, *Walston & Co., Inc.*; Cully Mayer, *J. A. Hogle & Co.*

PITTSBURGH SECURITIES TRADERS ASSOCIATION

The Pittsburgh Securities Traders Association will hold their 1960 Spring Outing June 10 at the Shannopin Country Club.

Members of Committees for the Outing are Robert Wetmore, McJunkin, Paton & Co., and John C. Loos, Walston & Co., Inc., Chairmen; Samuel Teresi, Reed, Lear & Co., and Thomas J. Davies, Jr., McKelvy & Company, Le Bocci; Robert Cunningham, Singer, Deane & Scribner, and Robert G. Deakins, Reed, Lear & Co., golf; and Frederick Leech, Moore, Leonard & Lynch, and Malcolm Lambin, Jr., Thomas & Company, prizes.

Dinner will be served at 7 o'clock.

The Association anticipates one of the best outings it has had and reservations should be made early.

NATIONAL SECURITY TRADERS ASSOCIATION

Alfred F. Tisch, Fitzgerald & Company, New York City, Chairman of the National Advertising Committee of the National Security Traders Association, has announced that Russell Wardley, Fulton Reid & Co., Inc., Cleveland, is now Regional Advertising Chairman for the Cleveland Security Traders Association.

INVESTMENT TRADERS ASSOCIATION OF PHILADELPHIA

The Investment Traders Association of Philadelphia will hold their 38th Summer Outing on June 10 at the Overbrook Country Club, Radnor Township, Pa.

SECURITY TRADERS ASSOCIATION OF NEW YORK

The STANY Glee Club will hold its Sixth Annual Dinner-Dance at the Belmont Plaza Hotel, New York City on May 21.

BOND CLUB OF LOUISVILLE

The Bond Club of Louisville will hold its Annual Summer Outing June 20 at the Standard Country Club.

SECURITY TRADERS ASSOCIATION OF CHICAGO

The Security Traders Association of Chicago will hold their Annual Outing at the Nordic Hills Country Club on June 25.

PUBLIC UTILITY SECURITIES

BY OWEN ELY

Utah Power & Light Company

Utah Power & Light and its subsidiaries Western Colorado Power and Telluride Power, supply electricity in sections of Utah and smaller areas of Idaho, Wyoming and Colorado. Population of the territory is about 750,000 and large cities include Salt Lake City and Ogden.

Diversified mining activity, plus farming, formed the backbone of economic activity in the state prior to World War II, but now manufacturing activities, defense plants, oil refineries and food processing plants have considerably diversified the industrial status. Discovery of oil in the Four Corners region, with some 550 producing wells already developed and substantial exploration continuing, has been an important factor in the state's economy. The company's electric revenues from the uranium and oil areas now amount to well over a million dollars a year. And as new oil wells are drilled, older wells go "on pumps" and increased use of electricity results.

In mining operations an industrial newcomer is elemental phosphorus. About seven years ago the company began serving Monsanto's two electric furnaces and last year. Central Farmers Fertilizer Company also set up a furnace, so that Utah Power & Light now obtains some $4 million a year in revenues from this source. Substantial phosphate reserves have now been found in other areas and since sulphur is also available nearby, a sulphuric acid phosphate fertilizer plant is to be constructed in the near future by two chemical companies. Food Machinery Company plans to construct a plant to manufacture 100,000 tons of coke per annum, as coke is used in the manufacture of phosphorus.

Since Utah is somewhat remote from the West Coast, it has developed into an important defense center. Hill Air Force Base now employs some 13,000 people, and the Tooele Ordnance Depot and Dugway Proving Ground some 3,300. Sperry Rand, prime contractor for the Sergeant missile, occupies some 400,000 square feet of floor space devoted to research and manufacture of electronic equipment. Thiokol, which develops solid rocket fuels and recently received contracts to make components for the Minute Man missile, has an extensive building program. Marquardt Corporation in four years has undergone rapid expansion and today employs some 1,700 people to manufacture ram-jet engines. Hercules Powder Company has spent $8 million to construct facilities for research and development of the Minute-Man missile and a solid fuel propellant. Litton Industries manufactures electronic tubes and expects to double its operations this year. Boeing Aircraft has started construction and will operate an ICBM assembly plant on Hill Air Force Base.

Steel production seems assured of long-range operations, with U.S. Steel's highly efficient plant and the ample reserves of iron ore in both southwestern Utah and central Wyoming, and of coking coal in Utah and western Colorado.

The company now serves some 200,000 acres of farm land, nearly half of which was added in the last decade, irrigated with water pumped from canals and underground sources; Salt Lake Valley and south-central Utah contain about 72,000 acres of land so irrigated. Revenues from this business now exceed $1 million a year—some five times what they were ten years ago.

In the past decade, the company's revenues increased from $20 million to almost $50 million, assets from $107 to $270 million and share earnings rose from $1.15 to $1.85. This growth is expected to be maintained and it is estimated that by 1975 capacity should be nearly three times that of 1959.

Generating capacity last year totaled 717,000 kw of which about one-quarter was hydro. The company also purchases considerable power from Idaho Power Company under long-term contracts. The next generating unit, with a capacity of 150,000 kw, is scheduled for service in the fall of 1963 (the last unit with 100,000 kw was installed in 1957). New capacity requirements up to 1963 will be obtained by buying firm power from Idaho Power, which is completing its second large hydro plant of the Hell's Canyon trio.

Utah Power & Light began taking 50,000 kw from Idaho Power last October, which will be stepped up to 100,000 kw late this year and to 200,000 kw about a year later; it will continue at that level through 1964, when it will drop to 150,000 and continue for another three years. Utah P. & L. plans to build two 500,000 kw plants in the later 1960s since it is estimated that the total load will reach 2 million kw by 1975.

The company has abundant supplies of a variety of reasonably cheap fuels in the area—oil, high grade coal, petroleum pitch (by-product of an oil refinery), an interruptible supply of natural gas, etc. Weighted average cost of all fuels last year was only 23¢ per million btu.

Utah Power & Light's construction expenditures averaged only $13 million per annum in 1958-9 but for future years are forecast approximately as follows: 1960, $17 million; 1961, $19 million; 1962, $27 million; 1963, $28 million; and 1964, $20 million. As a result of the low construction program interest during construction last year amounted to only 1¢ per share, but this year the figure will be somewhat higher. The company does not use accelerated depreciation.

The company's last rate increase was in 1952. Last year the rate of return was about 6%. If inflation continues the company may have to ask for a rate increase. The decisions in two recent rate cases afford a good precedent, Mountain Fuel Supply being allowed a 6.3% return.

Share earnings have increased steadily since 1951 with the exception of a decline of 7¢ in 1958. In 1959, however, kwh sales gained 16% over 1958 despite a 2% overall decline in Utah due to the copper and steel strikes. (Utah P. & L. does not serve the copper company and supplies only about a third of the steel companies' requirements.)

The stock has been selling recently around 35½; with a current dividend rate of $1.32, it yields 3.7%. About one-fifth of the dividend is tax-free.

Now Income Planning

TOWSON, Md.—The firm name of Maryland Diversified Investment Co., Inc., formerly of Baltimore, has been changed to Income Planning Corporation of Maryland, and offices have been transferred to 205 Medbury Road.

Are We Over-Organized?

By Roger W. Babson

The point is made that the tremendous growth of associations still leaves us, on the whole, a nation of free individuals. Moreover, the small businessman is singled out as the hope of our country and the Federal laws and agencies catering to him are praised as well as the organizations to which small- and medium-sized business people belong.

The days of rugged individualism have passed. Henry Ford was noted for it. He always wanted to "go alone across lots and on foot." He had little use for committees or associations. For many years he would not join the National Automobile Manufacturers Association; he and others were in a position to go it alone, because they had some original ideas and were patient enough to work them.

I Believe in Cooperation

The story of advancing civilization, however, is a record of man's willingness to cooperate. The Trade Association Directory, prepared by the U. S. Department of Commerce, shows that there are 3,000 regional and 7,000 local associations of businessmen. With these are affiliated 12,000 trade associations, 5,000 local Chambers of Commerce, and 30,000 businessmen's luncheon clubs. It seems as if everyone is a "joiner," and many join several business groups. Yet even the above figures do not cover the many purely social, church, labor, and farm fraternal groups. As for employees' organizations, there are 200 national and about 80,000 local unions.

There has been much fun poked at the "Organization Man," meaning a lower-echelon executive in big business corporations. But practically every man and many women are members of organized voluntary groups. In our free U. S., these members retain a very large degree of independence; and, except in cartels and some labor unions, individuals are not coerced or regimented or herded. On the whole, ours is a nation of free individuals—though not as free as were our pioneer fathers.

Small Businessmen

Freedom to organize is one of our basic American freedoms. Special and new interests keep arising in our world of rapid changes; one new bristling area is that of Small Business, which since 1938 has been self-organized solely and specifically to protect the legitimate interests of independent small and medium-sized business people. The largest of these Small Business Organizations is the National Federation of Independent Business, with headquarters at Burlingame, Calif., G. Wilson Harder, President. This Federation presents its point of view to the Small Business Committees of the Senate and House. It is outstanding in its cooperation with all Senators and Representatives—and in keeping them informed of grassroots opinion on all legislation affecting small business. It has a highly respected and competent Vice-President in Washington giving full time to matters of legislative activity.

There was established by Congress in 1953 the Small Business Administration and a subsidiary, the Small Business Investment Administration. This latter has made total short-term loans of $856,403,000 to upwards of 20,000 individual independent small business firms; in addition it has advanced long-term equity capital of $3,785,000 during the past year. It is now administering over 19,000 business and disaster loans, including loans transferred from the former R. F. C. Sixty per cent of these loans were made in participation with banks. The cumulative losses through 1959 from SBA loans have been only 1.1%, a remarkable showing. I am convinced that the "little people" have financial responsibility and character.

Are We Over-Organized

Is organization "cramping the style" of individuals and reducing their initiative? Are too many of us becoming "leaners" instead of "lifters"? I believe that as long as organizations are voluntary, they will wither away when they lose their usefulness. Individuals can make their influence felt within homogeneous groups of their choosing, dealing with problems about which they have direct knowledge.

For some years—with my associate Ernest Gaunt of Orlando, Fla.—I have watched these "small businessmen and women." At least once each year I like to publicly testify to their integrity, industry, and importance. They are the hope of America.

Bosse, McCollum With Cruttenden, Podesta Co.

CHICAGO, Ill.—William K. Bosse has been appointed director of research at Cruttenden, Podesta & Co., 209 South La Salle Street, members of the New York and Midwest Stock Exchanges, Robert A. Podesta, Managing Partner, has announced.

William K. Bosse

Mr. Robert Podesta also announced that Gordon H. McCollum has joined the head office staff as director of institutional sales. Mr. Bosse came to the Chicago-based investment firm in October of 1957, as senior analyst in the underwriting department. Previously, he was a senior analyst with Glore, Forgan & Co., Chicago, and research department manager for Loewi & Co., Milwaukee.

Mr. McCollum's extensive experience in the securities business includes 20 years with McMaster Hutchinson & Co., Chicago.

Lauds Fund Study

Editor, Commercial and Financial Chronicle:

In the issue of May 5th, A. Wilfred May did a splendid job in analyzing the activities of investment companies. It was an outstanding service, not merely to those folks who are directly engaged in the fund field, but to the entire investment community. I am sure that many who read the story and consulted the accompanying tables feel as I do. I simply had to express my appreciation.

JOSEPH. C. POTTER.

(Ed. Note: Mr. Potter writes the **Radio Show Business Final**, broadcast daily over the American Broadcasting Co. network.)

NEWS ABOUT BANKS AND BANKERS

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

David V. Andrews and Frank M. Gregory have been appointed Vice-Presidents of **The Chase Manhattan Bank, New York,** George Champion, President, announced May 11. Both are in the New England district of the United States department, the Bank's national territorial organization.

Mr. Andrews joined the Bank of the Manhattan Company in 1950. He was appointed to the official staff as an Assistant Treasurer in 1953 and in 1956, the year after the Chase National-Bank of Manhattan merger, was promoted to Assistant Vice-President.

Mr. Gregory, who joined the Chase National Bank in 1927, was appointed an Assistant Cashier in 1937 and was promoted to Assistant Vice-President in 1944.

Also announced yesterday was the promotion of Byron S. Pardee and Robert W. Yates to Assistant Vice-Presidents in the public utilities department. George E. Kruger was appointed mining geologist in the petroleum department.

* * *

The Chase Manhattan Bank, New York has announced two high-level changes in its trust department, effective June 1.

J. Bryson Aird will become head of the agency administration division, which encompasses stock transfer, registration and corporate agency administration. Arthur F. Henning, who has been Mr. Aird's assistant, will succeed him as head of the corporate trust division. Both men are Vice-Presidents of the Bank.

Mr. Aird joined the Bank in 1930 as an Assistant Trust Officer. He was advanced to Assistant Vice-President in 1931 and to Vice-President in 1942.

Mr. Henning joined the Bank in 1919 and except for two years spent in the international department has served exclusively in the trust area. He was made a corporate trust officer in 1946, a Second Vice-President in 1952 and a Vice-President in 1957.

* * *

Robert H. Chiang has been appointed a manager of **Chemical Bank New York Trust Company, New York** in charge of its Chinatown Office, it was announced by Chairman Harold H. Helm. Mr. Chiang joined the Bank in 1952, and has served since 1957 as Assistant Manager of the Chinatown Office, at Canal & Mott Sts.

In 1933, Mr. Chiang started his banking career with the **Central Trust of China in Shanghai.** He also has been affiliated with the **Farmers Bank of China,** Rangoon, Burma & Calcutta & Bombay, India.

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John W. Heilshorn, Assistant Vice-President, has joined the Correspondent Bank Department of **The First National City Bank of New York.** He was formerly with **Chemical Bank New York Trust Company, New York.**

* * *

Promotion of Jean-Pierre Gabriel and John Keat to Vice-Presidents was announced by the Bankers Trust Company, New York. Both formerly were Assistant Vice-Presidents. Assigned to the bank's international banking department, Mr. Gabriel joined Bankers Trust in 1957. He previously was manager of the foreign department of American Security and Trust Company, Washington, D. C.

* * *

The Bank of New York, the City's first Bank which was founded in 1784, will open a branch in Freedomland, the new outdoor entertainment center in the Bronx. The branch will be a working bank to serve Freedomland's exhibitors, its employees and the many thousands of visitors who will be attracted to the historical display.

Since the "Little Old New York" area of Freedomland will show the city as it was in the 1850's, the new Bank branch will be designed to suit this era, and employees there will wear costumes of this period.

* * *

Victor R. Zevallos has been appointed a Vice-President of **The Bank of New York,** according to an announcement by Albert C. Simmonds, Jr., Chairman. He will be associated with the Bank's International Department.

* * *

Roderick McRae, Executive Vice-President of the **Bank of New York,** died May 6 at the age of 54.

Mr. McRae joined the Bank in 1930, became a Vice-President in 1942 and Executive Vice-President last April 12.

Mr. McRae was a Director of the **Lincoln Savings Bank of New York.**

* * *

The common capital stock of the **Lafayette National Bank of Brooklyn in New York, New York** was increased from $1,800,000 to $2,000,000 by the sale of new stock effective April 27. (Number of shares outstanding — 100,000, par value $20.)

* * *

The Ridgewood Savings Bank Brooklyn, N. Y. elected Carleton S. Harloff as a Trustee.

* * *

The appointment of Frank N. Gollow as a Vice-President of **National Bank of Westchester, White Plains, N. Y.** was announced by Ralph T. Tyner, Jr., Chairman, and Harold J. Marshall, President.

Mr. Gollow began his banking career in 1923 with the **First National Bank and Trust Company of Tuckahoe, N. Y.** and joined National Bank of Westchester as an Assistant Vice-President with the merger of the two banks in 1954. He was appointed officer-in-charge of NBW's Tuckahoe office in 1956 and will continue his assignment at the 42 Oak Avenue banking office.

* * *

Marine Midland Trust Company of Southern New York was given approval on May 5 to increase its capital stock from $2,640,000 consisting of 132,000 shares of the par value of $20 each, to $2,673,000 consisting of 132,000 shares of the par value of $20.25 each.

* * *

Tompkins County Trust Company, Ithaca, N. Y. was given approval on April 29 to increase its capital stock from $1,000,000 consisting of 100,000 shares of the par value of $10 each, to $1,200,000 consisting of 120,000 shares of the same par value.

* * *

The Windsor National Bank, Windsor, N. Y. filed a plan for the merger of The Windsor National Bank into **Marine Midland Trust Company of Southern New York** under the title **"Marine Midland Trust Company of Southern New York,"** with the New York State Banking Department. The proposal of the merger was given in the April 14 issue of the Chronicle on Page 1634.

* * *

Robert H. Bean, former Boston banker, died May 4 at the age of 83.

Mr. Bean was a past president of the American Institute of Banking, educational section of the American Bankers Association. He had been President of Boston Chapter, AIB, in 1912-14, and became national president of the Institute and Chairman of its Executive Council in 1915-16. He was a member of the Executive Council of the ABA in 1916-19.

Mr. Bean entered banking as a messenger in 1898. He served in two banks before organizing the **South Trust Company, Boston, Mass.,** of which he became Vice-President and Treasurer. In 1915 he became Secretary and managing officer of the **Casco Mercantile Trust Company, Portland, Maine.**

* * *

By a stock dividend **The New Britain National Bank, New Britain, Conn.,** increased its common capital stock from $900,000 to $1,000,000 effective April 25. (Number of shares outstanding—50,000, par value $20.)

* * *

Henry L. Rost, a banker and a civic leader here for nearly forty years, died May 4 at Muhlenberg Hospital, Plainfield, after a brief illness. His age was 66.

Mr. Rost was Vice-President in charge of the Westfield branch of the **National State Bank of Elizabeth, New Jersey,** and a member of its board of directors. He assumed the Vice-Presidency last September when **National State** absorbed the **Peoples Bank and Trust Company of Westfield,** of which he had been President for more than thirty years.

* * *

By the sale of new stock, the common capital stock of the **Mechanics Bank of Burlington, New Jersey** was increased from $437,500 to $562,500 effective April 27. (Number of shares outstanding—22,500, par value $25.)

* * *

Union National Bank and Trust Company of Huntingdon, Huntingdon, Pa., with common stock of $175,000; and **The First National Bank of Mount Union, Mount Union, Pa.,** with common stock of $60,000 consolidated effective April 23. The consolidation was effected under the charter and title of **"Union National Bank and Trust Company of Huntingdon,"** with capital stock of $246,000, divided into 24,600 shares of common stock of the par value of $10 each.

* * *

Appointment of Ray F. Myers, Jr., as Vice-President in charge of the corporate trust division of **Continental Illinois National Bank and Trust Company of Chicago, Ill.,** was announced May 5.

Mr. Myers succeeds Ronald M. Kimball who retired April 30.

* * *

The merger of the **Harris Trust and Savings Bank Chicago, Ill. and the Chicago National Bank, Chicago, Ill.,** was formally approved by the stockholders of the two banks in separate meetings held May 4.

Combined resources of the two banks based upon figures as of February 29 totaled $943,000,000.

The merger of the two banks is now binding and conclusive, the necessary approval of the Department of Financial Institutions of the State of Illinois having been given earlier this week. The physical consolidation of the two banks will take place on Oct. 24, 1960, and the merged institution will operate from that date under the name and state charter of **Harris Trust and Savings Bank.**

* * *

Mr. William B. Hall was elected a Senior Vice-President of **The Detroit Bank and Trust Company, Detroit, Mich.,** on April 26, to be effective May 1, it was announced by Mr. Joseph M. Dodge, Chairman of the Bank.

* * *

The Public Bank, Detroit, Mich. announced that William H. Verhelle was promoted from Assistant Vice-President to Vice-President.

Herbert L. Bobke was promoted from Assistant Cashier to Assistant Vice-President.

Also promoted to Assistant Vice-President was W. Lee Harden, former personnel officer.

* * *

The First National Bank of Minatare, Minatare, Neb., with capital stock of $25,000 was converted into a state bank under the title **Minatare State Bank, Minatare, Neb.,** effective March 19.

* * *

"The National Bank of St. Petersburg," St. Petersburg, Pinellas County, Fla. was issued a charter on April 22. The President is Fred H. Green and the Cashier, Harry H. Finlay. The bank has a capital of $500,000 and a surplus of $250,000.

* * *

Sir Hubert Nutcombe Hume, K.B.E., M.C., has been appointed a Director of the **Bank of Montreal, Montreal, Canada,** it was announced May 10.

* * *

The First National Bank of Hawaii, Honolulu, Hawaii, increased its common capital stock from $6,000,000 to $7,000,000 by the sale of new stock effective April 25. (Number of shares outstanding—700,000, par value $10.)

Morgan Stanley Offers Wisconsin Telephone Debens.

Morgan Stanley & Co. and associates have offered for public sale on May 11 a new issue of $20,000,000 Wisconsin Telephone Co. 35-year 4⅞% debentures, priced at 101.265% and accrued interest to yield about 4.80% to maturity. The debentures, which are due May 1, 1995, were awarded to the Morgan Stanley group at competitive sale yesterday on its bid of 100.479% which named the 4⅞% coupon.

The company, a wholly-owned subsidiary of American Telephone and Telegraph Co., will apply the proceeds from the sale toward repayment of advances from the parent company and used principally for construction. These advances are expected to approximate $20,300,000 at the time the proceeds are received.

The new debentures are subject to redemption at prices ranging from 106.765% to the principal amount.

As of Dec. 31, 1959, Wisconsin Telephone had a funded debt of $30,000,000. There were also outstanding on that date 10,750,000 shares of common stock of $20 par.

The company's service territory in Wisconsin includes the metropolitan area of Milwaukee and such cities as Madison, Racine and Green Bay with adjacent areas. On Dec. 31, last, the company had 1,096,764 telephones in service, of which about 45% are located in the metropolitan area of Milwaukee.

Total operating revenues of the company in 1959 were $121,848,818 and total income before income deductions was $20,226,322. This compared with $111,074,559 and $17,719,453 in 1958.

Detroit Bond Men To Hold Outing

DETROIT, Mich.—The Bond Club of Detroit announces that plans have been completed for their Annual Spring Golf Party.

The event will be held at the Essex Golf and County Club in Essex, Ontario, Can., on Friday, June 3, 1960. Guests are invited and tickets may be obtained from the party Chairman, Thad Obuchowski, of Goodbody & Co.

Chicago Bond Club Annual Field Day

CHICAGO, Ill.—The Bond Club of Chicago will hold its 47th annual field day on June 3rd at the Knollwood Club.

Featured will be baseball game between the Corporation and Municipal teams. Richard B. Walbert, Blyth & Co., Inc., will captain the Corporates, and Walter A. Hintz, A. G. Becker & Co. Incorporated, the Municipals. Harry J. Wilson, Harry J. Wilson and Company, and Roland C. White, Harris Trust & Savings Bank, will be umpires.

Those wishing to enter the golf tournament should send greens fee (four dollars) to Robert L. Meyers, Stone & Webster Securities Corporation. IBA handicap system will be used.

Shares for trading on the special Stock Exchange may be obtained from Eugene C. Travis, Harriman Ripley & Co.

William A. Noonan, Jr., Continental Illinois National Bank & Trust Co., is chairman of the Field Day; John J. Lynch and George R. Wahlquist, Weeden & Co., are vice chairmen, with G. Fabian Brewer, William Blair & Company, Chairman ex-officio.

Members of the Committees for the Field Day are:

Arrangements: Robert E. Williams, Jr., Goodbody & Co., Chairman; Samuel M. Duva, Reynolds & Co.; William D. Hilton, First Boston Corporation; John F. Kares, Jr., Goodbody & Corp.; John L. Lawver, A. C. Allyn & Co.; Orville H. Strong, First National Bank; Robert J. Taaffe, McDougal & Congdon; Charles S. Werner, Shearson, Hammill & Co.; William F. White, Blyth & Co., Inc.

Golf: Robert L. Meyers, Stone & Webster Securities Corporation, Chairman; Robert M. Clark, Blunt Ellis & Simmons; Wallace D. Johnson, Farwell, Chapman & Co.; and William S. Morrison, Jr., Harris Trust & Savings Bank.

Baseball: Charles G. Scheuer, Wm. H. Tegtmeyer & Co., Chairman; Walter A. Hintz, A. G. Becker & Co., Incorporated; Richard B. Walbert, Blyth & Co., Inc.; Roland C. White, Harris Trust & Savings Bank; Harry J. Wilson, Harry J. Wilson & Co.

Lunch-Dinner: Andrew D. Buchan, Bacon, Whipple & Co., Chairman; Walter A. Hintz, A. G. Becker & Co., Incorporated.

Trophies: Harry C. Hall, The Illinois Company, Chairman; Tad I. Haviland, Halsey Stuart & Co., Inc.; O. H. Heighway, Hornblower & Weeks.

Entertainment: John A. Orb, Merrill Lynch, Pierce, Fenner & Smith, Incorporated, Chairman; Francis C. Farwell, Farwell, Chapman & Co.; and William M. Witter, Dean Witter & Co.

Investments: Eugene C. Travis, Harriman Ripley & Co. Incorporated, Chairman; Clayton F. Brown, Northern Trust Company; James DeCantillon, Continental Illinois National Bank & Trust Company; Thomas L. Kevin, Glore, Forgan & Co.; D. Throop Vaughan, City National Bank & Trust Company.

Dividends: Jay Simon, City National Bank & Trust Company, Chairman; Matthew J. Hickey, III, Hickey & Co.; James L. Jeffers, Stifel, Nicholaus & Co. Incorporated; and Roland C. White, Harris Trust & Savings Bank.

Named Director

William P. Mackay has been elected to the board of directors of The High Point Chemical Co., Inc., Port Washington, Long Island, N. Y., manufacturers of nylon molding powder, it was announced by Roy E. Berg, President.

Mr. Mackay heads the investment firm of Mackay & Company, of Reading, Penna.

UNION PACIFIC RAILROAD COMPANY

SIXTY-THIRD ANNUAL REPORT — YEAR ENDED DECEMBER 31, 1959

REPORT OF THE BOARD OF DIRECTORS ON THE YEAR'S BUSINESS

New York, N. Y., April 28, 1960.

TO STOCKHOLDERS OF UNION PACIFIC RAILROAD COMPANY:

The Board of Directors submits the following report for the Union Pacific Railroad Company, including its Leased Lines,* for the year ended Dec. 31, 1959.

CONDENSED STATEMENT OF INCOME

	1959	1958	Increase (+) Decrease (—)
Operating revenues	$515,767,433	$505,215,191	+$10,552,242
Operating expenses	$378,741,803	$371,257,945	+$ 7,483,858
Taxes (including taxes on income from oil and gas operations)	76,806,304	69,803,903	+ 7,002,401
Equipment and joint facility rents—net charge	23,262,674	20,692,259	+ 2,570,415
Net income from transportation operations	$ 36,956,652	$ 43,461,084	—$ 6,504,432
Net income from oil and gas operations (excluding income taxes)	19,347,089	24,566,034	— 5,218,945
All other income	13,526,160	14,765,358	— 1,239,198
Total income	$ 69,829,901	$ 82,792,476	—$12,962,575
Interest on funded debt	$ 4,413,298	$ 4,470,345	—$ 57,047
Miscellaneous rents and charges	575,243	539,687	+ 35,556
Total fixed and other charges	$ 4,988,541	$ 5,010,032	—$ 21,491
Net income from all sources	$ 64,841,360	$ 77,782,444	—$12,941,084

As the result of declines in all three of the major categories of income—transportation, oil and gas operations, and investments and other sources—net earnings after dividends on preferred stock, amounted to only $2.71 per share of common stock, or 58 cents less per share than in the previous year.

Notwithstanding this 17½ per cent decrease in earnings per share, dividends were declared on common stock at the same rate as in 1958—$1.60 per outstanding share, including an extra dividend of 40 cents at the end of the year. Thus, 59 per cent of the Company's net income after preferred dividends was declared in dividends to the holders of common stock, compared with 48.4 per cent in the previous year.

There was no curtailment of expenditures for improvements to the Company's transportation properties. In fact, the aggregate expenditures of $70.1 million for equipment and other improvements were $15.8 million greater than in 1958. Continued expenditures on such a scale, as pointed out in previous reports, are essential under present-day conditions to enable the Union Pacific to maintain and improve its competitive position in the field of transportation and continue to provide efficient, up-to-date service.

OPERATING REVENUES

The increase in **Freight revenue** compared with 1958 reflects the net effect of a 15 per cent increase in ton-miles of freight carried in the first half of 1959 due to a broad recovery in general business conditions, and a 5.7 per cent decline in the last half caused chiefly by the 116-day steel strike which started in July. For the full year, ton-miles carried showed an increase of only 3.8 per cent with a decrease in average revenue per ton-mile of 1.8 per cent.

The largest revenue *increases* were in *lumber* and *plywood*, as the result of greater construction activity; *automobiles and parts*, reflecting increased production and sales; *chemicals and products*, because of improved industrial demand; *vegetables, other than potatoes*, principally from Northern-Central California where production was substantially greater than in 1958; and *oranges*, due chiefly to excellent crops of both Valencia and navel oranges in California. There were also increases in revenue for a long list of manufactured products, such as construction materials, petroleum derivatives, household appliances, machinery, paper products, etc., not large enough to justify individual comments, but representing in the aggregate a substantial amount.

The commodities with the largest *decreases* in revenue were *iron ore* and *nonferrous ores and concentrates*, as the result of strikes in steel and other metal industries; *sorghum grains*, primarily because of less shipments by the Government to Pacific Coast points for storage; *potatoes* from Idaho, due chiefly to increased competition from other States; and *less than carload freight*, chiefly because a substantial volume of such traffic in the previous year was diverted from the highways to rail carriers as the result of a strike by Western truck drivers.

Passenger revenue was almost exactly the same as in 1958. Travel in coaches, which represents about three-fourths of the Company's total passenger volume increased approximately 3 per cent over 1958, but there was a decline of 8 per cent in sleeping car travel. The net effect was a small increase in the number of passengers carried one mile but a slight decrease in average revenue per passenger-mile.

The increase in **Mail revenue** was due to a greater volume of mail carried and to an increase of 5.6 per cent in the rate of compensation for transporting mail, made effective on Western railroads July 1, 1959.

The increase in **Express revenue** represents increased receipts from the Railway Express Agency, chiefly as the result of various rate increases authorized by the Interstate Commerce Commission, and drastic curtailment by the Agency of its operating expenses.

OPERATING EXPENSES

The most important of the factors responsible for the increase in **Operating expenses** was the higher level of wage rates. The wage increases granted in May and November of 1958, mentioned in last year's report, and a "cost-of-living" increase of 3 cents per hour effective November 1, 1959 (making a weighted average increase over 1958 of 8½ cents per hour) inflated operating expenses for the year by $8 million.

The chief other reasons for the increase in expenses were: The larger volume of freight traffic handled and faster freight train schedules; expanded programs for repairing and remodeling diesel locomotives; increased charges for equipment depreciation, due to acquisition of additional locomotives and cars and higher depreciation rates effective in 1959; a rise in locomotive fuel prices; and less proceeds from sales of scrap material, credited to operating expenses.

However, the effect of such increases was partially counteracted by substantial economies accomplished through acquisition of improved facilities and innovations in operating and maintenance methods, and by reductions in expenses resulting from a decrease in passenger-train miles operated and lower charges for retirements of non-depreciable fixed property and for fire insurance. Expenses in connection with repairs and improvements to freight cars were also reduced, although the freight fleet was maintained in satisfactory condition; only 1.8 per cent of freight cars were unserviceable at the close of the year—about the same as the corresponding percentage for 1958.

Way and structures were adequately maintained, and greater quantities of rails, ties, and ballast were applied in main track renewals than in the previous year, as shown in the tabulation below:

	1959	Increase (+) or Decrease (—) vs. 1958
New rails (track miles)	110.35	+ 4.48
Second-hand rails (track miles)	40.23	— 1.43
Total rails (track miles)	150.58	+ 3.05
Ties (number)	855,108	+215,725
Ballast (cubic yards)	253,592	+ 62,681

TAXES

The increase in **Federal income taxes** resulted from an increase in *taxable income* (notwithstanding a decrease in book income), chiefly because of reduced allowances for various items deductible for tax purposes which are not reflected in the income statement. The principal item in this category was the smaller deduction for amortization allowances on the cost of property classified as "emergency facilities" by the Office of Defense Mobilization. The details in connection with such amortization allowances in 1959 compared with 1958 are shown below:

	1959	Decrease vs. 1958
Amortization deductions	$17,772,416	$8,240,953
Excess of amortization over depreciation	9,562,687	8,911,914
Reduction in income taxes	4,972,597	4,634,196
Betterment in net income per share of common stock	$.22	$.21

As a partial offset to the substantial reductions in amortization and other allowances for tax purposes, there was an increased allowance in 1959 for accelerated depreciation (on property acquired after 1953) in excess of depreciation at rates authorized by the Interstate Commerce Commission, chiefly because of additional acquisitions of equipment and other depreciable property. The reduction in income taxes resulting from such accelerated depreciation was about $3.7 million in 1959 compared with $2.5 million in 1958.

The sharp increases in **Federal unemployment insurance taxes** and **Federal retirement taxes** were chiefly due to increases in the tax rates. The unemployment tax rate rose automatically on January 1, 1959, from 2½ per cent to the maximum rate of 3 per cent under the existing law, because of depletion of the trust fund established for payment of railroad unemployment benefits. Thereafter, in disregard of unchallengeable evidence showing that the railroads were urgently in need of *reductions* in their inequitable tax burdens, payroll taxes were *further increased* effective June 1, 1959. The unemployment tax rate was raised from 3 per cent to 3¾ per cent, and the retirement tax rate from 6¼ per cent to 6¾ per cent, with rates progressively increasing in future years. On top of this, both of the increased tax rates were made to apply to an increased base, that is, to the first $400 of each employe's monthly wages instead of $350 as theretofore. While employes are taxed at the same rate as the railroad for the railroad retirement fund, the employes pay no part of the taxes for the unemployment insurance fund. The *railroad's annual payroll tax payments for every employe* with a monthly wage of $400 or more, have risen as shown below, due to the payroll tax increases effective in 1959:

Basis effective in 1958	$367.56
Effective January 1, 1959	388.56
Effective June 1, 1959	504.00

State and county taxes by classes, compared with 1958 were as follows:

	1959	Increase vs. 1958
Ad valorem and other property taxes	$17,993,741	$284,022
Income and franchise taxes	1,423,442	158,779
Sales, use, and compensating taxes	658,817	103,199
Total	$20,076,000	$546,000

Total taxes for 1959 were equivalent to 14.9 per cent of total operating revenues, $1,893.41 per employe, and $3.42 per share of common stock or 71 cents more than the Common Stockholders' equity of $2.71 per share in net earnings.

OIL AND GAS OPERATIONS

	1959	1958	Increase	Decrease	Per Cent
Receipts from sale of oil, gas, and other products	$29,298,485	$35,841,242	......	$6,542,757	18.3
Production expenses (including depreciation)	$5,772,804	$6,750,701	......	$977,897	14.5
Taxes (other than income taxes)*	2,102,647	2,920,612	......	817,965	28.0
Intangible drilling and development costs†	2,075,945	1,603,895	$472,050	......	29.4
Total charges against receipts	$9,951,396	$11,275,208	......	$1,323,812	11.7
Net income from oil and gas operations	$19,347,089	$24,566,034	......	$5,218,945	21.2
Drilling and development costs not charged against receipts	$398,878	$356,724	$42,154	......	11.8

* Federal taxes on income from oil and gas operations, of approximately $5,863,100 in 1959 and $7,327,100 in 1958, are included in "Taxes" under "Transportation Operations."

† Represents costs such as labor, fuel, repairs and hauling in connection with drilling, geological work, clearing ground, building roads, and certain materials with no salvage value.

The decrease in *receipts* resulted chiefly from declining production in Wilmington and Rangely fields and a decrease of about 13 per cent in the average price received for oil sold in Wilmington field. Most of the decrease in *production expenses* occurred in Wilmington field. The decrease in *taxes* reflects lower ad valorem taxes in Wilmington field and credit adjustments of taxes for prior years in Rangely field. The increase in *intangible drilling and development costs* resulted from increased drilling activity in Wyoming areas, partially offset by reduced drilling in Wilmington and Pierce fields.

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

SECURITY SALESMAN'S CORNER

BY JOHN DUTTON

Why Do People Buy?

You have heard the question asked so many times, "How about that Hotwire Electronics common, do you think it's time to sell it?" And the anxiously awaited answer to the question is always one that seems to leave both the questioner and the answerer as much in the dark as before the question is asked. "Now about the book value, let's see, I'd say its around 50 cents a share and the stock is selling at 35," says the broker who wants to appear as if he knows a little something at least about Hotwire. "And the earnings will be only about 30 cents this year, but they are spending a dollar a share on research which they are expensing." By this time the customer is already becoming impatient. He has heard all that before. They finally end up with an agreement that you can't put a valuation on brains, and so once again, for the time being, everyone is happy even if no one knows what they mean or what it is all about.

Today the popular craze is to buy space age stocks. Back in 1932 it was the beer stocks—they called them beverage stocks in those days—this made it sound a little more respectable. We've had the chemical stock craze, the drug stock craze, and believe it or not, when we were all not so much younger, there was a time that all you had to do to make money was to buy the oils and hold them. Depletion allowance of 27½% (still have it) free storage of valuable property in mother earth, inflation protection (so help me) and until that fad wore out, and Africa and South America began to dump the stuff all over the world, black gold was king.

There have been all kinds of stock fads—people buy stock to make a profit (in the main). A lesser number of individuals and institutions actually invest for income and longer term appreciation. The Federal Government, with its nonsensical high bracket income taxes, and the capital gains tax, has taken all of the common sense out of investing for income for the man in the $10,000 per year and up taxable income brackets. So stocks are frozen in at high levels, the floating supply becomes smaller, and the price levels of those stocks which are popular are continuously pushed higher and higher. Cash flow becomes a new rationalization for overpricing, income growth not yet materialized but wished and hoped for is capitalized years in advance; and the people who are using the rule book to evaluate stocks either think they no longer can read or someone retranslated the book.

It's Not So Difficult to Understand This

Certain fundamentals always influence people's actions. When the fad is capital gains, hopes of trips to Mars, Venus and Saturn are readily accepted by many people who have learned that sex appeal in a stock in such times as these is better than fat dividends, or certainly skinny dividends. When a stock is moving, when the buying is stronger than the selling, when the propaganda is effectively pepping up the stock speculators, there are always plenty of people to push it along. That's why you are seeing so many new issues of little three dollar stock today quickly oversubscribed and they move almost immediately to five or to ten (or more). Who wants to buy stock in a buggy-whip company?

People Do It Because They Are People

I am not trying to low rate sound investment research and the application of tested principles of investment. Those people who stick to such procedures will in the long run pursue a much safer course with their capital even if they may not double or triple it during this current phase of the public's addiction to science stocks.

Last weekend I spent a few days at a hotel in Miami Beach. I had some time on a Saturday evening and in order to please my 13-year old daughter I allowed her and her mother to inveigle me into spending several hours sitting in an auction room where three high pressure artists of the auctioneering trade held sway. This was supposedly for my daughter's entertainment and education as well as my wife's pleasure. Funny how women can sit through these things and get a big kick out of them even if they don't buy.

As usual, I was much interested in the techniques used by these skillful hucksters even though I have watched this procedure many times. They started at eight o'clock. They told stories. There were several children in the audience and the kids were asked to come up and recite. After a pat on the head, some very complimentary remarks, and a gift or two and much applause, the crowd began to warm up.

A shill entered and he asked some questions. Bidding began with low priced items. More people came into the room. First one auctioneer took over. After about an hour another, then about 9:30 the old master stepped up. They called him Doctor. When he got through with his introduction the room was well filled. He warmed them up, he talked philosophy, what's wrong with the modern generation, what he did when a boy, and he asked, "Do you like the auctioneer?" and all together we answered "Yes." But it wasn't loud enough for him. He knew we could do better than that and we did.

It wasn't long before two diamond rings were shown to the crowd. One had belonged to a famous movie star, another was from a large estate. He was bonded, he had his guarantees. "Do you still like the auctioneer?" "Yes," we said. By this time we were in it, the crowd was in a buying mood. "You're here on a vacation, dead men wear no rings. And let me tell you something if you love your wife now is the time to let her know it. And ladies if you love your husband and he wants to give you something like this and he asks you, 'Do you like it,' tell him yes. Remember, that's what he wants to hear. So what do you say folks, what do I hear? Remember I am under $50,000 bond; after I have two bids this beautiful stone is out of my hands etc. etc." One ring sold for $1,300 and another for $2,250. Both were sold to a young man who sat a row in front of me with his wife and little girl (who had sung one of the songs for us before the sale got under way.)

The next morning I met the young man at my hotel. After a few remarks we found that we both knew someone in common and I became friendly with him. I asked him if he would mind telling me how he would make certain that the stones he bought were worth what he paid. His reply was, "I really don't care, they looked alright to me, I am on vacation. What's the difference. I bought them for my wife."

What has all this got to do with evaluating stocks? Just this—it seems to me a lot of people are buying certain stocks not because they know what they are worth, but because this joy ride they are on seems to appeal to them in one way or another.

N. J. Aluminum Extrusion Co. Stock Offered

Laird & Company, Corp. and associates on May 10 offered 110,000 shares of New Jersey Aluminum Extrusion Co., Inc. capitial stock, class A, at a price of $8.875 per share.

Of the 110,000 shares offered, 50,000 shares are being sold for the account of the company and 60,000 shares for the accounts of certain selling stockholders.

Net proceeds from the sale of its 50,000 shares of stock will be added to the company's general funds and will be available for various corporate purposes, including working capital and the payment of outstanding bank loans.

New Jersey Aluminum Extrusion Co., Inc. is engaged exclusively in the manufacture of aluminum extrusions. Principal offices of the company are located in New Brunswick, N. J. The company produces various aluminum extruded shapes, including standard and custom-designed shapes, pipe and tubing, for its customers who fabricate extrusions into a number of products, such as storm windows, outdoor furniture, truck bodies and trailers, prime windows, house trailers, fencing, grating, appliances, ladders, boats and others. The company is completing a new plant having approximately 24,000 square feet in Winton, N. C.

For the year 1959, the company had net sales of $6,220,096 and net income of $91,766, equal to 50 cents per capital share. Upon completion of the current financing, outstanding capitalization of the company will consist of $128,000 of 6% debentures due Nov. 1, 1963; 141,000 shares of capital stock, class A, and 91,000 shares of capital stock, class B.

Tinstman Co. Formed in Lincoln

LINCOLN, Neb.—Tinstman & Co., Inc. has been formed with offices in the Stuart Building to engage in a securities business. Officers are Dale C. Tinstman, President and Treasurer; Gene H. Tallman, Vice-President and Secretary; H. A. Tallman, Assistant Secretary and J. S. Tinstman, Assistant Secretary and Assistant Treasurer.

Dale C. Tinstman was formerly Assistant Manager of the investment department of the First Trust Company of Lincoln.

R. E. Mayer Joins Wagenseller & Durst

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Ralph E. Mayer has become associated with Wagenseller & Durst, Inc., 626 South Spring Street, members of the New York Stock Exchange. Mr. Mayer, who has been in the investment business for many years was formerly with William R. Staats & Co., and Crowell, Weedon & Co.

Our Reporter on GOVERNMENTS

BY JOHN T. CHIPPENDALE, JR.

Last week's reduction in the rate which the commercial banks charge their customers for loans secured by stock collateral, from 5½% to 5% had a favorable influence on both the money and capital markets. The immediate effect was improved prices for all government issues, the short, the intermediates and the long terms. Non-Federal obligations, such as corporates and tax-exempt bonds, were also helped by this development, with stale syndicates in many cases being cleaned out by this decrease in the collateral loaning rate. The better tone and feeling in the money and capital markets brings forth the opinions that the discount rate may be the next to go lower. The prime rate also could be vulnerable.

The May 15 refunding operation was a successful one, with the attrition of $646,000,000, or about 10%, pretty much in line with expectations. This probably means there should be no further trips for the Treasury into the open money market for this fiscal year.

Cut in Discount Rate Likely

The discount rate of the Federal Reserve Banks, in the opinion of not a few money market specialists, is quite likely to be reduced in the not distant future. It is believed that the 4% Central Bank rate, which is substantially above the bill rate, and which has not been a penalty rate here for a long time, will be decreased to 3¾% or 3½% before much more water has passed under the bridge. The persistent spread between the bill rate and the discount rate is not the only reason given for the expected decline in the Central Bank rate since the uncertain trend of economic conditions is believed to carry much more weight when it will come to making changes in the discount rate. The demand for loanable funds is expected to remain sizeable but the boom size demand which has such a marked effect on interest rates and credit appears to have gone the way of all flesh for the time being at least.

Accordingly, with the inventory build-up not reaching the proportions which had been predicted—and in some instances there have been evidences of inventory liquidation—this means that the need for credit to take care of the carrying of these goods has been less than was expected. This has been responsible in some measure for a bit more credit being available for those who are interested in making loans.

It is rather evident that the course of business is going to be a very powerful force in determining the future trend of interest rates and as long as this trend is uncertain the monetary authorities are quite likely to keep money conditions in such a state that they will be helpful to the economy.

Reserve Will Keep Brakes On

A reduction in the discount rate when it comes is not likely to increase sharply the supply of loanable funds, even though it will mean that the policy of "easy" restriction is being superseded by one which will tend to aid in the bolstering of the economy. The banks, under such conditions, should be in a position to meet all legitimate borrowings which should be on the uptrend.

However, it is not expected that these institutions will have so much in the way of funds that they will be buyers of government bonds in addition to making loans. It is the opinion of most money market specialists that the powers that be will still keep a fairly tight rein on the money market in spite of the beliefs that there is a tendency to move in the direction of a modest amount of ease because of the questionable economic conditions.

Current Buying Trends

The intermediate-term government bonds, according to advices, have been moving into strong hands with the smaller out-of-town banks the main buyers of these issues. It is reported that the 4¾s, the 4⅞s, the 5s and the refunding 4⅝s have been the ones in which these institutions with surplus funds have been principally interested in.

The long-term end of the government list continues to be on the thin side so that quotations of these issues are moved about very readily by the so-called "professional" element in the market. Nonetheless, it is indicated that the new money bond, the 4¼% due 1985, has also been going into investment hands, with private pension funds and charitable organizations giving public pension funds competition in the purchase of this bond. Even with the price at about the 100 level, this has brought certain new buyers into the issue.

Charlotte Motor Speedway, Inc. Rights Offered

Charlotte Motor Speedway, Inc. offered to the holders of its common stock (par $1) the right to subscribe for 304,280 shares of common stock at a price of $2 per share, in the ratio of two shares for each three shares held of record April 12, 1960; these rights expired on May 6. 66,134 shares have been sold through May 6 according to Morrison & Co., Inc., of Charlotte, N. Car., who are presently offering the remaining unsubscribed shares at $2 per share.

The company was incorporated under North Carolina law on Aug. 19, 1959, to engage in the business of operating a motor speedway and to conduct, or lease its premises to others for the purpose of conducting other events. The Speedway is located on U. S. Highway No. 29, approximately 10 miles north of the City of Charlotte. On May 29, 1960, the company proposes to stage its first "World 600" stock car race, which it proposes to make an annual event. This will be a 600 mile race, which represents, so far as it is known to the officers of the company, the longest distance stock car race staged on a closed or oval-shaped course, as distinguished from a road or airport course, anywhere in the world. This event which will carry a $100,000 purse is the largest amount of money for any one event in American stock car racing.

Garat With Polonitza

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Tony Garat has become associated with Harry C. Polonitza & Co., 210 West Seventh Street, members of the Pacific Coast Stock Exchange. He was formerly an officer of Arthur B. Hogan, Inc.

AS WE SEE IT *Continued from page 1*

way or another with the operations of American business.

At What Cost?

What the cost of all this is in terms of wages and salaries, and other normal expense, plus the burden thus imposed upon private business, no one can say with precision, but there can be not the slightest doubt that it is all but astronomical. One partial measure of the direct cost is found in the non-military payrolls of government, say in 1958 (the latest year data are at the moment available) as compared with 1929. In the earlier year, there were a little over 34,000,000 men working for wages and salaries in private business in this country. Government, including government enterprises but excluding the military establishment, employed 3,287,000 men and women. By 1958 private business employed some 47,700,000 (a good many of them engaged largely if not solely in preparing reports and other documents for government) while government (excluding military payrolls) employed 8,122,000. Thus we see that in 1929 for every 100 drawing pay from private business, something less than 10 worked for government; in 1958 about 17 drew wages or salaries from government for every 100 employed in private business.

The same essential fact is found when, not the number employed but the total compensation of employes is analyzed. In 1929 private business paid out some $46 billion in wages and salaries and the like. Government's bill was $5.1 billion, or about 11% of that of private business. In 1958, the figures were $210.1 billion and $37.0 billion—the government figure being about 18% of that of private business. The total for government at the later date was roughly seven times that of the earlier year; that of private business roughly four and a half times the earlier figure. When the harassment, the delays, the expense, and the frustrations suffered by business of virtually all types as a result of such government activities are added to these costs—well, every businessman knows that the figure would be so high that the wonder is that a reasonable profit is ever earned—and no account has been taken of the cost of preparing all the records and data required by the Treasury Department at income tax payment times.

Underlying Philosophy

The broad underlying philosophy which accompanied and in fact produced it all is as important as what has taken place. The younger generation whose life-span does not reach through the period since, say the turn of the century, is in all too many instances not aware of what has taken place in our thinking concerning business and national affairs. The original regulatory agencies were designed, let it be recalled, merely to apply to situations where, in the nature of the case, competition could not function in an effective way. The railroads were the first to get public attention and public action. Of course, there was even then an element of competition among the railroads of the country, but in large sections of their lines such roads enjoyed a virtual monopoly. The same principle is apparent among a number of the utility enterprises. It would, for example, be inordinately costly and excessively clumsy to have two telephone companies operating in the same area. These earlier agencies were set up to do what competition would in ordinary circumstances do in other types of business.

As to the rest of the business system, laws were enacted to ensure that competition actually continued to exist—the Sherman Act, the Federal Trade Commission Act, the Clayton Act. Good, bad or indifferent in their earlier days, these agencies had in theory at least a sensible purpose. But then came a later date—after Mr. Keynes and some others of the same turn of mind had set forth their views—when competition was no longer regarded as able to do what it had been supposed to do in keeping business on its toes, preventing exploitation and all in all tending to stimulate to the utmost the performance of businessmen. In point of fact, it presently began to be said that in some areas at least competition was a wicked thing and should be done away with—in the fields of labor and agriculture, for example.

Now government began to take on the role of the ultimately wise to create incentives here, place discouraging burdens there and in general try to see to it that the economy functioned as the politicians think it should. It was in response to such notions that the great crop of New Deal agencies and laws came into being, and if there is clear realization in influential circles that these new and strange ideas are not worthy of a free country devoted to free enterprise and individual initiative it is not evident.

We should be wise in our generation if we set our own thinking straight on the matter before further serious damage is done.

Terminological Appraisal Of Life Insurance Stocks

Continued from page 10

presses earnings, the investor cannot help but be confused when he looks at life insurance earnings.

However, life insurance analysts have an adjustment which they make which is designed to correct this earnings distortion. It goes like this:

The analyst assumes that a given amount of insurance in force will return so much in profits to the stockholder over its life. Therefore, if the insurance in force increases in a year, the analyst multiplies this profit by the increase in insurance in force and adds the resulting figure to earnings.

Example: The analyst assumes that over the life of an ordinary policy the policy will return to the stockholder $15 per thousand insurance in force in profits after taxes. Therefore, if a company's ordinary insurance in force increases by, say $500 million in a year, the analyst would multiply $500 thousand by $15. The reason he uses $500 thousand is that $500 thousand multiplied by one thousand equals $500 million. Therefore, there are 500 thousand "thousands" in $500 million. His profit "per thousand" is $15. Hence, $500 thousand multiplied by $15 or $7.5 million, is his adjustment.

He takes this figure and adds it to earnings as reported by the company in that year.

The theory behind doing it this way is that by adding insurance in force to its books the company is in effect adding an amount of future profits to its income statement. In other words, the insurance in force can be counted on to add $15 per thousand to earnings over the course of its existence.

The question arises immediately: Where did this $15 figure come from? How valid is it?

This $15 figure in essence represents the "current value" of all the future earnings of the insurance policy. For example, if we look at the type of insurance which we discussed in Table II, we could discount each year's profit to present value at, say 6%, and then add up all the resulting figures. This would give us the "present value" of the future earnings on this type of business. This is done in Table III.

It can be seen from Table III that the "present value" of the future earnings of the insurance which we discussed in Table II is $14.78 per thousand.

In a way, it is just a coincidence that our figure of $14.78 is as close to the "adjustment" figure of $15 per thousand as it is. It is a coincidence because the true worth of life insurance can differ widely depending on any number of factors. Some business is worth much more than $15 and some is worth less. For example, it is clear from comparing Tables I and II that business with a low lapse ratio would be more valuable. However, our illustration is a valid one in showing, rather roughly, where this "adjustment" comes from.

When "adjusting" stockholders book value the analyst applies his $15 to all the insurance in force. In other words, if a company has say, $8 billion insurance in force, the analyst would multiply his $15 "adjustment" by $8 million, to arrive at a total adjustment of $120 million. The theory here is that book value should properly include the "present value" of all the future earnings of the insurance in force.

To repeat, the adjustment to earnings involves applying the adjustment factor of say, $15 per thousand to the *increase* in insurance in force from year to year. The adjustment to book value involves applying this adjustment factor to the *total amount* of insurance in force at any given time.

Our "adjustment" to earnings and book value of $15 per thousand applies only to ordinary insurance. The figure for term and group insurance is quite different.

Without going into details, suffice it to say that an "adjustment" of $7 per thousand is often used for term insurance, and an adjustment of a maximum of $5 per thousand for group insurance. Where margins are thin, some analysts give group insurance only $2 or $3 per thousand, and some group insurance is not worth anything.

The valuation of accident and health insurance depends a lot on the profit of record of the business. Some of it has no "extra" value. Some of it can be adjusted by taking a percentage, 10% or so, of the increase in unearned premium reserves and adding it to earnings and of the total unearned premium reserves and adding it to book value.

TABLE II

Estimated Profits on a Whole Life Ordinary Policy Assuming Typical Lapse Experience

Year	Profit per $1,000 Insurance Issued	Year	Profit per $1,000 Insurance Issued
1 ---	d$5.50	11	$2.10
2 ---	1.60	12	2.05
3 ---	1.40	13	2.10
4 ---	1.35	14	2.00
5 ---	1.25	15	1.90
6 ---	2.50	16	2.00
7 ---	2.40	17	2.05
8 ---	2.30	18	2.00
9 ---	2.20	19	2.05
10 ---	2.15	20	2.15

d deficit

Valuation of Industrial Insurance

Industrial insurance is somewhat different from ordinary life insurance. Lapse experience in industrial is considerably higher than for ordinary under usual conditions. Also, it tends to be considerably more expensive to service, since the premium collections are made by the agent on a door-to-door basis. The rate charged for industrial, and the terms of the policies, take these factors into consideration, and the insurance is not necessarily less profitable than ordinary. In fact industrial insurance can be very profitable for a company.

TABLE III

Year	Profit per $1,000 Insurance Issued (From Table II)	Discounted to Present Value at 6%
1 ----	d$5.50	d$5.50
2 ----	1.60	1.42
3 ----	1.40	1.18
4 ----	1.35	1.07
5 ----	1.25	0.93
6 ----	2.50	1.76
7 ----	2.40	1.60
8 ----	2.30	1.44
9 ----	2.20	1.30
10 ----	2.15	1.20
11 ----	2.10	1.11
12 ----	2.05	1.02
13 ----	2.10	0.98
14 ----	2.00	0.88
15 ----	1.90	0.79
16 ----	2.00	0.79
17 ----	2.05	0.76
18 ----	2.00	0.70
19 ----	2.05	0.68
20 ----	2.15	0.67
Total		$14.78

However, the profitability of industrial insurance has a lot to do with the size and condition of the "debit." By "debit" we mean the weekly premium volume per agent. An industrial life insurance agent needs to build up a certain sized "debit" before the business breaks even. This is true because the "debit" supports the agent (by the commissions he collects), and obviously the agent needs a certain number of customers before his operating expenses are met. (A debit of $250 to $300 is spoken of as the break-even point.) It is clear that industrial insurance is best serviced in an area of high population density. The agent must be able to get around to visit all the people on his "debit" each week. This is one reason why industrial insurance customers tend to be concentrated in cities, usually the "industrial" areas of the cities.

The larger the "debit" is, the more profitable it is, generally speaking. Since the size and condition of the debit is so important in determining its profitability to the company, the "valuation" of industrial insurance revolves around a valuation of the debit.

For example, when one industrial insurance company buys out the insurance of another (as has often happened), the acquiring company will look at the size and condition of the "debit" of the company to be acquired and will decide what it is worth. If the debit is small and unprofitable, the acquiring company will pay less than if the debit is large and profitable. Of course, a debit of any size becomes more attractive if it can be integrated into the acquiring company's debit to advantage either by building up the size of the resulting average debit or reducing overhead expenses or both.

When one company "values" the debit of another it thinks in terms of a value "times the debit." For example, 40 times the debit, or 60 times the debit, depending on the profit potential in the debit. The thinking involved is similar to that used by the investor when he values a stock on a "times earnings" basis.

An Example: Since there are 52 weeks in the year, a price "52 times the weekly debit" would be the same as paying one full year's premium volume. If an industrial insurance company is earning 10% of premium volume each year, after taxes, then a price "52 times the debit" would represent a price "ten times earnings."

This is the type of thinking involved in valuing industrial insurance. The adjustment which analysts apply to the book value and earnings of an industrial life insurance company are based on this approach.

If a "valuation" of "52 times the weekly debit" is assumed to be valid, the analyst will add one full year's industrial premium volume (52 weeks worth) to book value in arriving at "adjusted" book value. In adjusting earnings the analyst will add to earnings the entire increase in industrial premium volume in a year (over the prior year's volume).

The theory here is partly based on the belief that in liquidation, the company is worth at least book value plus the "valuation" of the business on its books.

By the same token the "net worth" of the company increases by the amount of the increase in premium volume in a year, so such increase is added to reported earnings.

Actually, some analysts will not go as high as "52 times the debit" in valuing the typical industrial company. Perhaps a lower valuation, 30 to 40 times the debit would be more suitable. If a valuation of 30 times the debit were used, the analyst would add 30/52 of the company's industrial premium volume in a year to book value. He would also add 30/52 of the increase in premium volume in a year (over prior year's levels) to earnings.

In summary, any "rule of thumb" in valuing insurance will be only an approximation. The actual valuation will vary from company to company, depending on the type and quality of the business written.

Amer. Bowling Ent. Securities Offered

American Bowling Enterprises Inc., a New York corporation, is offering 150,000 shares of common stock ($1.00 par value) and 150,000 class A common stock purchase warrants, through Myron A. Lomesney & Co., underwriter. The offering is made in units consisting of one share of common stock and one stock purchase warrant and is priced at $7.50 per unit.

The company will apply the net proceeds, together with other funds of the company, principally to the cost of constructing or otherwise acquiring bowling centers.

The company, on its present sale and lease-back arrangement, has three bowling centers operating in Massachusetts and is investigating prospective sites for bowling centers in New England and Virginia.

The company, through wholly-owned subsidiaries to be formed, plans to continue to construct and operate modern, air-conditioned bowling centers serviced by cocktail lounges, snack bars, restaurants, meeting rooms, rental lockers, bowling equipment shop and nurseries to take care of children of housewives. The nurseries for the care of the children are to stimulate increased day-time bowling by mothers.

N. Y. Bond Club Stock Issue

The Bond Club Stock Exchange, which opens for trading once a year at the Bond Club of New York's annual Field Day, is making its annual offering to members of 2,500 shares.

J. Howard Carlson, Carl M. Loeb, Rhoades & Co., who heads the Bond Club Stock Exchange Committee this year, said that trading in the shares will take place in a special Stock Exchange tent on grounds of The Sleepy Hollow County Club, where the outing will be held on June 3. Subscription books will close on May 25.

Drop a Line to Thomas J. Euper

Thomas J. Euper of Revel Miller & Co., Inc., Los Angeles, has been confined to the hospital for the past two months. He would be glad to hear from his many friends throughout the country. A Shane McOmber, Revel Miller & Co., Inc., 650 South Spring Street, Los Angeles 14, California, will take all messages and cards to him.

G. J. Mitchell Branch In New York City

G. J. Mitchell Jr. Co. has opened a branch office at 155 East 44th Street, New York City, under the management of Vincent C. Mitchell.

Joins Carolina Securities

(Special to THE FINANCIAL CHRONICLE)

RALEIGH, N. C. — J. T. Clark, Jr., has joined the staff of Carolina Securities Corporation, Insurance Building.

N.J. Natural Gas Debs. Offered

The company is offering holders of its common stock rights to subscribe for $3,830,000 of convertible debentures, 5¼% series due 1970, at the subscription price of $50 per $50 convertible debenture, on the basis of $4 principal amount of debentures for each share of common stock held of record on May 6, 1960. The subscription offer will expire at 3:30 p.m., New York Time, on May 27, 1960.

Allen & Company is manager of a group that will underwrite the offering.

Net proceeds from the sale of the debentures will be applied by the company to the partial payment of outstanding short term bank loans, proceeds of which were used to finance in part the company's construction program. Construction expenditures in the fiscal year ending Sept. 30, 1960, are estimated at approximately $3,100,000.

The debentures are convertible into common stock starting Jan. 1, 1961, at an initial conversion price of $22 per share, provided, however that not more than one-third of the entire issue may be converted prior to Jan. 1, 1962, and not more than two-thirds of the issue may be so converted prior to Jan. 1, 1963. The debentures will be redeemable at optional redemption prices ranging from 105.25% to par, plus accrued interest.

New Jersey Natural Gas Company, with headquarters in Asbury Park, N. J., is engaged in the purchase, manufacture, distribution and sale of gas for domestic, commercial and industrial consumption in three service divisions: (1) the Northern Division, located in Morris County; (2) the Central Division, principally located in Monmouth and Ocean Counties, and (3) the Southern Division which embraces Cape May County. In all, the company supplies gas to 104 municipalities which have an estimated aggregate population of 577,600.

For the 12 months ended March 31, 1960, the company had operating revenues of $17,025,689 and net income of $1,374,799. Upon completion of the current financing, outstanding capitalization of the company on pro forma basis will consist of $20,330,000 of sundry debt; 103,855 shares of 7% cumulative preferred stock, and 907,729 shares of common stock.

New Walston Wire

Walston & Co., Inc. has installed a new high speed teletypewriter system linking the New York headquarters with its various regional offices. The system steps up the firm's communications to a 100-word-per-minute tempo and cuts by one-third the time previously needed to transmit buy and sell orders.

I. M. Simon Branch

CARBONDALE, Ill.—I. M. Simon & Co. has opened a branch office at 213 West Main Street, under the management of Charles J. Lerner and Wallace F. Springer, Jr.

MUTUAL FUNDS

BY ROBERT E. RICH

Sizable But Unfashionable

It can hardly be a secret, at this late date, that managers of investment portfolios have been taking a dim view of the steels. Indeed, their aversion to this group of equities goes a long way to explain the sharp decline sustained by the steel issues this year, ranging upward from 25%.

Although the steels are cyclical by nature, it is nevertheless a fact that veteran Wall Streeters regard them as the bread-and-butter stocks. It is not for nothing that United States Steel has been called the stock market bell-wether.

And it is apparent that investment leaders haven't abandoned them completely. Far from it. For, according to the National Association of Investment Companies, more than $900 million of steel securities — common stock, preferred stocks and bonds—are held by the investment company members. A survey based on latest financial reports available shows that securities of 70 companies in the steel industry are held by 154 of the 180 open-end and closed-end members. Considering that the mutual funds' assets only tote up to little more than $15 billion, the steel holdings plainly are sizable even though unfashionable.

The N. A. I. C. figures that nearly 93% of the steel holdings is represented by common stock (66 companies). This stock has a total value of nearly $850 million. The mutual funds did not latch onto the steels until after 1953, when they were on the bargain counter. United States Steel in those days was priced to yield about 9%. By 1960 the stock had risen sixfold, although the decline sustained in the early months of this year has carried it down quite a way. Other steels have staged similarly sensational rises since 1953. In 1952 and again in 1953, the steels ranked 15th among industrial favorites of open-end companies.

By 1954, the shrewd portfolio managers had loaded up with enough steel to put that industrial grouping in sixth place. The steels remained in sixth place in 1955, but moved up to fourth in 1956 and have clung to that position ever since. Ahead of them are the front-running oils, which have been even more unfashionable of late, and the financials (banks and insurance) and public utilities, including telephone issues.

However, the fifth-ranked chemicals have been pressing in on the steels and unless there is a better feeling presently toward the ferrous equities, it may be that the chemicals, which occupied the third slot before the Great Bull Market got underway, will move ahead of the steels.

The comprehensive analysis of investment - company portfolios, made by A. Wilfred May in our issue of May 5, showed that while the steels were falling into disfavor in the first quarter of this year, the chemicals were attracting buyers. Not that the feeling was unanimous—far from it. Thus, while a dozen funds were buying Du Pont, another half dozen were selling. And it is interesting to note that the best-liked in the group was Eastman Kodak which, Wall Streeters insist, is a "semi-chemi."

According to the latest tabulations, the most widely held common stock issue in the steel group is United States Steel, with 75 investment companies having holdings with a total value of over $213 million. Thus, the biggest company is accorded the top spot. But the second largest entity, Bethlehem Steel, is fourth—both in numbers of companies owning that stock and the amount at which the bundle is valued. The second place goes to Armco Steel, which is followed by Republic.

With a banner first quarter behind them and the second-quarter operations running around 75%, the steel business is still highly profitable. It may get worse, of course, before it gets better. But the seasoned men who manage investment portfolios are aware that the kingpins of this industry are well financed and, for the most part, keeping plant up to date. Generally, the steel-makers are earning dividends with plenty to spare.

To be sure, they are not without problems. Costs of labor and materials have been rising. Plant-replacement costs come high these days. And obtaining offsetting price increases will be difficult, owing to Government pressure, competition from abroad and the added competition at home from substitute materials. But if the steel stocks don't spell growth in 1960 to investment leaders, they do represent bread and butter.

The Funds Report

de Vegh Investing Co., Inc. reports net asset value per share declined from $18.76 to $17.50 during the latest quarter. Assuming the reinvestment of the capital-gains distribution of $1.14 a share on March 25, this represents a decrease of 10.1%.

* * *

Keystone Income Fund Series K-1 reports income is presently derived from over 100 different securities in the portfolio. The 24 bond issues account for about 20% of total net assets, 41 preferred stocks 40% and 39 common stocks for 40%. According to the company: "The proportionate holdings among these general types of securities were approximately the same as at the 1959 fiscal year-end, but a number of changes were made in the specific companies represented."

* * *

Niagara Share Corp. puts net assets of $8,218,284, or $18.85 a equal to $21.68 a share. This compares with $61,930,191 and $22.90 a share a year earlier.

* * *

Wisconsin Fund net assets at March 31 amounted to $15,210,936, or $6.04 on each of the 2,602,068 shares outstanding, against $14,-854,563, $5.99 a share and 2,480,019 shares a year earlier.

* * *

Guardian Mutual Fund reports that as of April 30 it had net assets of $8,218,284 or $18.85 a share and 435,966 shares outstanding. This compares with $7,564,670 and $20.61 a share on each of 366,955 shares outstanding on April 30, 1959.

* * *

New York Capital Fund of Canada reports that at March 31 net assets totaled $29,103,441, or $12.51 on each of 2,325,509 shares, against $28,362,070 and $12.51 a share on 2,266,470 shares a year earlier. The fund reported at the close of last year net assets of $31,295,866, or $13.16 on each of 2,377,411 shares outstanding.

* * *

Selected American Shares announced net assets at March 31 were $95,991,194, or $9.35 a share, against $93,922,958 and $9.82 a share at March 31, 1959, and compared with $104,849,064, or $10.28 a share, at the end of 1959. Shares outstanding amounted to 9,560,256 on March 31, 1959, rose to 10,194,-423 at the end of 1959 and stood at 10,925,635 at latest report.

Johnston Mutual Fund net assets at the end of the first quarter amounted to $11,793,818, equal to $23.82 a share. This compares with $9,297,916 and $23.14 a share a year earlier. At Dec. 31, 1959, assets were $11,460,390, or $24.42 a share. Shares outstanding rose from 401,776 on March 31, 1959, to 469,219 at the end of 1959 and to 495,093 at latest report.

* * *

Peoples Securities reports net assets on March 31 stood at $5,019,568, or $16.38 on each of the 306,427 shares, against $2,423,132 and $15.45 on each of the 156,802 shares at the end of March, 1959.

* * *

Stein Roe & Farnham Stock Fund discloses net assets at March 31 were $11,739,132, the equivalent of $27.25 a share, compared with $7,757,099, or $25.53 a share. Share total rose during the year to 430,778 from 303,810.

* * *

Stein Roe & Farnham Balanced Fund had net assets of $42,921,660, equal to $35.21 a share on 1,218,-893 shares at March 31. This compares with $42,852,768 and $38.62 on 1,109,555 shares outstanding at the end of 1959.

* * *

T. Rowe Price Growth Stock Fund reports that at March 31 net assets amounted to $29,782,457, or $13.19 on each of the 2,258,808 shares outstanding. Comparable figures for a year ago were $19,391,500 and $12.67 on each of 1,530,108 shares. Net assets at Dec. 31, 1959, were $28,542,829, or $3.70 on each of 2,083,224 shares outstanding.

* * *

Blue Ridge Mutual Fund reports net assets at March 31 totaled $31,974,096, equal to $11.01 a share, against $34,128,687 at the end of 1959.

* * *

Colonial Energy Shares net assets amounted to $60,862,515 and $11.84 a share on March 31, down from the $69,139,448 and $13.72 a share reported a year earlier.

* * *

Growth Industry Shares had, as of March 31, net assets of $22,091,-208, or $18.97 on each of the 1,164,840 shares outstanding. The corresponding figures for March 31, 1959, were $17,320,525, $18.29 and 946,896 shares. At the close of 1959 net assets were $22,293,442, equal to $20.12 on each of the 1,108,149 shares outstanding.

* * *

Delaware Fund has just completed new common stock positions in Swift & Co. and Philip Morris. D. Moreau Barringer of Delaware Management Co., Inc. reports in the investment advisory firm's latest semi-monthly directors' letter. Generally categorized as consumer stocks, both, he writes, are supposed to be relatively free of the severe cyclical swings experienced by capital-goods producers. Though subject to fluctuation of gross and net, he says "there is an implication that a general retreat of capital-goods activity will not necessarily carry these companies' business down in its train."

* * *

Net asset value of the common stock of **Electric Bond and Share Co.** at March 31, 1960 was $152,-224,900, or $28.99 a share, 4% lower than asset value at the 1959 year-end of $159,158,800, or $30.31 a share, reflecting "the generally lower security market levels prevailing at the later date." Largest group of assets is its marketable securities portfolio, consisting of 34 companies, with a market value at March 31, 1960, of $67,798,300. These securities, together with net current assets and short-term investments, amounted to 59% of total assets. The remarkable securities portfolio includes securities having a value of $48,583,400, acquired since the commencement of the investment program in April, 1954, and the unrealized appreciation on these securities at March 31, was $15,853,400, an increase of 48% over cost.

United Funds, Inc. declared a dividend of 7 cents a share from net investment income on United Science Fund shares. A distribution of 3 cents a share from securities profits was also declared. The dividend and distribution are payable May 31.

* * *

Federated Investors, exclusive distributor of **Income Foundation Fund,** has acquired substantially all the shares of **Federated Research Corp.,** investment advisor to the fund.

John F. Donahue, President of Federated Investors, reported the acquisition to shareholders in the annual report. Mr. Donahue pointed out that the acquisition makes Federated Investors a "true distributor - management" company in the mutual fund field. Initial public offering of Federated Investors shares was made last August.

The company, which specializes in sale of contractual investment plans on Income Foundation Fund through its own sales force, reported 1959 plan sales in the face amount of upwards of $28 million. Total face amount of such plans active at the year-end amounted to almost $72 million, according to the report.

The report estimated Federated Investors' share of commissions still to be received on these plans at more than $2 million. "Like an iceberg," the report noted, "most of the earnings from investment plans sold are hidden from view because they are to be received in the future." It was explained that the company's share of commissions earned on $1 million of contractual plans sales is approximately $30,000 but that only one-eighth of this sum comes down in the year of sale.

* * *

The fiscal year just ended marked the close of the tenth year of operations, James H. Orr, president of **Colonial Energy Shares, Inc.** told shareholders in the Fund's Annual Report for the year ended March 31, 1960. Orr pointed out that during the first decade of the fund's existence net assets grew from approximately $6 million to over $60 million. Net asset value per share increased from $7.51 on July 21, 1959, to the equivalent of $16.84 on March 31, 1960, after adjusting for cumulative distributions from realized gains of $5 per share and a 2-for-1 stock split in 1955.

Net asset value per share on March 31, 1960 was $11.84 per share. Adjusting for the 46-cent capital gains distribution declared at the fiscal year-end, the per share net asset value was $12.30, which compared with $13.72 a year ago. Income dividends paid by the fund during the year totaled 35 cents per share, the same as last year.

* * *

Fidelity Fund, one of the Fidelity Management Group of mutual funds, reports total net assets of $373,293,107 for quarter ended March 31, 1960, compared with net assets of $372,639,741 on March 31, 1959. The fund reported that number of shareholders and shares outstanding reached new highs during the quarter. Shares outstanding were 25,049,503 on March 31, 1960, compared with 23,131,766 a year ago. New securities added during the quarter were: U. S. Treasury 4% notes, U. S. Treasury 4¾% notes, U. S. Treasury 4⅞% notes, Federal Intermediate Credit Bank 5¼% Debentures, Federal Land Bank 4⅞% Bonds, Federal National Mortgage Association 5⅛% Debentures, Federal National Mortgage Association 4⅞% Debentures, Coastal States Gas Producing Co. 6% Debentures, Spiegel, Inc. Conv. Sub. 5% Debentures, and the common stocks of Alico Land Development Co., American Insurance Co., Kern County Land Co., Union Texas Natural Gas Corp. Class "A" and Class "B."

Securities eliminated were: common stocks of Abbott Laboratories, Amerada Petroleum Corp., Associates Investment Co., Carpenter Steel Co., Chrysler Corp., Denver & Rio Grande Western R. R. Co., Walt Disney Productions, Houston Lighting & Power Co., Kennecott Copper Corp., Mission Corp., Charles Pfizer & Co., Inc., Republic Natural Gas Co., and Reynolds Metals Co. 4¾% cum. pfd. "A" and Tidewater Oil Co. cum. pfd.

Managed Funds Shareholders Endorse Channing

Shareholders of Managed Funds Incorporated of St. Louis have approved investment management and distribution agreements with Channing Corporation of New York at the shareholders meeting May 6.

Van Strum & Towne, Inc. was approved as investment advisor by 13,356,734 votes, or over 70% of the total 18,822,877 shares outstanding. Only 78,505 voted against approval or less than one-half of one percent.

Hare's Ltd. was approved as national sales distributor by 13,-304,005 votes, or over 70% of the total outstanding. Only 131,234 voted against approval, or less than six-tenths of one percent of the outstanding shares.

Leicester W. Fisher, President of Managed Funds, said the vote approving the service agreements with the Channing organization represented the largest vote ever received by any group in the entire history of Managed Funds. The virtually unanimous approval was especially gratifying in view of the recent close proxy contest with the Townsend interests a mere six weeks ago.

John S. Kramer, attorney for Channing, reported that a new prospectus for Managed Funds was filed with the Securities and Exchange Commission April 21 and clearance is expected later this month.

King Merritt, President of the international sales organization of King Merritt & Company, Inc., announced that immediately thereafter a national sales campaign of Managed Funds would be launched throughout the country. He added that many former Managed Funds salesmen had joined his company and though others would do so now that their customers had expressed approval of the Channing organization.

Chicago Analysts Election Meeting

CHICAGO, Ill.—The Investment Analysts Society of Chicago will hold their annual election meeting on June 10th. A slate will be presented by the newly appointed nominating committee, comprising Clarence E. Torrey, Jr., A. G. Becker & Co., Incorporated, Chairman; Russell J. Eddy, William C. Norby, Richard H. Samuels, and Neil E. Heikes.

To Form Bernstein Co.

SCARSDALE, N. Y.—As of May 5th, D. J. Bernstein & Co., members of the New York Stock Exchange, will be formed with offices in Scarsdale. Mail address of the firm is P. O. Box 657. Partners will be Daniel J. Bernstein, member of the New York Stock Exchange, and Samuel W. Weiss, general partners, and Harry Silverson, limited partner.

Mitchum, Jones Partners

LOS ANGELES, Calif.—On May 5th, William N. L. Hutchinson and William W. Bliss will become limited partners in Mitchum, Jones & Templeton, 650 South Spring Street, members of the New York and Pacific Coast Stock Exchanges.