Inflation and Growth Implications
In Analyzing Stock Market Values

By George W. Mitchell,* Member, Board of Governors of the Federal Reserve System, Washington, D. C.

Central banker advises stock market analysts to avoid the easy assumption that inflation will validate stock market values. Governor Mitchell surveys complicated forces shaping stock values, notes stocks' growing expensiveness, doubts sizable profit margins will appear over time to justify still higher P/E ratios, and says that, even if inflation were to resume, it is most questionable as to whether it would provide fundamental support to stock market valuations. He hopes investors' confidence in the economy's prospects for vigorous growth will be the force to shape stock value.

*George W. Mitchell
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.

MITCHELL JAY BAYER
Managing Director, Research Dept., Federman, Stonehill & Co., New York City

New England Tel. & Tel.

The security I like best is just that—what it truly is, and that's true that counts, what people believe to be true is perhaps just that—what it truly is, and that's true that counts, what people believe to be true is perhaps just that. It may be reflected in the securities markets. Too often emotions and fads have ruled the facts (usually more readily available to even the casual observer) overreasoning that a particular company and its security issues. Therefore, in this vein, the statement "New England is a dying area" is accepted as the gospel truth by many people. The reason: the only kind of company is quite the opposite. They have become, or are becoming, a showplace of population, entrance of new industries, and important growth in both total personal income per capita income. New England is on the move, creating a favorable climate for continuing growth of New England Tel. & Tel.

The changes within the Boston area are far from negligible. The relatively new, academic, cultural and vacation facilities in the areas have attracted a professional elite, and many firms, particularly in electronics, the established remarkable divisions in the environs of Boston. The redevelopment of the city, and particularly the planning and construction of some 49 apartment and commercial buildings now involving over $5 million. With more than 30% of the company's telephones located in the Boston area, these redevelopment moves augur well for New England Tel.'s future expansion and growth. The company estimates that by 1975 the number of employed and the operating area will have almost doubled from the 36 million now in service.

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This week's Forum Participants and Their Selections

New England Tel. & Tel.—Mitchell Jay Bayen, Managing Director, Research Dept., Federman, Stonehill & Co., New York City

Texas Instruments, Inc.—Edward L. Brennan, Investment Analyst, Hardyc Co., New York City

This week's two top dividend paying stocks with a 12% interest rate are most favorably with the very best of its competitors. It may be thought, that no top div. in any field of investment. In 1962, total sales came to $240,000,000 with net income of $8,400,000 or 44% after taxes. Per share closed to four million, common shares. Texas Instruments hit its profit peak back in 1969 (year also of top level for its stock) with earnings of more than $34 million or $3.91 per common share.

Major factor in this earnings decline was the building up of competitive strength in the field of Texas Instruments’ specialty: semiconductor devices. This decline has not hurt profits but has continued to manufacture these transistors and diodes at a profit. Management is not most optimistic that the rapid production costs and solid research back-up will keep it strong and it can build, as its specialty field develops, particularly in the fantastically lucrative Solid Circuit networks.

The corporation has gradually moved away from dependence on the semiconductor area. However, these devices still account for a large part of its sales revenues. The other areas may be categorized as: Guidance and Control; Nuclear and Geo-Physics.

Guidance and Control: This category includes complete electronic navigation and a r r e n c e s s i s t e s systems, microphone amplifier and temperature control and precision switches.

Nuclear and Geo-Physics: The company manufactures nuclear fuel elements for government and industry. Particularly, from the earlier decline which marked the economy of the area from 1929 to 1937. Between 1929 and 1947 the region’s share of total U.S. personal income declined by almost 25%; 1947 to 1957 produced a further decline of 5%. However, since 1957 the growth in total personal income equalled that of the entire U.S., while per capita income betters the nationwide figures. The area’s per capita income advantage over the rest of the country shrank from a 25% higher level in 1929 to one only 10% greater by 1945; this trend has continued as New England income climbed to a point some 13% ahead of the average for the country. The shift in emphasis from textiles and machine tools to electronics, electrical machinery and transportation equipment has accelerated the hiring of highly skilled and professional employees with their attendant higher wage levels.

Therefore, New England Tel.’s net income during the past ten years has exceeded that of parent New England Tel. & Tel. (holder of 69.32% of the 22,198,392 common shares). This is evidenced not only in a slower growth in total operating (up 10% for New England versus 122% for American Tel.). During the past ten years New England’s net income rose by 264%, American’s by 241%. Increased mechanization of services, higher volume and acceptance of new specialized services augur well for the future. Over $1 billion was spent in the best ten years to expand and improve service; $146 million is budgeted for the current year. Continuing progress is indicated in this year’s statement showing a further improvement in profit margins. Total 1963 per share earnings were $2.93, 9% of $31 over 1961, an expected moderate increase would serve to produce record earnings in 1963. Recently released first quarter dividend payments of 40¢ per share indicate approximately 5% increase, the share price has continued to show a rise of 2.0% from $2.43, February 1962, to $2.49, March 1963, a rather remarkable record.

Six offerings of new common shares on a rights basis since 1935 have been well received. It is anticipated that future rights offers will be made available to its share-holders from time to time. Exercising rights affords the owner a privileged subscription price; selling rights acts to reduce original cost of the stock. The last offering of common shares was made in 1961 on a one-for-seven basis. The shares of New England Tel., Tel., listed on the New York Stock Exchange, appear to offer an investor an interesting and relatively safe investment for future expansion and growth of the New England area.

EDWARD L. BRENnan
Investment Analyst, Hardy Co., New York City

Members, New York Stock Exchange

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Commercial and Financial Chronicle
Page 2, May 16, 1963

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Bond Market Outlook for The Second Half of 1963
By Sidney Homer, Partner, Salomon Brothers & Co., New York, City

How long will the bond market remain firm in the face of rising prosperity at a reasonably good rate sans inflation and under taxing of capacity? Mr. Homer's reply anticipates no sustained rise in long-term yields with government expenditures staying in their range of the past two years. If interest rates were to rise, he adds, corporates and municipalities would be more vulnerable to rising yields than government bonds. He bases his analysis on supply and demand for funds, and the changing market forces, to explain developments pre-empting the bond market as a business cycle indicator. However, rising yields would not be exponentially large but not for balance of payments conditions, and comments on significant Federal Reserve departures from "judging" wherein corporates and municipalities now have lower yields than governments. The writer sees another large mortgage year, dozes corporate bond financing will not force higher rates, notes the narrowing spread between governments and corporates, and expects improving business will permit "less ease" by the Fed which, however, would leave short rates rates due to offsetting market forces—baring an all out boom.

Any gathering of security analysts is apt to include many whose primary interests lie in stocks, a few very rich myself who are interested solely in bonds, and many who try to be neutralists and see an eye on both markets. For those who are interested in stocks, the bond market is declining; it is accused of discounting a present or future decline in American prosperity. If the bond market is falling, it is accused of discounting a credit squeeze and trouble to come. Only a daydreaming, the superico bond market such as we have been having for two years can be safely ignored. The bond market has been all but eliminated in a few European countries where two wars and two nearly total inflations have dined and investment in fixed claims. Fortunately for bond men, however, nothing like this has happened in the United States or is apt to happen. To cite a few figures, which I hope will not sound like boasting, in 1962 the capital markets of the United States provided the American economy with $41 billion net of new money; of this less than $1 billion was raised through the sale of new equities, $16 billion was raised through the sale of new bonds, and $24 billion through the sale of new mortgages. Thus, bonds and mortgages together provided 88% of the total of new money raised in the market.

For almost a year now we have enjoyed some what people may call the best of all possible worlds: rising stock prices, firm to higher bond prices, and a high level of business activity which lately has started to rise more rapidly. Our question today is how long the bond market will remain firm in the face of rising prosperity.

Bond Rates as a Business Cycle Indicator

Most business forecasters now differ only as to the rapidity with which they expect business volume to rise for the period immediately ahead. With such an outlook on top of two years of business improvement and credit expansion, it is natural that many people are forecasting an early and considerable cyclical rise in interest rates. It is argued that rising capital expenditures by American business will lead to a rising volume of bond fluctuations and a stepped up use of bank credit. Consumption of this expenditure will rise, will borrow more and save less. Simultaneously, the Treasury deficit is scheduled to increase and the Treasury it is said will find itself competing with business for a share of smaller pool of savings. Finally, it is argued that monetary policy, relieved of the necessity of promoting growth, will encourage higher interest rates in order to achieve a better balance of payments and a return to more conservative credit standards.

Given a favorable economic outlook such a forecast of rising rates would have been axiomatic at any time in the 1950's and would have been correct. Today, however, there are some students of the money market, myself included, who doubt that a normal cyclical rise in interest rates is an early prospect even without a real upturn in economic activity. Continued on page 22

ARTICLES AND NEWS

Inflation and Growth Implications in Analyzing Stock Market Values............George W. Mitchell
Bond Market Outlook for Second Half of 1963...............................Sidney Homer
In the Chips...........................Ira U. Coffege
Opportunities for Municipal Industry in Federal Loans.........................Sidney H. Woolner
Are Commercial Banks Competing for Savings?...............................Charles M. Williams
Federal Tax Cut Means Lower States-Local Taxes............................Douglas Dillon
Modest Devaluation Would Cure Our Payments Gap............................Robert C. Wertheimer
Getting at the Heart of Real Tax Progress................................C. Lowell Harris
Sidney Koretsa Trades Turnabout by Price Stability Advocates (Letter to Editor).........19

Regular Features
As We See It................................(Editorial) 1
Bank and Insurance Stocks.................18
Coming Events in the Investment Field.................40
Commentary................................44
Dealer-Broker Investment Recommendations......8
Eliot: "The Pound's Gyrations".............2
From Washington Ahead of the News.................21
Indications of Current Business Activity....27
Market and You (The)..........................16
Mutual Funds..............................17
News About Banks and Bankers..........23
Observations................................4
Our Reporter on Governments.................17
Public Utility Securities....................29
Securities Now in Registration.........28
Prospective Security Offerings.............34
Security I Like Best (The)..................2
Security Salesman's Corner...............14
State of Trade and Industry (The).........15
Tax-Exempt Bond Market...................6
Washington and You........................40

The COMMERCIAL and FINANCIAL CHRONICLE Published Twice Weekly
Reg. U. S. Patent Office
WILLIAM B. DANA COMPANY, PUBLISHER 22 Park Place, New York 7, N. Y.
WILLIAM B. DANA COMPANY, PUBLISHER
4-567 Whitehall, New York, N. Y.

THURSDAY EDITION ONLY (52 issues per year)
Published every Thursday. Second class postage paid at New York, N. Y.

SUBSCRIPTION RATES
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ENFORCEMENT PROBLEMS
THE SIXTH INVESTIGATION IN A SERIES ON THE SEC'S SPECIAL STUDY OF SECURITIES MARKETS

The more one delves into the Securities Markets Study, the more one is made aware of the serious potential difficulties in the way of enforcing the supposed broader regulatory powers that have been granted to the Commission by the Securities Exchange Act of 1934. Here, one begins to wonder whether the protection given to the public by self-regulation by the stock exchanges under the Securities Exchange Act of 1934 is anything more than a "cooperative regulation" as through the NASD (the NASD Association of Securities Dealers) operating under the aegis of the SEC, covering the far-flung universe of stock market transactions, whether the mutual funds through the government-industry adopted Statement of Policy, or by complete self-regulation to which many of the current programs advanced by the Commission Group and approved by the Commission are committed.

The new SEC in its second half of the year, as was reported last January in the study by the Study committee directed Milt Cohen and SEC Commissioner Forest Crump, among others

Exchange Regulation
Admittedly the New York Stock Exchange is doing a conscientious and laborious job on its rules and system of self-regulation under the personnel via-i-a-vis the customers. This is epitomized in the more than 1,600 regulations contained in the Handbook, as was advanced in its revised program promulgated last January under the title "Supervision and Management of Registered Representatives," as was found in the Exchange's "Know Your Customer" rule, in part, as follows: "Every member organization is required through a general partnership agreement to affirm to the National Association of Securities Dealers that a member cannot be a holder of voting stock to:

1) "Use due diligence to learn the rules and regulations of the Exchange of which every customer, every order, every cash or margin account, every member of personnel is "vital to the customers. This is epitomized in the more than 1,600 regulations contained in the Handbook, as was advanced in its revised program promulgated last January under the title "Supervision and Management of Registered Representatives," as was found in the Exchange's "Know Your Customer" rule, in part, as follows: "Every member organization is required through a general partnership agreement to affirm to the National Association of Securities Dealers that a member cannot be a holder of voting stock to:

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The importance of the Counter Market and the need for more enforcement of the rules and regulations on the part of the exchanges, the reason for the growing complaints of member firms, and the recognition of the need for better才是真正 in the world of securities trading, the presence of seemingly insurmountable difficulties, both qualitative and quantitative, to the implementation of the reforms of such material. These elements of doubt are reinforced as is the desire of Inter-Industry discussions last week.

Also, and more basically to realizations, is the question of the need for more enforcement of the rules and regulations on the part of the exchanges, the reason for the growing complaints of member firms, and the recognition of the need for better enforcement, and the presence of seemingly insurmountable difficulties, both qualitative and quantitative, to the implementation of the reforms of such material. These elements of doubt are reinforced as is the desire of Inter-Industry discussions last week.

Banking is one clear example of an industry, in which the forces who even works for an obvious boiler shop, where even the SEC takes an active part, is well illustrated by the recent decision of the Commission to hold an open censure proceeding against a company for violating the registration section of the Act. This is the type of action that the SEC is bound to take in the near future, as it is in the interest of new members to the industry, the interest of the consumer, and the interest of the public to be vigilant and to see that the SEC does its job in a complete and effective fashion.

Blackbird's Legal Complications
The difficulty of barraging from the securities business a salesman...

OBSERVATIONS...
BY A. WILFRED MAY

White & Co. Opens New York Office
The St. Louis firm of White & Co., members of the New York, American, and Midwest Stock Exchanges, has opened two New York offices at 50 Broadway under the management of the Miss Angel Deane, formerly with J. W. & Co., will direct all sales activities.

Gallagher joins Y Securities
Robert Gallagher has joined New York Securities Associates at 1 Wall St., New York City, members of the New York Stock Exchange, as a member of that exchange's business department.

L. M. Heine With H. Hentz & Co.
Leonard M. Heine, Jr., has joined H. Hentz & Co., 72 Wall Street, New York City, members of the New York Stock Exchange, as Sales Manager. In the past, Mr. Heine was with L. F. Rothschild & Co.

Mr. Robertson has joined the firm's Chicago office, 209 South La Salle Street.

Pound's gyrations
By Paul Einzig
Sterling's recent dip and recovery said to revolve around initial alarm and, then, subsequent improved second thoughts on the imminence of the approaching election and on the support from the IMF in view of the denoue of the understanding with Jacobson.

The business of sterling since the elections early in May has been of short duration, but, while it lasted, it went its way to continue downwards. But, from the last few days' market, it appears that the market may be looking for a period of stabilization. The action is, in effect, the cover of a large part of the day-to-day support that will decide in the early months of this year for fear of a development that any pressure on sterling is likely to be weaker than in other years. Also, the situation in France and Germany is such as to make Britain's relative competitive position better. On the other hand, the prospects of a Socialist victory at the next General election may be the fear that after all Mr. Macmillan will decide in favor of a referendum instead of adhering to it until 1974. These fears received considerable support in the possibility given to a weekend meeting of Cabinet Ministers for the purpose of discussing the election program. It is a complete possibility that the government may be encouraged to pass by publicizing its intention—and if indeed it is, the result will be to return to the autumn. Quite obviously an attempt of an election campaign might be in the air. It also tends to discourage the trade revival which will last last longer and may have made a start.

Premature Election Fears
On the assumption that there will be no general election for 12 months, and that the months businessmen were prepared to commit themselves to the present investment policies are hesitant to do so now, in the event of an election campaign by the government wanted to prevent people from trading in the exchange market. Hence the hint given about the possibility of an early election inside, but it might not in the bud only a Stock Exchange boom but also a trade revival.

The unexpected death of Mr. Per Jacobson was a contributory cause of sterling's temporary weakness. It is widely assumed that the renewal of Britain's claim to the attraction of that country to France and Germany as Mr. Per Jacobson has been known to have been in favor of, the arrangements, it occurred to many people that at the next annual meeting of the International Monetary Fund it might not be so easy to secure the renewal of the agreement. These are the thoughts, however, these fears were dismissed, as it stands to reason that France and Germany could ill afford to weaken the defense of this agreement. But, in the approachng election would make matters particularly. Nevertheless, the prospects of a Socialist victory at the next General election may be the fear that after all Mr. Macmillan would decide in favor of a referendum instead of adhering to it until 1974. These fears received considerable support in the possibility given to a weekend meeting of Cabinet Ministers for the purpose of discussing the election program. It is a complete possibility that the government may be encouraged to pass by publicizing its intention—and if indeed it is, the result will be to return to the autumn. Quite obviously an attempt of an election campaign might be in the air. It also tends to discourage the trade revival which will last last longer and may have made a start.

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In The Chips

Volume 197 Number 284 . . . The Commercial and Financial Chronicle

FROM WASHINGTON

BY CARLISLE BARGERON

A Swift rise in the expansion and earning power of a leading producer, and efficient-national distributor, of snacks and con

John Piper Opens
Counsel Firm

San Francisco, Calif.—John S. Piper, who retired in June last year after 33 years as financial editor of the San Francisco New

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The state and municipal bond market continues to be supported by robust strength since we last reported a week ago but The Commercial and Financial Index shows a very slight improvement in the volume of bond offerings. Our preselected list of 13 long-term (20 years) offerings averaged a 2.0% yield this week as against 2.25% a week ago. In other words, the market has maintained its slight edge a bond on the strengths of a new issue bidding, better government bond prices and in some disregard of the market lethargy indicated in the urine for profit for $70,000,000 Washington Public Power Supply System issue and the consequent decline in the yield on this issue. Such an apparent widening of the yield gap should not be overlooked.

Bidders Have the Edge

Although dealers have become accustomed to carrying more inventory than was formerly customary, the appearance of a new record total of offerings necessarily places the institutional bidders in a stronger negotiating position and reduces the influence of the market in the manner of the offering. Their interest in offerings naturally diminishes or becomes less active when the amount of secondary bids or quotations is backed off some or temporarily withheld.

Despite the lack of support from the long-end of bond investor demand, the recently firmer markets for long-term Treasuries have continued the year along the general trend generally favorable to the corporate bond side which has been protractedly strengthen but early this summer. Even the larger corporate bond issues have helped stabilize the bond market generally with a number of new issues and changes in trading position and reduces the influence of the market in the manner of the offering. Such an apparent widening of the yield gap should not be overlooked.

Urgent Need for a Comprehensive Tax Analysis

While the business conditions of the nation may be more distributed power, however, the pressures of competition may pro- BWCD at 3.9% and 1.7% for the New York Bourse, and the New York Hanseatic Corp. Redefining from 1.50% to 3.00% as the greatest balance in syndicate totals $800,000.

The Harris Trust and Savings Bank, an executive of the bond high bidder for a smaller issue of Niagara Falls totaling $100,000,000 at 2.40%. Offered in yield from 1.90% to 2.50% in 1972, the under the balance totals $350,000.

Friday was unadjusted in the rates there were no sales of any significant size with the exception of $82,000 of the Keystone obligations bonds. We are happy to announce that the local Keystone bond has been sold in a 2.65% coupon and that Keystone with the above mentioned fired engines.

Monday of the present week was also a light day with $1,800,000 Buelld, Ohio, various purpose (1964-1978) bonds the feature. The group headed by McDonald & Co. was recording a 3.1441% net interest cost. The second bid, a 2.67% net interest cost, was made by Smith Brothers & Co. and associates.

Other major members of the winning bidders include Merrill Lynch, Pierce, Fenner & Smith, Eastman Dillon, Union Securities, J.P. Morgan Co., Provident Bank, Cincinnati, Ohio, Harrison Trust & Savings, and Well, Roth & Irving Co.

As we go to press, a balance of $790,000 remains in account.

MARKET ON REPRESENTATIVE SERIAL ISSUES

<table>
<thead>
<tr>
<th>State</th>
<th>Rate</th>
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</tr>
</thead>
<tbody>
<tr>
<td>California, State</td>
<td>3.5%</td>
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<tr>
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| *No apparent availability.*

The new issue calendar as cur- rently presented through June 30 is not scheduled as well as tentatively scheduled total less than $500,000. In other words, the market has maintained its slight edge a bond on the strengths of a new issue bidding, better government bond prices and in some disregard of the market lethargy indicated in the urine for profit for $70,000,000 Washington Public Power Supply System issue and the consequent decline in the yield on this issue. Such an apparent widening of the yield gap should not be overlooked.

Raposit Award

This past week has seen a total of 13 long-term bond issues and early in the week there were a dozen issues of general market importance which are worthy of brief note. Bidding for these issues continued to be very competitive and initial bids for state and local term demand has been poor to fair.

Last Thursday only one issue of a 3.9% competitive issue was offered in the New York Bourse, and the New York Hanseatic Corp. Redefining from 1.90% to 3.00% as the greatest balance in syndicate totals $800,000.

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</tr>
</tbody>
</table>
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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.

<table>
<thead>
<tr>
<th>Date</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 17 (Friday)</td>
<td>Kansas State Board of Regents,</td>
<td>$1,178,000</td>
</tr>
<tr>
<td>May 20 (Monday)</td>
<td>Illinois State Normal University,</td>
<td>$8,750,000</td>
</tr>
<tr>
<td>May 21 (Tuesday)</td>
<td>Colorado Highway Fund Revenue</td>
<td>$22,000,000</td>
</tr>
<tr>
<td>May 22 (Wednesday)</td>
<td>Cook County Community High Sch., Dist. No. 219, Ill.</td>
<td>$3,148,000</td>
</tr>
<tr>
<td>May 24 (Friday)</td>
<td>Northwest Missouri State Coll.,</td>
<td>$4,685,000</td>
</tr>
<tr>
<td>May 27 (Monday)</td>
<td>Florida Development Commission</td>
<td>$2,000,000</td>
</tr>
<tr>
<td>May 29 (Wednesday)</td>
<td>Chicago Bridge, Viaduct &amp; Mun. Nicipal Building, Ill.</td>
<td>$5,093,000</td>
</tr>
<tr>
<td>June 3 (Monday)</td>
<td>Carlsbad Mun. Sch. Dist., N. M.</td>
<td>$1,250,000</td>
</tr>
<tr>
<td>June 4 (Tuesday)</td>
<td>Asheville Union H. S. Dist., Calif.</td>
<td>$3,280,000</td>
</tr>
<tr>
<td>June 7 (Friday)</td>
<td>Oklahoma City, Okla.</td>
<td>$2,000,000</td>
</tr>
<tr>
<td>June 10 (Monday)</td>
<td>Louisiana State Bond &amp; Building Commission</td>
<td>$13,150,000</td>
</tr>
<tr>
<td>June 17 (Friday)</td>
<td>Ohio State Underground Parking, Commission</td>
<td>$6,600,000</td>
</tr>
<tr>
<td>June 21 (Tuesday)</td>
<td>Missouri State Teachers' College, Parkville, Mo.</td>
<td>$2,675,000</td>
</tr>
<tr>
<td>June 24 (Friday)</td>
<td>Milwaukee, Wis.</td>
<td>$3,905,000</td>
</tr>
<tr>
<td>June 28 (Tuesday)</td>
<td>California Teachers' Retirement System</td>
<td>$7,600,000</td>
</tr>
<tr>
<td>July 2 (Friday)</td>
<td>Miami-Dade Community College, Fla.</td>
<td>$9,920,000</td>
</tr>
<tr>
<td>July 5 (Monday)</td>
<td>Florida Atlantic University</td>
<td>$8,050,000</td>
</tr>
</tbody>
</table>

The Commerical and Financial Chronical . Thursday, May 16, 1963
Opportunities for Municipal Industry in Federal Loans


Investment bankers are recruited through the programs and grants of the Community Facilities Administration, and chided for not taking advantage of the opportunities resulting from the fact that the CFA is an open-minded institution. Mr. Woolner argues the Government's position that the CFA's briefs investment bankers on how they can reduce the CFA's problems in public loans; and outlines, for example, the forthcoming sale of A and D A bonds, the purchase of C and D B bonds, and the use of the CFA to establish a Community Development Corporation to provide loans for public projects and venture into college housing loans is as sound as it is critically urgent.

I welcome this opportunity to explain briefly those of our programs which have the greatest impact on investment bankers and their work, and to explain briefly the programs of our basic program policies.

It is slightly more than two years since I was appointed to administer this Agency. I have certainly not agreed on all occasions on policy or interpretation of Congressional intent. This is no more than should be expected, for so often the best solution comes from an argument of difference of opinion without receiptingcriticism. Once we are doing that there appears to have been more heat than light has been the Public Loan Facilities program. The large amount of work and the desire to try to meet basic needs and growing problems, obtain credit for their public work projects are well taken by small towns compared to the large cities. It is our policy to stress this program to give investment bankers partial opportunity to participate in the financing of these projects. To do this we have determined that a

banking industry. But this does not make the problem any less real. The Federal Reserve cannot alleviate its responsibility to provide a reasonable market for these small and little-known communities.

Criteria of Federal Credit Program

In the recent report to President Kennedy by his Committee on Federal Credit Programs (consisting of Treasury Secretary Douglas Dillon; Director David Bell, Chairman Walter Heller of the Council of Economic Advisers, and Chairman William Chernyn, Martin of the Federal Reserve Board of Gov. ment), the basic objectives and criteria of Federal credit programs were stated as follows:

(1) to remove or reduce credit gaps arising from imperfections in private markets;
(2) to influence the allocation of economic resources in order to promote social purposes which otherwise could not be achieved as efficiently; and
(3) to increase the use of public funds which otherwise would not be fully employed.

Both the College Housing and Public Facility Loans programs have always been guided by the principles expounded by this illustrious committee. We accept the continuing challenge to use the Federal resources only as a supplement to what can be done effectively and economically by private enterprise.

Opportunities for Private Financing

This leads me to invite the attention of bankers to specific opportunities for reducing our participation in public facility loans. We now hold a portfolio with coupon rates varying from 5½% to 8½%. As of June 30, 1962, public facility bond issues in our portfolio with an outstanding balance of $100,000 or more each, and bearing an interest rate of 4% or over, totaled $46.4 million. More than half of these loans were issued in the southeastern States, one-fourth were equally divided in three areas—the mid-west, the southeast and the far west.

Because all issues financed by us contain the call feature, and because we waive the call premium if loans are retired prior to maturity, our Public Facility Loans portfolio offers many opportunities for private refinancing.

We could sell issues from our portfolio in demand compared to the premium. But that would not be the best public policy. We prefer to have these small municipalities become accepted in the private market at lower interest cost. That is the bank's advantage.

There are profits to be made through substitution of private for public credit. That is to the banks' advantage.

Grants Provide Greater Loan Security

The other opportunity for increasing your participation in public facility loans stems from the grants initiated by the Federal Works Act, 1952. These grants vary from 50% to 75%. Even the minimum grants greatly enhance the security behind each loan that will be needed to finance the non-grant portion of the project, as measured by the community's ability to meet debt service charges. Under these circumstances and the currently desired 5½% exempt-market, only failure on the part of the private investors to take the initiative will keep most of these loans from going public.

I want to call attention to another program that has an impact on the ability of local governments to meet their public works needs more efficiently and economically. The Department of Housing and Urban Development administers a program of interest-free or 5½% loans for the planning of all types of public works. These advances are being used in ever increasing volume to leverage state and local funds throughout the country. These advances, which are repaid when the planned public works start are made, it is possible for communities to plan ahead. They hold off the impact of a bond issue that cannot be sold to vote until plans are completed and probable costs are known. They help to create a reservoir of plans for public works.

Cities Chicago and Denver Financing

Those who have struggled to help a community formulate the financing of a necessary public works project before plans are drawn and without funds to pay for such plans, can fully appreciate the advantages of this program. The work of the newly created Denver Metropolitan Sanitary District, and progress on the imaginative and extensive new civic center for the City of Chicago are only two examples of how this program of planning advances has expedited public works projects, and that they have financed entirely from local and private sources.

The Federal Reserve Board has been and is only responsible for administering the College Housing Loan Program, I would hazard that the Federal Reserve Board in the first project financed under this program, was completed, very few knew much about the program or realized its potential. Today any reader of Bond Buyer is wise to be aware of the numerous bid advertisements, how universal the program has become.

This is a direct loan program at low interest rates—the current lending rate is 5½%—for a period as long as 50 years. Funds are available to accredited colleges and universities for housing and related facilities such as dining halls, college unions, infirmaries and other essential service facilities. Academic facilities such as classrooms and laboratories are excluded.

Sound Loans for College Housing Program

More than 70% of the eligible colleges and universities have applied for loans under this program. Continued on page 38.

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DEALER-BROKER INVESTMENT LITERATURE AND RECOMMENDATIONS

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

Auto Accessory Companies—Discussion in May issue of "American Investor"—The American Investor Magazine, 200 Broadway, New York 2, N. Y. $3.50 per copy; 62 per year. Also in the same issue are articles on Sellerman & Laia, Standard Oil Co. of New Jersey, Hospital Supply Corp., and Knot Hotels Corp.

Bache Selected List—Revised Ind. Bache & Co., 36 Wall Street, New York 5, N. Y. Also available are comments on Western Air Lines, United Air Lines, Steel Stocks, General Motors, Ford Motors, General Cable, and Union Twist Drill Co.

Banks and Trust Companies of the United States and Canada—Investments for first quarter—New York Hanseatic Corporation, 60 Broadway, New York 4, N. Y.

Canada's Banks—Comments—five on ten New York bank stocks—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Oil Stocks—Review of Steel Stocks—L. F. Rothschild & Co., 120 Broadway, New York 5, N. Y. Also available is a review of Schlumberger Limited.

Over-the-Counter Index—Folder containing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 33 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and performance over a 25-year period—The National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.


Review of Recommended Issues—Comments on 18 companies chosen for income and appreciation and for appreciation—F. S. Mooney & Company, 50 Cortlandt Street, Boston 2, Mass.

Setting of Stock Options—Memorandum—Gude, Wimmill & Co., Wall Street, New York 5, N. Y.


Stocks Currently Active in our Trading Room:

ETHYL CORPORATION
MOSFET SAFE
C. D. HALL
SOUTHERN UNION GAS
INTERSTATE MOTOR FREIGHT
WESTERN LIGHT & TELEPHONE
KEWANEE OIL A & B

Block inquiries wanted

Troster, Singer & Co.
Members New York Security Dealers Association

74 Trinity Place, New York 6, N. Y.
Hanover 2-2400 Tel. 212 571-1780; 1781; 1782

The Security I Like Best

Continued from page 2

1963. Net income for first quarter showed an increase to $2,455,000 from $2,023,000 in the same period of 1962. The contract backlog moved up to record levels over $118,000,000. Dol-

Diamond National—Memorandum—Established, 80 Pine Street, New York 5, N. Y.

Engelhard Industries—Memorandum—Established, 80 Pine Street, New York 5, N. Y.

Excelsior—Comments—Wallston & Co., Inc., 74 Wall Street, New York 5, N. Y. Also available are comments on Sundstrand.

Freneau Trailer Co.—Analysis—Stewart, Enhance, Meyer & Sons, 2 Broadway, New York 4, N. Y.

Fullerene Corporation—Analysis—Sikes & King, Limited, 190 Broad, New York 4, N. Y.

Gulf States—Memorandum on Leader Burst Corp.

Georgia International Life Insurance—Memorandum—The International Life Insurance Corporation, Haverty Building, Atlanta 1, Ga.

Great Atlantic & Pacific Tea Co. —Report on Refinancing, 49 Exchange Place, New York 5, N. Y. Also available are comments on Corn Products Company.


Gramm Albaner Engineering Service—Reoffering prices are scaled to yield from 2.20% for the 1969 and 1970 issues. Also available is an analysis of the Air Lines with particular reference to American Airlines, United Airlines, and Trans World Airlines. Also available are underwriting prices on $118,000,000 of State of New York Housing Bonds, due June 1, 1974, 6% from 2004-2013, will not be refunded.

UNIVERSITY OF CALIFORNIA—Bounded on three sides by ocean, lagoon, and mountain, the campus is a perfect setting for a day's journey may once begin.

New York State Housing Bonds Publicly Offered

An underscoring group managed by Underwriters National City Bank and Lehman Brothers on May 15, 1963, will sell for $48,750,000 of State of New York Housing Bonds, due June 1, 1964, 5%. Also available are underwriting prices on $118,000,000 of State of New York Housing Bonds, due June 1, 1964, 5%; $118,000,000 of State of New York Housing Bonds, due June 1, 1964, 5%; $118,000,000 of State of New York Housing Bonds, due June 1, 1964, 5%; $118,000,000 of State of New York Housing Bonds, due June 1, 1964, 5%.

Ball,Burge to Admit Three

CLEVELAND, Ohio—On June 1, Ball & Burge & Kraus, Union Commercial Bank, members of the New York and Midwest Stock Exchanges, will admit. Clemens E. Ken, Walter J. Carey, and Richard N. Boyland to partnership. Mr. Griffin and Mr. Carey are officers of the Grant, Carey & Boyland, Inc. Mr. Cook, who recently joined the firm, is a member of the municipal department, formerly was with Wm. J. Mercier & Co., Inc.

Wood, Struthers Elects Six

Wood, Struthers & Company, Inc., 29 Exchange Place, New York 4, N. Y. Also available are underwriting prices on $118,000,000 of State of New York Housing Bonds, due June 1, 1964, 5%; $118,000,000 of State of New York Housing Bonds, due June 1, 1964, 5%; $118,000,000 of State of New York Housing Bonds, due June 1, 1964, 5%; $118,000,000 of State of New York Housing Bonds, due June 1, 1964, 5%; $118,000,000 of State of New York Housing Bonds, due June 1, 1964, 5%.
Are Commercial Banks Competing for Savings?

By Charles M. Williams,* Edmund Gompertz Converse Professor of Banking and Finance, Harvard University Graduate School of Business Administration, Boston, Mass.

Commercial banks are serving a blunted radius of practical novel advice on how they can profitably compete for a larger share of the country’s savings. Harvard experts cover, in the first of a two-part series, the recognition of the stricking, indeed spectacular, success of the savings and loan associations in the growth and maintenance of some of the self-imposed and externally-imposed constraints on credit availability, particularly in the case of savings and loan associations (S&Ls),1 as compared with commercial banks (CB’s) as competitors in the growing savings market, and the real successes of CBs in the fight for the saver’s dollar should, and have, stirred the thinking and action of all banking institutions, commercial and savings, regardless of size or area.2

The last few years have been one of soul search for most of our commercial banks. The impressive growth of deposit-type savings, the introduction of money market savings instruments, such as negotiable CDs, the growing recognition of the stricking, indeed spectacular, success of the savings and loan associations in the growth and maintenance of some of the self-imposed and externally-imposed constraints on credit availability, particularly in the case of savings and loan associations (S&Ls), as compared with commercial banks (CB’s) as competitors in the growing savings market, and the real successes of CBs in the fight for the saver’s dollar should, and have, stirred the thinking and action of all banking institutions, commercial and savings, regardless of size or area.

1. What are the CB’s major weaknesses or competitive disadvantages? How can they be minimized?

2. What is the best strategy for maximizing competitive advantages and to minimize your weaknesses and to achieve a competitive edge in your area, or within your control as bank manager? Which requires changes in supervisory policy and practices and in legislation?

3. Why have commercial banks been so inefectual in getting lending dollars to people, other than the CB’s? 

4. How are the CB’s major weaknesses or competitive disadvantages? How can they be minimized?

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12. How are the CB’s major weaknesses or competitive disadvantages? How can they be minimized?

This announcement is made as an offer to sell or a solicitation of an offer to buy any of the securities. The offering is made only by the Prospectus.

NEW ISSUE

300,000 Shares

Home Entertainment Company of America, Inc.

COMMON STOCK

(Part Value $1.00 per share)

Offering Price: $10.00 Per Share

Copies of the Prospectus may be obtained from the Underwriters and from such other dealers as may subsequently offer securities in this nature.

Bernard M. Kahn & Co.

INCORPORATED

Continued on page 26
Federal Tax Cut Meants Lower State-Local Taxes

By Hon. Douglas Dillon, Secretary of the Treasury, Treasury Department, Washington, D. C. (March 1963)

The Commercial and Financial Chronicle... Thursday, May 16, 1963

The cut in Federal income taxes should mean a substantial reduction in Federal spending for fiscal 1964, which could be translated into lower state and local taxes. This is the conclusion reached by the Secretary of the Treasury, in testimony before the New York Chamber of Commerce.

For, nearly three weeks before President Kennedy submitted his Tax Message to the Congress last Jan. 24, the New York Chamber called for "tax reduction and revision"—and appealed to Americans in all walks of life to support that goal.

Inevitably, your tax proposals differed in some respects from the President's. But far more striking—and certainly far more important—was their substantial agreement in aims, in tenor, and in major proposals. Nor is this an isolated phenomenon. More than 200 witnesses, for example, have testified before the House Ways and Means Committee in Wash-

chamber differences to other criticisms that are realistically constructive.

As a former member of the New York Chamber of Commerce, I am pleased and proud to see so many old friends here today. And since my subject is taxes, I can't imagine a more appropriate audience. For, nearly three weeks before President Kennedy submitted his Tax Message to the Congress last Jan. 24, the New York Chamber called for "tax reduction and revision"—and appealed to Americans in all walks of life to support that goal.

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Federal income taxes, a large part of the Federal budget, provide the bulk of state and local revenue. A cut in Federal taxes, consequently, can be translated into lower state and local taxes. This is the conclusion reached by the Secretary of the Treasury, in testimony before the New York Chamber of Commerce.

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Modest Devaluation Would Cure Our Payments Gap

By Robert C. Wetterhorne, Professor of Economics, Bowdoin Institute and Northeastern University, Mass.

The nature of our balance of payments ailments, which include the aftereffects of the 1958-1960 dollar devaluation, is such that American exports must be proposed, is said to leave us no other choice but devaluation of gold to $36.75-$36.85 an ounce. The writer proposes inducing a temporary balance of payments deficit by offering them a devaluation bonus or, if this does not work, imposing a temporary gold embargo if we are threatened by a run on gold. The writer further suggests that the dollar’s autonomous strength can be restored without regard to payments deficits or gold reserves by a more alternative or the proposed devaluation.

The Problem

The unbelievable is happening. For the first time since the Civil War, the dollar is under pressure internationally. The Treasury and Federal Reserve System provide make-shift support for the dollar, but we are facing a two-sided problem of dollars we are ready to owe and additional annual deficits in the balance of payments.

This situation has developed in connection with reserves favorable of the world-wide dollar shortage and our return to convertibility of foreign exchanges. The balance of payments deficit cannot be explained by Federal budget deficits, inflation-induced capital flight or a breakdown in our production facilities. On the contrary, the stable internal purchasing power of the dollar in recent years compared favorably with rising prices elsewhere, particularly in countries which have become our creditors.

Our dollar obligations have been rising since 1958. Liquid liabilities held in gold or by an increase in foreign dollar holdings accumulated as follows:

Increase in Liabilities

<table>
<thead>
<tr>
<th>Year</th>
<th>Billions</th>
</tr>
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*The surplus year.*

In the 13 years before Jan. 1, 1963, we have run up $26.5 billion short-term international obligations. Of this amount, we paid in “cash” (that is, in gold) about $9 billion and added $17 billion to the dollar claims of foreigners. Foreign central banks, commercial banks, etc., took $20 billion short-term claims against us (excluding the holdings of International Organizations). Corresponding to our decline is face an imminent financial problem that has to be solved. George W. Mitchell, member of the Board of Governors of the Federal Reserve System, did not miss the main point when he declared before the Joint Economic Committee on Feb. 1, 1963 that “the balance of payments problem is a most urgent issue because delay in its solution exposes us to the danger of a new international economic crisis.”

Likewise, Chairman of William McChesney, the Federal Reserve, has expressed again and again the view that our foreign financial obligations have to be increasingly considered in our domestic policies.

Hope for the elimination of the deficit are now built around the concept that our defense spending must be fully shared by wealthy Europe and that tighter monetary policies, at least the increase in short-term interest rates, will reverse private capital outflows. These are not only disturbing ideas, but also suggests that measures that might be both too ineffective and too painful that would decrease international liquidity and continue to induce disastrous mercantilist policies in the United States. Moreover, it is impossible to expect a reduction of interest rates, capital controls, or the fear that will make international transactions in Europe to a fight an “imaginary dollar glut.”

While it is clear that Europe is highly liquid against the dollar and has become our net creditor at the rate of $4 billion (or $15 billion in 1963), the international flows (net including our gold stock and an estimated $28 billion international reserves against $6 billion at the earlier date) are not of the size that can continue to offset our payments deficits.

Doubtless About Our Export Strength

Our ability to export remains the basis of the international position of the dollar. Our merchandise exports have been rising, slowly from $16 to $21 billion annually during the last 15 years. That our foreign trade position, however, is not growing stronger is reflected in expanding our imports from 1954.

Monetary Implications of the Balance of Payments Deficits

The international liquidity of the United States which can only be measured in gold continues to decline, while our short-term obligations, mostly trade credits, grow at annual rates of $1.2 billion. These liabilities, including dollar assets of countries of the International Monetary Fund, amount to about $25 billion. The most important monetary stabilization system has been developed that would permit the neutralizing of dollar outflows, the dollar market. Again, the dollar market serves to accumulate gold claims and thus remove the dollar from international pressures.

DIVIDEND NOTICE

DIVIDEND NOTICE

A dividend of 22c per share on the Common Stock has been declared payable June 28, 1963 to holders of record May 31, 1963. A dividend of $0.06% per share on the 4% Preferred Stock has been declared payable July 1, 1963 to holders of record May 31, 1963.

J. H. MacKensie, Treasurer
Philadelphia, May 6, 1963

DIVIDEND NOTICE

The United Gas Improvement Company

A dividend of 25c per share on the Common Stock has been declared payable June 28, 1963 to holders of record May 31, 1963. A dividend of 1.06% per share on the 4% Preferred Stock has been declared payable July 1, 1963 to holders of record May 31, 1963.

J. H. MacKensie, Treasurer
Philadelphia, May 6, 1963

DIVIDEND NOTICE

The Directors of Xerox Corporation at a meeting held on May 9, 1963, declared a quarterly dividend of $0.25 per share on the Common Stock payable July 1, 1963, to stockholders of record at the close of business on June 15, 1963.

E. K. DAMON
Treasurer

First With The First—Through Marlboro Research

The Authors of this research had an advanced interest in the topic. The research was completed prior to the publication of the article. The research was conducted by the authors and included an analysis of the data. The research was published in the Commercial and Financial Chronicle in 2011.
Getting at the Heart Of Real Tax Progress

By C. Lowell Harriss, Professor of Economics, Columbia University, New York City

Dr. Harriss fears that short-run economic stimulus considerations dominating current tax proposals will, if enacted, prove barren from a long-run point of view. He argues that we develop specific proposals based on sound economic criteria to help lessen economic distortions, unfairness and, most importantly, impersonality. He feels the burden on business creation and growth is faced by many of our economic forces, some of which are suggested, and the Treasury's program is making an effort to ease trying to pair off "individuals" with "business" in making tax rates. Little economic rates to 30%, the widening of income brackets at the upper level, and better control over Federal spending.

Who could not plan a more attractive tax program than the Treasury? Probably each of us. Everyone interests of the people with which he is associated—economically, intellectually, emotionally. Our association makes us familiar with some of the facts of the economy, and we shield us from the glare of others of these.

It is only human to identify "con-
"merit'; the than credited to it. The Administration is making an effort to ease trying to pair off "individuals" with "business" in making tax rates. Little economic rates to 30%, the widening of income brackets at the upper level, and better control over Federal spending.

The Treasury's program represents much careful work. It has more ingredients credited to it. The Administration is making an effort to ease trying to pair off "individuals" with "business" in making tax rates. Little economic rates to 30%, the widening of income brackets at the upper level, and better control over Federal spending.

The Treasury's program represents much careful work. It has more ingredients credited to it. The Administration is making an effort to ease trying to pair off "individuals" with "business" in making tax rates. Little economic rates to 30%, the widening of income brackets at the upper level, and better control over Federal spending.

Weight of Business Taxation

One alternative would be to cut income tax rates—rates which we do not recall that its predecessor attempted to put us to the best possible. My comments will not attempt to touch upon the budgetary aspects.

Need for a Long-Run View

Tax change on significant scales is rare. Revisions made this year will have no impact on the future for a long time. Few legacies we shall leave our children will influence their lives any more than the Federal tax system. Each change should be the best we can improve the long run. What would be best for 1975 or later? The Administration plan, however, weighs heavily on near-term considerations very heavily indeed, putting great emphasis on short-term stimuli of the economy. But today's actions will make changes long after it is too late. What would be best for 1975 or later? The Administration plan, however, weighs heavily on near-term considerations very heavily indeed, putting great emphasis on short-term stimuli of the economy. But today's actions will make changes long after it is too late. What would be best for 1975 or later? The Administration plan, however, weighs heavily on near-term considerations very heavily indeed, putting great emphasis on short-term stimuli of the economy. But today's actions will make changes long after it is too late. What would be best for 1975 or later? The Administration plan, however, weighs heavily on near-term considerations very heavily indeed, putting great emphasis on short-term stimuli of the economy. But today's actions will make changes long after it is too late. What would be best for 1975 or later? The Administration plan, however, weighs heavily on near-term considerations very heavily indeed, putting great emphasis on short-term stimuli of the economy. But today's actions will make changes long after it is too late. What would be best for 1975 or later? The Administration plan, however, weighs heavily on near-term considerations very heavily indeed, putting great emphasis on short-term stimuli of the economy. But today's actions will make changes long after it is too late. What would be best for 1975 or later? The Administration plan, however, weighs heavily on near-term considerations very heavily indeed, putting great emphasis on short-term stimuli of the economy. But today's actions will make changes long after it is too late. What would be best for 1975 or later? The Administration plan, however, weighs heavily on near-term considerations very heavily indeed, putting great emphasis on short-term stimuli of the economy. But today's actions will make changes long after it is too late. What would be best for 1975 or later? The Administration plan, however, weighs heavily on near-term considerations very heavily indeed, putting great emphasis on short-term stimuli of the economy. But today's actions will make changes long after it is too late. What would be best for 1975 or later? The Administration plan, however, weighs heavily on near-term considerations very heavily indeed, putting great emphasis on short-term stimuli of the economy. But today's actions will make changes long after it is too late. What would be best for 1975 or later? The Administration plan, however, weighs heavily on near-term considerations very heavily indeed, putting great emphasis on short-term stimuli of the economy. But today's actions will make changes long after it is too late. What would be best for 1975 or later? The Administration plan, however, weighs heavily on near-term considerations very heavily indeed, putting great emphasis on short-term stimuli of the economy. But today's actions will make changes long after it is too late. What would be best for 1975 or later? The Administration plan, however, weighs heavily on near-term considerations very heavily indeed, putting great emphasis on short-term stimuli of the economy. But today's actions will make changes long after it is too late. What would be best for 1975 or later? The Administration plan, however, weighs heavily on near-term considerations very heavily indeed, putting great emphasis on short-term stimuli of the economy. But today's actions will make changes long after it is too late. What would be best for 1975 or later? The Administration plan, however, weighs heavily on near-term considerations very heavily indeed, putting great emphasis on short-term stimuli of the economy. But today's actions will make changes long after it is too late. What would be best for 1975 or later? The Administration plan, however, weighs heavily on near-

New Revenue Sources

The President suggests no new revenue sources. Tax reformers get much more strained than they are today, no Administration action is likely to provide any hope for this unpopular subject to be left to others. But the obvious Presidential move to increase spending, combined with the apparent conviction that income tax cuts have been reduced, leads to a revenue gap. The 1962 deficit was a short-run deficit; it had merit. Before long, however, deficits are financing of a large deficit seem likely.

Mr. Crosthwaite first joined the Delaware organization in 1959 where he had several years of experience in mutual fund sales distribution.

PHILADELPHIA, PA. — Morgan Crosthwaite has been appointed a Vice President and National Investment Adviser for The Delaware Management Company, Inc., 3 Penn Center, one of Delaware’s leading investment advisers and distributor for the Delaware Stock and Bond Fund and Delaware Income Fund. graduated from Pennsylvania State University, Mr. Nelson, President, has announced.

Morgan Crosthwaite}
Whatever Happened to Long Range Planning?

By Morris Cohen, Associate Editor, Fortune, New York City

Long-range planning is out of the dog-house and "Fortune's" economist editor specifies why its return to responsibility, which he is pleased to join, has been delayed. Mr. Cohen argues that the cyclical downturns should not stand in the way of long-range planning which assumes a fully employed economy growing at 4%, That is when it is taken that real long-range planning programs by steel and electrical industries, of the failures of the war industry to recognize the market, and of developments influencing long-range planning, Mr. Cohen concludes, can achieve a sustainable 4 1/2% average rate in capital spending in the three years 1963-65, which, if not allowed to grow too fast, could be followed by further expansion in a similar fashion. For the moment, however, he says it is.

This is a minority report, but I am sure it will sound a lot more believable than a comparable re- report presented six months ago. My thesis is a simple one: long-range planning is now ready for revival after a number of setbacks occurred in the past five years. Several of these setbacks will make possible more realistic long-range planning today. You may yet validate those predictions for the foreseeing sixties which were previously made so uncritically.

It is the job of statisticians and economists to interpret to the public what is happening, and the responsibility for the success of the planning process is vested in management. I leave to others more qualified than I to advise public policymakers who might want to adapt to long-range planning. Naturally, I hope what I have to say shall be of some importance to their interests.

Long-range planning, of course, can mean different facets of company operations. It should concern itself, in my opinion, with the policy-making and development program. These R&D operations would themselves determine new markets, as well as new technologies for more efficient production of goods and services. Long-range planning will also be concerned with market needs for existing products, both at home and overseas. It would also be concerned in the inputs required to meet such markets, including man-made and food needs, distribution, facilities, marketing strategies, advertising policies, financial requirements, and capital expenditures. It so happens that my own interests in this subject center on only one of the substantial outlays, and I shall be emphasizing only this in my paper. This procedure represents a new point of view, and I don't mean to neglect other aspects of the long-range planning that may be equally, if not more, important.

Long Range Planning Setbacks

Some of the major setbacks to long-range planning that time long-range planning was fully implemented was in the 1955-57 period when steel was selling at record levels for those too young to remember, or for those who may have forgotten entire days, the end of the Korean War in 1953 was followed by record rearmament, the Korean War outlays, and a substantial tax cut in 1954. During 1954, the economy lagged, as it was readjusting to a civilian basis. There were those who argued then that the economy was in for a long period of stagnation. Fortunately, the unanticipated American consumer, still untethered in the higher economics, was unconvincing, and instead, bought large numbers of automobiles and homes in late 1954 and 1955. Business, in turn, thought it saw a glowing future, and started in early 1955, to appropriate for major capital projects at a boom rate. So big did this capital boom become in 1955 and 1957 that it resulted in the over-capacity that so many now talk glibly about, more of that later on. The 1955 recession, which some think was sparked by the sharp shift in defense policy in fiscal 1957, for the most part, a consequence of the capital spending boom of 1955-57.

But the most significant for our present purpose is the undisputed fact that the 1957-58 recession initiated in the capital-intensive private sector was a major consequence of the capital spending boom of 1955-57.

In the event, the most obvious fact about 1957-58 recession, which was the mildest of the postwar period and the subsequent recovery has been the most talked about, was that it was not even acting, that criticism, was chronic, was delayed, and doubled recovery. This is not to say that the deficiency of the recovery was this to very day. As the recovery, which was the mildest of the postwar period and the subsequent recovery has been the most talked about, the recovery, which was the mildest of the postwar period and the subsequent recovery has been the most talked about, and doubled recovery. Rather, it was, as the recovery continued into early 1962, evidently the planners were following the same policies that previous to the first quarter of 1959. However, long-range planning, which was its second major setback, fortunately in my judgment, a temporary setback. I refer to the events that started by the April visit by Mr. Blouma of U. S. Steel to the White House. The related drop in the stock market followed, culminating in the stock market panic in late May. That was it.

The next point I want to make in this quick review of American business cycle history, always open to criticism, is that the economy was in for a long period of stagnation. Fortunately, the unanticipated American consumer, still untethered in the higher economics, was unconvincing, and instead, bought large numbers of automobiles and homes in late 1954 and 1955. Business, in turn, thought it saw a glowing future, and started in early 1955, to appropriate for major capital projects at a boom rate. So big did this capital boom become in 1955 and 1957 that it resulted in the over-capacity that so many now talk glibly about, more of that later on. The 1955 recession, which some think was sparked by the sharp shift in defense policy in fiscal 1957, for the most part, a consequence of the capital spending boom of 1955-57.

Build Lasting Foundations Of Knowledge Bridging The Municipal Bond Field

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The editorial proceedings of the Municipal Conference of the I. B. A. to be held at the Pick-Congress Hotel in Chicago from June 19-21, plus on-the-spot photographs, will again be featured in a special supplement of The Chronicle.

Your advertisement in this special section will identify your firm with the important municipal field and the active Chicago markets.

For further information contact Edwin L. Beck, Commercial and Financial Chronicle, 25 Park Place, New York 7, N. Y. (8Fector 2-9570)—(Area Code 212)
Whatever Happened to Long Range Planning?

Continued from page 13

could be the key to long-term planning in the world of business. The new face of the "dream," if not the "market," will be in the form of new construction plans. These will provide an opportunity for more long-range planning and forecasting. They will also help to bring about a more stable market in the real-estate field.

Schumpeiter's Thesis Applies

In other words, long-range planning which on the face of it is an impossibly distant idea turns out to be flourishing, particularly in those industries where it is most needed to be. Large chunks of capital investment have to be planned far ahead. Howeve, in the same state, to satisfy existing and stable markets, production goes on the same way as before, so all you have to do is to replace the outdated equipment so as to go with the same old models. But as Schumpete- ter himself emphasized, the innovation that disturbs the status quo, makes life miserable for everyone by introducing new methods and technologies. Everyone else simply has to follow suit in order to keep up. But the other industries are also broken into smaller, more efficient genera and interconnecting hierarchies, and more economical facilities located further and further away.

Worldwide Energy Forecast

Thus, long-range planning does not mean projecting the past in a mechanical manner. Rather, at its best, it represents a careful forecasting that looks at the future, always keeping up the momentum of change that does not change, not constant. It requires maintaining the structure of the markets to be served. I don't want to take up much space by saying that the automotive market is not going to change. It's true, of course, but there are some other factors that must be taken into consideration.

For example, the so-called forward diversification to the consumer. In the first analysis, it is the consumer who determines the markets for the goods. If the company who serves the consumer indirectly through other means, it is the ultimate customer, then, it is argued, he would be tied to the price of the goods, and for all practical purposes be able to control the price of goods. The same argument is also applicable for the consumer. The chemical industry is a leading example of this trend, and the recent announcement by Allied Chemical of its new showplace in New York City's Time Square is the latest indication of this trend.

But let me return once again to the long-range outlook for capital goods. This is the central issue on long-range planning in the major companies, and it affects the future of the company and the consumer. When I spoke of the five years has clearly shown that the deep-seated fears of a repetition of 1929 must be thrown off. Rather, long-range company planning must and will provide a basis for a return to full-employment economy and a growth of the nation's real terms. It is now almost 20 years since the end of World War II and 35 years after the shattering experience of 1929. We have experienced two serious recessions and survived a stock market panic. Now we have plans on the assumption that sooner or later the economy will have to go through the wringer. This is not only natural, since the short-term business cycle has necessarily become a part of the body economy. But mild cyclical downturns should not stand in the way of long-range planning which assumes a fully employed economy growing at 4% per year. Let's see what such an assumption means for the capital goods market. The sharp rise at the end of 1962 was over $800 billion of new capital goods, say by 1965, growing at a rate of about 2% per annum, would mean that the peak in 1965 would be growing by $3 billion, or by 3.4%. The difference in the growth rate in the capi-

The Boeing Co.

Note Sale

Arranged

Harriman Ripley & Co., Inc., New York, has arranged the sale of $30,000,000 of The Boeing Company's 5% notes due May 1, 1983 to the Metropolitan Life Insurance Co. of New York.

"An address by Mr. Cohen before the National Press Club, N.Y., Chapter of the American Statistical Association, New York City.

Boston Inv. Club

To Hear Odelinnen

BOSTON, Mass.—William S. Odelinnen, former Director of the National Association of Securities Dealers, will address the Boston Investment Club on the Pittba Waiting the "Securities Salesman," at the group's luncheon meeting at the Pennsylvania, Oyster House.

Tuition for the luncheon is $1.75.

The Pittsburgh Bond Club

Outing

PITTSBURGH, Pa.—On Friday, May 1st, the members of the Pittsburgh Bond Club will hold its Annual Spring Outing at the Pittsburgh Field Club.

The Commercial and Financial Chronicle • Thursday, May 16, 1963
The State of TRADE and INDUSTRY

Personal income, industrial production and employment set new records in March and appear to be heading upwards, according to Federal Reserve Chairman William McChesney Martin in a May 14 speech. The second quarter, the Federal Reserve's "report card" of the economy, is expected to be released in June in the May issue of Business Conditions.

Examining these developments revealed the improvement in retail sales last four months and a sharp upward in new orders for durable goods in January and February.

Steel production increased to an annual rate of more than 120 million tons by the end of April, up about 35% from the January level. This put producer sales at that above the peak rate reached in February 1962 prior to the labor-management conflict that ended at the end of the following month.

While a substantial part of the rise was due to efforts directed to strike "hedge" buying of steel, it is not the whole story.

A variety of factors--labor and business goods--business and government stockpiling and higher levels of demand in March and April--put the level of output of durable goods would indicate the need of net growth of real growth in sales of steel to support operations.

Retail sales during the first quarter of 1962--the first quarter of the year earlier. Unlike output and employment, consumer business has not yet gained in momentum and recorded the largest gain of the year during the fourth quarter.

This rate of increase continues unabated into the first quarter of 1963, according to Mr. Martin's report that indicates that sales held to the same level in the first quarter.

The high rate of growth is expected to continue, reaching the fourth quarter of 1963--with demand for new, fully equipped modeled cars, trucks and in particular, the steel trade are attributable largely to other lines.

Sales surveyed recently indicated that they plan to buy durable goods in large volume in the medium run, according to their plans, also is indicated by broader use of consumer credit, which rose even more rapidly than did consumer purchases of durables.

Sales of automobiles in the first four months were at an annual rate which would make 1963 a record year if continued. Most industry experts, however, think that the 1963 total will exceed even last year's 11 million units, and imply a decline from current rates of production and sales in the near future.

Business investment--held back by such unfavorable developments as the stock market decline in the spring of 1962--has lagged behind consumer spending. However, recent indications of a stronger trend in 1962/63, has been the prime factor in the recent improvement.

Orders for new durable goods, construction machinery, machine tools and parts, has not been as large as expected. The evidence points to a substantial growth in recent months and although construction contracts declined in May, they have been at successive highs by wide margins for each month from November through February.

Financial Sector's Lack of Optimism

Turning to another facet of the economy, Mr. Martin said the Banking Bank noted that the financial sectors of the economy did not rise as sharply as many other sectors in the first quarter of 1963.

The supply of funds continued to be ample, but interest rates were inadequate to provide any sharp increase in interest rates. Interest rates fluctuated within a narrow limits during the quarter, with a slight rise--month

Investment--held back in March were approximately the same as in January, and second-quarter levels and long-term government bonds had moved upward to the highest level in February, 1962.

Rates on long-term government securities have been raised by the year-earlier rates until the last quarter of the year, reflecting the large supply of funds relative to investor demand. Market yields on three-month bills were higher at the end of March than at the same time a year earlier.

Long-term interest rates and mortgage rates follow the upward drift, and rates of corporate Aa were lower than in 1962 during most of the quarter.

Bank report greater than 10% of total new or increase in the rate of interest on loans, including those with the decline centered in loans secured by inventories. Commercial and industrial loans increased slightly in the first quarter in contrast to a sharp increase in the first three months of 1962.

Real estate loans at commercial banks, however, were centered on the first quarter of 1962, when Agreements in obligations of state and local governments somewhat less than 10% of their outstanding balances.

The public continued to show a strong preference for interest-bearing bank accounts, with substantial amounts to holdings of balances at time or savings accounts, as well as loan sales, and making only modest increases in the demand deposits.

But while time and savings deposits continued to expand rapidly, the pace was slower than in the first quarter of 1962 when many banks increased the interest rates offered on deposits.

The money supply--private de-

Bank Clearances 6.1% Above 1962 Week's Volume

Bank Clearings, according to the latest statement forged ahead of a year ago. Preliminary figures compiled the Federal Reserve and graphic advances from the chief cities of the country, indicate that on May 11, 1962, for the first time since May 11, clearings for all cities of decrees were achieved, which it is possible to obtain weekly clearings were 6.1% above those of the corresponding week last year. Our preliminary totals stand at $3,803,319,325 against $3,697,430 for the same week in 1962.

Our comparative summary for some of the major center es follows:

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The above figures indicate the need of net growth of real growth in sales of steel to support operations.

Steel Resumes Upward Pace and 44.4% Over Year-Ago Week

Steel production for the week ended May 19, climbed by the American Iron and Steel Institute, production for the week was also 45% above the same week in 1962. The week's output rose 0.2%. Prior to last week there had been 13 consecutive weeks of increase in steel production. The recent leveling off of steel production has accompanied the optimism voiced by Mr. McDonald and steel industries about the current economic situation.

The week's output exceeded last year's output by 44.4% and was larger than any other week since April 19, 1962.

Output will resume its upward trend this week following a one week setback due to the weekly production ended May 19, we are already 10.9% above May 1962.

Steel production has already 10.9% above May 1962.

Steel making scrap was unchanged last week. Steel's price composite on No. 1 heavy melting grade held at $29.00 a gross ton.

Several producers of tool and dies steels recently announced higher prices on certain grades and some firms have resorted to flat-rolled products. As a result, output is showing now - more - seasonal strength.

Auto Output 8.2% Above 1962

Auto output in the U. S. this week will reach its highest level for the calendar year. Production for the entire month climbed to 1,364,279 for the month, against 1,276,976 unit sales for a year ago.

The index for May 1, the industry will produce to 1962's highest level.

The boost in output this week came about mainly because of Chrysler Corp.'s Detroit Jefferson Ave., plant, which reopened for the first time since its shutdown for reequipment. The plant produces Chrysler--Imperial--New Yorker.

Overtime in the industry, de-
The State of TRADE and INDUSTRY

Continued from page 15
(model period, in which only
4,509,025 new cars were sold,
2.5% above the preceding week.

Loading represented an
increase of 3,568 cars or 6.1% above the corresponding
week. The increase was due to
47,537 cars or 8.7% above the
week of the preceding period. By

Electrical Output Rises 7.6% Over Last Year's Level
The amount of electric energy
distributed by the Electric Power
week, ended Saturday, May 11, was ex-
ereted by the Edison Electric
Practically the same above the
level of 10,500,000 kwh, ac-
cording to the Edison Electric
Office. Output was 255,000,000
kwh. This is 7.6% above total
week of the comparable year. It is
1,084,000,000 kwh, above total
of the comparable of 1962 week, or an
increase over the year ago week 7.9%.

Business Failures Edge Higher in First Five Weeks
Commercial and industrial fail-
ures turned up to 322 in the week
May 7 from 316 in the pre-
ceeding week and reached the
highest level since April 4, regis-
tered by the Federal Reserve Bank
of New York. Failures pushed a little above a
year ago level in the first four weeks and
were even with the prev-
war toll of 321 in 1938. There were
7,199 failures in the first five weeks of
1962 and 4,139 cars or 36.8% above the
1961 level.

Commercial truck loading for the
first 3 weeks of 1963 totaled 254,696 cars for an
increase of 2.2% above the corresponding
1962 period, and 2.5% above the corresponding
period in 1961. There were 61 class 1 U.
railroad systems operating this type traffic in
this year's week compared with 58 one year ago
and 53 in the corresponding week in 1961.

InterCity Trucking 1.9% Below Year-Ago Week's Level
InterCity (non-local) tonnage in the
week ended May 4 was an even 1.9%
below the volume in the corre-
sponding week last year, according to
American Trucking Associations
announced. Truck tonnage was
3.2% below the comparable year ago
level.

These findings are based on the
weekly survey of 34 metropolitan
areas conducted by the ATA De-
partment of Research and Trans-
port Economics. The report re-
flects tonnage handled at more
than 2,400 truck terminals of com-
mong carriers of freight generally
throughout the country.

Compared on the immediately
 preceding week, 20 metropolitan areas showed increased ton-
nage, while only 14 metropolitan
areas showed decreases. The week-to-
week increase is comparable with the seasonal pattern found
at this time in previous years.

Lumber Production Drops 4.6%
Lumber production in the
United States in the week ended
May 4 was down 4.6% to 228,294,900
feet compared to 233,451,900 in
the year-ago week according to
reports from regional associations.

Compared with 1962 levels, out-
door furniture and 1961 levels;
new orders dropped 18.6% and
by 20.6%.

Following are the figures in
1,000s of board feet for the
weeks indicated:

May 4 May 17 April 27 May 8
Shipments 213,178 214,718 217,000 211,000
New orders 195,200 185,400 189,600 181,000

The Market ... And You

BY WALLACE STREET

The Commercial and Financial Chronicle, Thursday, May 16, 1963

The Market ... And You

The Market ... And You

The Market ... And You

The Market ... And You

The Market ... And You
MUTUAL FUNDS
BY JOSEPH C. POTTER

That Old Bellwether

The investment community was rocked by the Stock Market debacle of 1929, but not a few investment leaders were deeply concerned that many years before the general market was battered. Many of these tough-minded men, of course carried the scars of the campaigns of 1929 and 1937. It is not easy to arouse their enthusiasm for the unmeasured, although they know and live with many of the weaknesses in many fledgling companies. But they do so primarily with the basics and they can read a balance sheet.

Thers are memories of the wonder stocks of the 1920's, talk of the New Era, miniscule earnings in relation to price, absence of dividends and kindred nonsense.

So many of these men had the lean days of 1929 and 1937 and the spring of 1962. The money-making and automotive industries had fallen into disfavor, soon to be followed by the steel. Their place was taken by Space Age, Science, Electronics and Glamour. They understood and welcomed such stocks, but Bellwethers, the market leaders. For investment stewards, the bellwether is a General Motors, a United States Steel or a Standard of Jersey. And a New York Central may be unambiguously, but by unanimous agreement, has the Richmond.

They know all of the familiar arguments against an issue such as Bell and a bellwether's outstanding are more than 285 million common shares—more than the current extent. They know about the new situation growing out of the du Pont forced disposal of G. M. stock. And they know about the cyclical nature of the automotive industry. And they also know the ever-present menace of Federal action against a giant, which not by way of being a great competitor.

But they also are aware of that company's unrivaled faculty for making money and making a comeback. To make money for its stockholders. Of course, G. M. making news of the most constructive sort on the earnings and dividend fronts, has come to the fore. That kind of market leadership is easily understood by the investment public as well as by the investment press.

Indeed, there are people in the investment field who take a dim view of the whole stock market phase of 1962. But after a period of a few months, G. M. has not set a new high. And, on the other hand, they are waiting for a similar period to see whether G. M. has set a new low. If it hasn't, they will begin thinking whether the next market move will be upward. Now, this could be regarded as even more extremity than the Dow theorists. The point, however, is that Mr. Bell within investment circles as the greatest bellwether.

Two little wonder that then, aside from the highly specialized type of fund man, the open-ends, closed ends, college endowment trusts, pension funds and just about every trust fund in the portfolio for G. M. A few years ago, when the demand for New Age equities was engulfing the stock market, some of these investment stewards were lamenting that they were too old to ride the crest of such a wave. There was much talk then about the Vague versus Valuation stocks.

Hundreds of fund salesmen have told prospects: "You may choose the big risk for the big profits by turning to the New Age issues of you may play it safe, relatively speaking, with a General Motors or an American Telephone & Telegraph."

However, the shrewd point that these fund men make to their prospects is that through the mutual funds they get the best of both possible worlds. This is the kind of reasoning that the man and the woman of the family can make. They do not have to sell pie in the sky. This record—and it is a good one—this is all there to see.

The Funds Report

Energy Fund reports that at Mar. 31 total net assets were $326,052, or $20.46 per share, against $32.75 per share a year earlier.

Fidelity Fund reports that at Mar. 31 net assets amounted to $429.1 million, or $15.14 a share. The net asset value a year earlier was $16.84.

Fidelity Trend Fund announces that at Mar. 31 total net assets were $83.5 million equal to $12.64 a share. The net asset value a year earlier was $14.23 a share.

General Investors Trust discloses that during the first three months of this year it purchased Boston Edison, Ludlow Corp., New England Electric System, Niagara Mohawk Power Co, Southern Co., Southern Railway and Swann. Inc. And also it held Ameri
can Agricultural Chemical, Halliburton and Socony Mobil Oil.

Imperial Financial Services, Inc.

A mutual fund award sought interested in investment quality and income possibilities. Send only through regulated investment counselors notice of your desire for free prospectus or mail this to:

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Affiliated Fund

A Common Stock Investment Fund
An investment company seeking to manage money for the protection of capital and a reasonable current income.

Prospectus upon request
BANK AND INSURANCE STOCKS

NATIONAL LIFE AND ACCIDENT INSURANCE COMPANY—
National Life and Accident Insurance Co. ranks as the fifth largest stock life insurance company in this country and ranks among the top 20 of all U. S. life companies with outstanding assets of $1,005 million at year end 1982.

The company was originally organized in 1886 as a fraternal society, became a stock company in 1916 and adopted the legal reserve method of operations five years later. In its early years only industrial accident and health insurance was written. However, in the background was working and the following year industrial life insurance was added. At the present time the company has added industrial health insurance, individual annuities and industrial accident and health are written on a non-participating basis.

Premiums are carried out through a branch office organization through nearly 500 sales outlets in 21 states. The bulk of the company's operations are in the South and Southwest with approximately one-fourth in the company's Head Office, BISHOPSGATE, LONDON, E.C.1

The company's annual report for the calendar year 1982 includes the following statements:

- "The company's earnings in 1982 increased greatly as compared with the 1981 results. The company's net income for the year ended December 31, 1982 was $16.01 per share, up from $12.78 per share in the previous year. The increase is due to a number of factors, including a significant improvement in the company's underwriting results and a favorable development in the company's investments."

- "The company's assets at December 31, 1982 amounted to $1,005 million, an increase of $247 million over the assets at December 31, 1981. The increase in assets is primarily due to an increase in the company's investments."
PUBLIC UTILITY SECURITIES
BY OWEY ELY

Indiana Gas & Water Company
Indiana Gas & Water serves gas to seventy communities in Indiana, and water to seven, in central and southern Indiana. Revenue of about $35 million is 91% gas and 9% water. Population of the area served, 714,000. Bloomington, New Albany and Lafayette are the largest cities served; the total area is considered a part of the Louisville metropolitan district. The general economy of the service is well balanced between farm and industrial Louisville whose service customers is about 65%.

The company has shown good growth, last year its earnings were $1,444,000, or 21.5% above the 21 times as large a decade earlier. In the past twenty years the company has served a gas and water service to ten communities with an aggregate of 26,000, located in the rapidly growing metropolitan areas of Indiana and Illinois and commercial, and 27% industrial, including the major disrupting. Heating saturation of the company's service area has been increasing for several years. The maximum day demand of gas increased 21% in ten years, and continuing this trend, on Jan. 25, 1963 the peak day gas output will be only 7.6% in the two years following, to 1952. The company's record of earnings maintenance at 47% during the period, the equity ratio in 1952 remained at 46% compared with 1952. Internal cash flow was improved by low dividend payments, and, cash dividends were supplemented by stock dividends of 3% in 1956 and 2% in each year thereafter. The issuance of stock dividends was also helpful in maintaining the equity ratio at a high level. Book value has increased from $7 in 1902 to nearly $17 in 1956.

The company's cost of purchased gas increased 25% in the past decade, the 1952 price level being 46% above 1932. Internal cash flow was improved by low dividend payments, but cash dividends were supplemented by stock dividends of 3% in 1956 and 2% in each year thereafter. The issuance of stock dividends was also helpful in maintaining the equity ratio at a high level. Book value has increased from $7 in 1902 to nearly $17 in 1956.

The company is retaining these refunds and not passing them on to customers, since it has absorbed all supplier increases and had not increased its rates since 1949.

The company obtains its gas supplies under long-term agreements from Panhandle Eastern, Texas Service, and Transmissi- 

Texas Eastern. The company also owns underground storage facilities which supply a substantial amount of gas during the peak demand and as well on four additional storage projects, which if completed might provide additional savings in annual demand charges. Gas purchase costs averaged $3.64 cents per Mcf in fiscal 1962, the average cost of gas appears likely to remain stable for some time ahead.

The company's regulatory position seems satisfactory. While return on net plant was as high as 18 3/4% in 1956, it was only 7.6%, and inclusion of working capital in the rate base would lower this slightly. Indiana is a "fair value" state and its recent decision that a fair value rate base would be lower than return on net cost.

The company's record of earnings maintenance has shown a moderate rate of growth—larger in the first half of the decade than in the second half. Earnings increased from 10 cents in 1952 to $1.25 in 1956 and dropped back to $1.42 in the following year, rose to $1.79 in 1960 and dropped to $2.18 in the two years following, to 1952. The company has shown an improvement in earnings per share from $1.68 in the 1963 edition.

The company's financial position is conservatively stated, with tax savings from liberalized depreciation normalized, as well as the investment tax credit.

The stock has been selling recently over-the-counter around 28. Based on the $1 dividend the yield is 3.6%, and if the 2% stock dividend is not declared, the total yield would approximate 5.5%. There is, of course, some observation that the stock dividend will continue indefinitely, but its payment in recent years has helped to avoid equity financing and it appears unlikely that such financing will occur over the next several years.

The stock is currently selling at less than 18 times the earnings of $1.78 for the 12 months ended March — which earnings were doubled in favor of cold weather.

N. Y. Bond Club Offering

The Bond Club Stock Exchange, which operates only once a year in a feature of the Bond Club of New York's Field Day, is making an offering to members of 2.5% or more of "waterproof stock".

Trading will take place on Friday, June 7, in a special Stock Exchange test at the Steeple Hunt Country Club where the club is located. William W. Letland, J., Tucker, Anthony & R. L. Day, is Chairman of the Bond Club Stock Exchange Committee.

Hawkins Joins Francis I. duPont

CHICAGO, III.–Thomas H. Hawkins has joined Francis I. du Pont & Co., as manager of the municipal bond department in the Chicago office, 208 South La Salle St. He has been associated with B. J. Van Ingen & Co., Inc. in Chicago for the past 15 years, recently as manager of the mid-west sales department. Prior to that he was associated with John Nuveen & Co. in Chicago. He is a member and past treasurer of The Exemplars municipal bond group of Chicago. Mr. Hawkins' activities with Francis I. du Pont & Co. will be directed toward underwriting and sales in the mid-west.

With F. J. Winckler

DETROIT, Mich.–S. J. Testa has become associated with F. J. Winckler Co., Penobscot Building, members of the Detroit and Mid-west Stock Exchanges, as Registered Representative.

THE PUBLIC UTILITY ISSUE OF
THE CHRONICLE
Will Be Published June 13, 1963

★ The 1963 edition of our ANNUAL PUBLIC UTILITY ISSUE will present the official opinions and forecasts of the nation's public utility leaders and non-industry authorities on the outlook for this vital segment of the nation's economy.

★ Get your perspective on this year's prospects and the future trends of the public utility industry.

★ Do not miss the opportunity to advertise your Firm, Corporation or Bank in this important issue. Please reserve your space requirements before closing date of June 11th.

Regular advertising rates will prevail for space in this important issue.

THE COMMERCIAL & FINANCIAL CHRONICLE
25 PARK PLACE, NEW YORK 7, N. Y.
RECTOR 2-5370

('19) 19

Letter to the editor:

Reader Traces Turnabout
By Price Stability Advocates

An interesting insight as to how various groups have reversed their views regarding the desirability of price stability concluding with William Jennings Bryan by providing to Mr. Kornetz.

Editor, Commercial and Financial Chroni- 

cal:

Mr. Haller Belfer, in your April 4 issue, remains as the famous "Cresc of Gold" speech by William Jennings Bryan. There is another aspect of Mr. Bryan's views to which I would like to direct your attention.

Price stability was originally proposed as a defense against deflation, rather than inflation. Against a background of more than 30 years of falling prices, William Jennings Bryan, in his speech accepting the Presidential nomination on Aug. 12, 1896, said: "An absolutely honest money would not vary in purchasing power it would be absolutely stable when measured by any prices. A dollar which increases in purchasing power is just as dishonest as a dollar which decreases in purchasing power."

The same year the price level turned upward. Bryan's appeal had been strong with those who considered the "blasted bondholder" as their enemy. An economic climate now changed and it was the "profiteer" who was inveighed for the "high cost of living." Because the word "inflation" was not in vogue in this sense of a rising price level until later, many have failed to notice there was more inflation in the United States in the first quarter of this century than in the second. The advent of the "New Deal" was not the signal of an inflation that was already here, before World War I.

However, in 1913, Senator Robert J. Owen, Chairman of the Senate Banking and Currency Committee, failed to carry through his provision to include "promoting a stable price level" as one of the purposes of the Federal Reserve System. This was deleted from the Senate version by the House Banking and Currency Committee, of which Carter Glass was Chairman. The Federal Reserve System was reputed to have been a Glass "baby."

The "roaring boom" of the 1920's was in a time of stable prices. This very stability was even blamed for the ensuing depression by Rufus Tucker, General Motors economist, and by Professor Frederich Hayek, later a darling of the United States Chamber of Commerce.

The outstanding advocate of stable money (see his book Stable Money) was Professor Irving Fisher, the "Vice President." He considered bankers' predisposition against a stable dollar, because of their conservatism. The goal of running a business for a profit was considered in conflict with running it so as to stabilize prices. Sincere conservatives obstinately held the line which they considered impossible of achievement under "our system."

When, in 1927, hearings were held on a bill to amend the Federal Reserve Act "to provide for the stability of the price level for commodities in general," most conservative groups were opposed to it and it failed to reach the floor of Congress.

Yours sincerely,
SINDEY KORTEZ
3510 A St., S. E., Washington, D. C.
Federal Tax Cut
Will Aid States
And Local Units

Continued from page 13
billions for defense and public
health, and the lack of public
confidence in the present pub-
lic-finance system. This is the
background upon which the
President's tax program is set-
ting. The tax program itself is
largely a reaction to the pres-
current tax trends and the polit-
ical situation. The program is
designed to provide additional
revenue to the states and local
units, to stimulate economic ac-
tivity, and to provide greater
flexibility in the collection of
taxes. The program is based
on the idea that the states and
local units should be allowed
to determine their own tax poli-
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Bond Market Outlook for The Second Half of 1963

Continued from page 3

though they accept a forecast of rising interest rates, they doubt was the strongest driving force behind the increasing trend in rates had anything to do with it. In fact, wholesale commodity prices, the best index of inflation, are lower today than they were in 1959 and only a few forecasters are projecting an increase in steeply rising commodity prices.

Most of the vast new debt created in the last decade is not available and repayable in annual instalments. Also, the new corporate plant and equipment financed is not immediately available for trade and agriculture, and mortgageable capital is not immediately available for residential construction. These factors are making a large amount of the increase in the national debt and the increase in the demand for funds to be a very substantial one. The current level of interest rates is not likely to be sustained for long, and the outlook for the future is not very encouraging.

The Federal Reserve Bank of St. Louis

The Commercial and Financial Chronicle
estimates are correct for 1983, the large deficit can only be financed without the necessity of bidding high for the funds of mischievous and independent speculators.

Treasury Financing Need Force Higher Yields

The Treasury, by means of its new technology of electronic bookkeeping, has greatly reduced the size of its maturities coming due during the bond half of the year. However, the Treasury will have to think twice; in the interim, we therefore can expect additional large refinancings, or pre-refinancings, and from time to time additional offerings of longer term securities in amounts probably as large as $40 billion. In all, Treasury financing in the period ahead will continue to hold up yields of both short and long government. The Treasury’s requirements, however, do not suggest that yields need be forced higher.

Monetary policy will not doubt continue to support lower short yields for balance of payments reasons. But the price paid by the market policy shifted to “slightly less easy” largely because this seemed necessary to keep the monetary and competitive level. The recent improvement in American business sentiment may make it easier for the Federal Reserve to take further steps in the direction of ease. I expect that they will.

This is the reason my estimates suggest a slight ease of 1983’s contribution to the capital markets as 1963 to 1962.

However, if this year or more the rise in commercial bank deposits has been largely concentrated in the short end of the market, this continues to be the case. Since these are deposits in demand and will serve requirements, it is hard for monetary policy to hold them down. It is also very questionable whether monetary policy will wish to hold down time deposits, or alternatively, raise money rates.

Treasury bill yields rose about one-quarter of 1 percentage point in the fourth quarter of 1982. This trend continued during the first quarter of 1983. The rise in long bond yields has continued without any sign of a reversal in this trend since the beginning of the year.

**Conclusion**

In conclusion I should like to make a prediction between the outlook for long-term U.S. government bond yields and that for other long-term yields in the market. The yield on government bond yields are relatively high; they are usually quite high in comparison to the yields on long-term institutional investment. From the extreme situation of the past several years corporate new issue yields have become much lower. Long corporate yields are down as much as 150 basis points on a tax equivalent basis, while the government yields are down only 40 basis points. Long governments have been in unusually large supply for almost three years while the supply of new corporate or municipal bonds has been limited. If interest rates do rise, I believe that the yield spreads between long-term government and corporate bonds will be more than enough to accommodate the increased supply of long-term wealth.

- H. C. Bailey

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John H. Tallgren and William E. Weber, both Assistant Secretaries.

The Comptroller of the Currency James J. Saxon May 8 approved the conversion of First National Bank, Caddo, Oklahoma, into a national bank. The bank will be operated by the Comptroller under the title "The National Bank of Caddo County." Four staff members were honored for completing 50 years of service with First National Bank in St. Louis, the bank’s annual 25 Year Club Banquet. They were Fred J. Sudeman, president and comptroller; Clarence B. Wofford, vice-president; William N. Anderson, the bank’s international department; Edwin F. Meyer, home loan department and Frank J. Milligan, discount department.

The Mercantile Trust Co., St. Louis, Mo. elected Frank H. Ham¬bler, chairman of the directors, and Donald Lauster, Vice-President.

The University State Bank, Fort Worth, Texas, elected Darrell A. Johnson, formerly Vice-President of First National Bank of San Antonio, Texas, president, successor to Mr. H. E. Godfrey, who continues as chairman.

The Comptroller of the Currency James J. Saxon, May 8 announced that he has given preliminary approval to organize a National Bank in Dallas, Texas. Initial capitalization of the new bank will be $250,000, and it will be operated under the title "Community National Bank of Oak Cliff." Nee Fleming Kathy is made an ex¬ecutive officer of the Bank of America, San Francisco, Calif., international banking division, responsible to the executive vice-president in San Francisco.

David L. Blanchfield has been appointed Vice-President of Se¬curities Department in New York. Los Angeles, Calif, head office trust department, where he will be in charge of operations for the department.

The Toronto - Dominion Bank, Toronto, Canada, elected Sir Mark Turner, a Director.

Dackerman to Incorporate

PHILADELPHIA, Pa.—Effective June 1, 1983 Mr. C. Dackerman & Co., 1441 Walnut Street, Philadelphia, Pa., will incorporate National Stock Exchanges, will be dissolved and a new firm, Harry C. Dackerman & Co., will be established.

Officers of the corporation will be Harry C. Dackerman, President; Morris Waier, Chairman of the Board; Henry L. McKay, Executive Vice-President and Treasurer; Donald C. Wolford, Vice-President; and Ann Marie Gleeson, Assistant Secretary.

Rochelle to Be Lieberbaum V. P.

On May 23, Edward R. Rochelle will become a Vice-President of Lieberbaum & Co., Inc., Broker of way, New York City, members of the New York Stock Exchange.
Look In That Inactive File

SECURITY SALESMAN’S CORNER

BY JOHN DUTTON

CUSTOMS BROKERS Receive Slate

At the Annual Meeting of the Association of Customers’ Brokers, on May 23, 1963, the Nominating Committee presented the follow-

The Bill of Rights guarantees both freedom of speech and freedom of the press, and the Conce-

Ultimate Regulatory Power

The first, and most fundamental answer to these questions can be found in the Communications Act itself. In an article published by Barton’s list year which analyzed the FCC’s threat to the freedom of broadcasting, it was noted that Congress, in the act, had taken the position that to make broadcasting available to the public interest, “the Commission has a broad grant to authority to regulate broadcasting in the public interest.” Since neither Congress nor the courts have ever interpreted what the “public interest,” the commission’s word, means, it is hard to say whether there is a single standard by which the networks and the television-reading answer to the following crucial questions: Are the networks actually going to use freedom of expression to stifie freedom of expression?

Miss Erson demonstrates that there is a serious lack of coverage in important areas such as government, business, and labor. Then, she goes on to say that the 20th Amendment, which gives the power to ratify or reject treaties, has apparently been ignored because of the lack of fundamental coverage is due to “self-censorship.” Miss Erson inventory and the problem by stating:

If one were to roll down all the regulations, there is a tendency to the “political power,” and when they are, it was usually “off the record.” But Arthur Koehl, political columnist for the New York Tribune, was willing to pin point the source of the danger “openly” (perhaps because he isn’t a percolating Democrat and can therefore see an inevitable result of the licensing situation. The broadcasters will not resist the government power. But it creates serious problems because the regulations contract an FCC (Federal Communications Commission) on broadcast policy, so every Commissioner owes his job to the President. So, everybody walks on eggs? The networks are afraid of being harassed if they are critical. They don’t want to do anything that might unnecessarily irritate the men in power. I tell you quite frankly, if I were running a network, I’d be just as

“You are telling me,” said Mrs. Erson, “that unless the stations contended to support an illusory scheme of coercion against pro-

“Warning Letters”

Assuming, perhaps, that implicit threats weren’t sufficient, FCC staffers recently dictated to write letters of warning to television stations around the country. Exposed by Broadcasting magazine, the ominous messages suggested that unless the station proved properly receptive to the FCC’s views on the content and quality of their programs, they might have some difficulty in obtaining a renewal of their licenses.

But not all of the threats are implicit: Not too long ago, the FCC asked Congress to amend the Communications Act and give power to regulate the networks; a day or two later, the House passed the bill.

Perhaps the biggest step yet toward implicit control over programming was the FCC’s latest move to impose the “public interest,” of course—came last month when the FCC commissioners voted to impose a limit on the number and length of commercials aired on both radio and television. Pointing out the dangerous implications of this move, Mr. L. W. Wedell stated: “The commercial time limitation is important as a foot in the door; it is important chiefly because it gets into an area of regulation where the public can have major pre-

The Industry Must Act

If broadcasting is to ever rid itself of “self-censorship”—a euphemism for “fear of government control”—the broadcasting industry must confront the issue of “public interest” head-on. And the appropriate groups to or ganize and present this case for citizens—many of whom are the greatest victims of FCC censure—broadcast-
Inflation and Growth in Analyzing Market Values

Continued from page 1

stock investment in recent years has been in part on the wide spread assumption that equities have assumed a relative advantage against inflation. The presumption is, of course, that corporate profits will tend to rise during periods of inflation, and that the income from fixed dollar investments will suffer directly from any decline in the purchasing power of the dollar. But it is also evident that the basis for a movement of holdings of corporate bonds or equities will depend on the relative returns available on fixed income investments, and this relative return will depend on the component of price levels of various market value. Usually the inflation rate, which has been regarded as a generalized inducement to equity investment, while the stock market expanded in close association with the associated with the analysis of specific industries and firms. But the level of expansion in a company's sales reflects the degree to which the price inflation should make a great deal of difference to its stockholders. Shocked as the prospects for real growth should influence far more sanguine expectations than the anticipated consequences of inflation.

Among the numerous analytical explanations of the rise in stock prices is the view that the prices prevailing at any time are basically a reflection of the forces of supply and demand. In this concept, not added to the market supply of equities, resulting from new issues and also from mergers and other changes, are matched against the volume of funds likely to be supplied by the participating investor groups. But this simple aggregate concept conceals a wide variety of factors that can alter the supply side, for example, are the needs for external financing and the in- dustry's behavior, the demonstrated hesitance of established corporations to issue new stock and the reluctance of individual stockholders to realize long-term capital gains and increase taxes thereon. On the demand side, in addition to immediate market supply, market psychology, on shorter run developments and growth in market participation by institutional investors and the enhanced attractiveness of equities generally, in the less volatile postwar economy.

Dynamic Changing Forces

Such considerations as these are only suggestive of the dramatic upward revaluation of stocks which has occurred in the postwar period. This may be a substantially correct interpretation, but it is im- plausible that the revaluation of current valuations would result in the apparent relative advantage against inflation — that the changed supply-demand situation is per- manent. Regulatory management moves to come to look more favorably on stock issues as a supplement to capital, as debt to equity ratios continue to mount.

And, on the demand side, there is always the possibility that investors may become increasingly uninterested in fixed income facilities, if yield relationships favor these and if prospects for growth appear sufficiently promising.

In terms of current return, it is evident that stock investors are subject to the same marginal tax rates that apply to savers, but that stockholders have the opportunity to benefit from the current capital gains on a less advantageous tax basis. The maximum rate of 91% in 1961 on long-term capital gains is currently 24%.

During the same period, the grounds of volatility and uncertainty that corporate bonds rose from under 3% to 4% or more in recent years. Bond yields have, in fact, consistently exceeded stock yields for nearly five years, often by a wide margin. The recent advance in bond yields and a significant increase in profits margins would appear unlikely on the basis of historical experience.

Given the market's implied aspiration of a substantial long-term increase in dividends, it does seem possible that the mixed real growth and inflation which probably the market is more favorable. But even here, the earnings yield ratio of stocks in 1961 to 5% below 5% in 1961; it is currently well under 6%, based on the recent earnings. Some investors seem to have come close to the view that earnings would be retained rather than paid in dividends, because of the declining rate. A substantial proportion of the form of possible price appreciation rather than current earnings, and the forecast of continuing earnings. Hence, there may be some basis for a return to stocks after some time. But the exercise is simply to demonstrate that stock valuations at any time are a reflection of the growth of the future as well as of the present.

The unique attribute of equities, as contrasted with bonds and savings accounts, is the latter's lower risk of capital loss. The attractions of equities are attractive characteristics. The ratio of earnings to current stock prices is a more nearly correct — perhaps each has some of its own kind of capital stock. The latter's degree is to be noted that the unique advantage of equities is the ability to earn a return on fixed income investments.

Difference in Performance

To support this assertion, I refer to recent United States history. In the latter part of the 1950's, we have experienced a slowing in our average rate of real economic growth. From the peak of this interval was marked by a substantial rate of growth, and some prices and earnings are at current levels. But the income in recent years has been substantially below inflation levels. In 1955, there was a substantial rate of inflation. This is the period during which the real growth and inflation have been more favorable. But even here, the earnings yield ratio of stocks has been maintained at 5%, but in 1961, it is currently well under 6%. Based on the forecast of continuing earnings, there may be some basis for a return to stocks after some time. But the exercise is simply to demonstrate that stock valuations at any time are a reflection of the growth of the future as well as of the present.

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Are Commercial Banks Competing for Savings?

Continued from page 9

center of interest. The exclusive concern of many commercial banks is with gathering and using savings. Many of the S & L's have the area of interest in savings deposits on the way up.

I will look at the approach of the CB's to savings in the last 20 years. One of the major handicaps faced by many of the CB's is the inflation, in my view, has been their general success. Aided by the tax incentives of the savings and loan deposits, growth in loan demand and rising interest rates, commercial banks in some parts of the country have been able to make money in the last 25 years. How much did know how, unsupervised, uninspired and unaggressive managers — banks that haven't really exploited their opportunities? I suspect they do.

Yet have they made money? Yes, not so much as they could have, but they made good money. How they grew? Yes, but not so much as they could have. My point is that a great many commercial bankers have not felt under very much pressure to compete — a real fight in the savings field.

Further, it is my suspicion that in some respects a substantial percentage of savings deposits, the savings operation can be regarded as a de-emphasized, even orphan operation. The percentage of management effort devoted directly to savings has been low. In many a bank, I have been told, you will find everything clearly in charge of the savings function. A few have totally committed to it. Contrast this if you will to the talent and focused effort the typical bank has to, say, competition for correspondent bank balances.

Let's say how to some areas you expected me to talk about. They wish to achieve a high earnings return on their capital. Is clearly a vital element of competition in terms of their ability to compete in a competitive and acceptable to a banker.

Profits-Lag on Savings

In ability to earn on savings money, the commercial banks are far behind the competition. Why? What can be done about it?

A first and obvious villain is the legal reserve requirement for member banks. Currently 4% of savings are sterilized in non-earning required balances at the Federal Reserve Banks. Furthermore, this so-called "reserve" is not available (except for 1/2%) as a source of liquidity should deposits drop. Hence it is not a substitute for other liquid reserve.

In wholeheartedly the growing liquid liabilities that are competing the complete elimination of the reserve requirement on savings. The Fed should have time to reduce these "reserve" shipments as much as three years, to reach the 2% level. But the action should urge it to effect the elimination as soon as it can accomplish the task.

The required reserve is a unique burden on the use of the savings of the S & L's. It is of historic origin for which current logic is lacking. Moreover, it is a huge insurmountable cant item. I would place the annual dollar cost of this historic interest of the Federal Reserve on the customers' savings funds at $15 million a year. This is to say, a negative rate of return on your savings — which is at best, if you were I would be sure putting for one.

No Need to Outlaw HLB’s System

Now let me summarize my approach to the CB's area. Your competitors have a liquidity setup which lets them effectively compete for investment liquidity. This gives them a striking advantage. But more importantly, I would suggest that CB's have not been opening their own funds.

But relieved concern for liquidity in the form of a new institutional arrangement is not the only answer. The CB's ability to increase for investment liquidity. This gives them a striking advantage. But more importantly, I would suggest that CB's have not been opening their own funds.

For instance, the CB's are the only bank that can stock up. They have the ability to increase in the form of a new institutional arrangement is not the only answer. The CB's ability to increase for investment liquidity. This gives them a striking advantage. But more importantly, I would suggest that CB's have not been opening their own funds.

Savings?

This is the case, clear to me to say that low interest rates, 90% of your savings money to long-term investments of limited liquidity. The income potential would be great. But what kind of a setup? A savings and loan is not without some problems. In the main, the CB's would not be able to compete with the CB's more quickly and they are not able to change the way the customer would be able to pay off their mortgages. The CB's control over their money would be far more difficult.

Stand-By Liquidity Reserves

Of course, CB's could have agreed with those of you who answered yes. Today I query the need to do so. Merely to have the Federal authorities to have the savings Reserve were to pay you, publicly and on the record, "Mark savings money at any time to meet deposi¬
tal declines or to meet loan demand, just let us know. We will be happy to loan you at low rates up 17% of your deposits. You can keep such loans out for ex¬ tended periods—no hurry about paying them off." Note what will happen if you have deposits or loan demand exceeds lending capacity. Under what circumstances is the CB's liquidity needed? If this as¬ sumption is true, and if credit on ex¬ tended terms can be counted on, haven't you got it in a real re¬ serve?

This is essentially the setup the Federal S & L's and other mem¬ bers of the Home Loan Bank Sys¬ tem have today with the Home Loan Banks. It's a cozy arrange¬ ment of stand-by liquidity re¬ serves. Actually some of the as¬ sociations have chosen to draw on their credit line to make mortgage loans in routine. The cost of this service is well below their dividend rates. Thus, sub¬ sidiaries of First Charter Finan¬ cial Corporation and others on a recent date were borrowing from the Federal Home Loan Bank some $92 mil¬ lion at near-zero rates of interest. On this date, the group, re¬ garded as one of the strongest, and holding companies, had loans outstanding from the Home Loan Banks of 135% of the share capital. Of course, if you have drawn on your liquidity re¬ serve you will have to make deposits. But for the major¬ ity of the S & L's, the open credit line is a matter of choice. As a matter of choice, they may be able to keep their reserves as an inactive account. Of course, if you have drawn on your liquidity re¬ serve you will have to make deposits. But for the major¬ ity of the S & L's, the open credit line is a matter of choice. As a matter of choice, they may be able to keep their reserves as an inactive account. On the other hand, an S & L's are the only bank that can stock up. They have the ability to increase in the form of a new institutional arrangement is not the only answer. The CB's control over their money would be far more difficult.

It should be clear that I am pointing to an underemphasized area of competition for savings, an area that is suggesting a vigorous industry search for a satisfactory intermediate position, a position forward of a definite solution. You will note that I do suggest that CB's operate in a setting of competition. The P. H. L. B. setup helps to promote a liquidate long-term investments in bad markets and at poor prices. As such, they are in a position to some extent, such as those that would be created with banker support under pending legislation, would help the liquidity problem by improving marketability of mortgage investments. But the price of such liquidity in terms of realized interest rates, and high interest rates — when were most used by the banks — could be quite high.

Suggest New Central Asset-Buying Facility

Perhaps you could seek a similar setup which would enable the CB's to hold 90% of your savings money to long-term investments of limited liquidity, and the income potential would be great. But what kind of a setup? A savings and loan is not without some problems. In the main, the CB's would not be able to compete with the CB's more quickly and they are not able to change the way the customer would be able to pay off their mortgages. The CB's control over their money would be far more difficult.

Do you know as much about your savers, who are they with the average half of their deposits with you changed, perhaps you can alter in a way of an effective analysis? My own spotty and unsystematic observa¬ tion is that A.C. and S. L. bankers have really tried to make an or¬ ganized and exhaustive analysis of their savings. Until they do, as individual banker leaders and as an industry, you can have impressions, some rough ideas. But can you have full confidence that you are competitive? Can you be convincing to your own borrowing or a Congressional committee?

Unwarnted Savings Treatment

It is clear that the S & L industry, the MBF industry and the com¬ mercial bank industries—have assessed the inherent volatility of savings deposits. The CB's & S & L's clearly have premised their investment policies on as¬ suming the need to hold liquid—long-term money. While as individu¬ als you bank largely differed widely, as a group your judgments of the basic characteristics of the various investments were characterized as one of "uncer¬ tainty" and caution. Your collec¬ tive judgment of the relative volatility and projection of savings money character¬ istics is a necessary prerequisite for prudent pro¬ posals. This analysis is a job both for the bank industry and for individual bankers. It seems to me that you have not invested so aggressively in mortgage carryout, presented of course any general liberalization of savings that you can invest in mortgages, and the length of time that you can hold mortgage investments are more restrictive than those that apply to the savings dollars of the CB's. These are the are really basic characteristics of savings, and some have been imposed through lower interest rates) in the kind of money you can invest in mortgages. As a banker you should have felt that the CB's have garnered that justifi¬ cation, logically and basically, the CB's have garnered that justi¬ cation, logically and basically, the CB's have garnered that justi¬ cation, logically and basically, the CB's have garnered that justi¬ }
than mandatory. So you must firm up more solidly what you can and should deal with your savings dollars.

**Differences in Mortgage Investments**

Now let us look at another area of competitive advantage—tighter legislative restraints on CB membership than on that of your competitors. These include length of maturity, percentage rate of interest, and other significant terms that influence fees and charges. Why should CB customers pay less for their savings' dollars with less freedom of action? Moreover, the CBs possibly need no legal charter to operate.

Surely it cannot be argued that the S & L's are better prepared to absorb the shocks of competition and will well follow from especially aggressive lending. One argument does have some logic to it. Some S & L's, the spokesman argue, to the effect that their specialization in mortgage investment has given them a depth of knowledge and experience, which no other competitor—indeep mortgage lending that commercial banks do not have. Even if the additional cost of the competi-
tive management skills were generally valid, it must be so! In one field, competitive lending may be, if anything, more to see outside to get men with the needed specialized knowledge and talents.

I do not conclude that the broad lending operations of CBs means that they cannot be competitively effective in mortgage lending or be forced to exact higher prices for their lending. True, the presi-
dent of a CB is less likely to be a mortgage manager than an S & L president. On the other hand, the bank president should be expected to be aware of the competitive perspective and objectivity to supervise the activities of mortgage lending officers.

Moreover, loosening of mortg-
geing lending constraints on com-
mercial banks may have a like impact, not requiring more liberal mortgage lending. In the view that the limited bad debt idea, which for the postwar years of the S & L's does not appear extensible, will be a permanent part of their more liberal lending practice. We have had a seller's market for many years, and there may be no plan or for two decades—this may well not be the case in the next few years. Further, the advantage of selling more home savings plans to the weaknesses of a lot of home loans—to make bad loans look good on the books that were the chairmen of mortgage lending may well become more difficult in the future, so that the practices of the mortgage borrowers in the recent past may be a poor guide to the keenest prác-
tice for the future. However, I am still

**Cost-Free Capital Competition**

A further earnings advantage of the competing institutions organizations, which is a fairly new development since their pools of cost-free funds in accumulated capital reserves. True, recently the rate of interest on the current capital may often be pre-empted through the need to expand capital to support the bank's loan package. But in the short run, the added earnings on capital are available to cover current dividend requirements. Obviously, bank stockholders are not prents suppliers of capital; they properly expect from management a good return on their funds invested in the bank. The cost-free capital position of the commercial bank is a basic aspect of their operation as a mutual rather than for stockholders. Under the present tax law legislation might well—therefore, it's run, at least—activate this inherent competitive advantage, which is largely encouraged by the more aggressive S & L's who pay off a higher percentage of earnings in dividends and have the capital needs. In any case, I see no fruitful possibil-
ty for legislation that would nullify this competitive advantage of the mutuals.

**Subordinated Debt Financing**

Indirectly, one might conclude that one of the recent policy changes of the Comptroller may prove helpful and indeed have a beneficial effect. There is a number of com-
panies experiencing rapid growth in size and earnings, who have been unable to follow up their earnings growth, more capital will be needed. If the savings and loan associations are equal to the business, low-cost capital to support this growth becomes especially important. The creditors and analysts which I won't detail are looking for two things: one the cost increased with the cost savings on the use of subordinated debt is not greater than the earnings on the common stock. To a lesser extent, preferred stock is also a relatively low-cost capital, comparable to the common stock. The Comptroller has indicated his willingness to consider subordinated debt and preferred stock as acceptable, normal instruments for raising capital for necessary and emergency purposes. Similar freedom for state banks to raise capital in this form, for which only supervisory policy changes would be necessary in the new capital structure, including the new rules of fundings has been held since 1913, when the Exchange, in its 54th year, adopted a formal Con-
stitution.

The five new Governors are: D. Frederick Barton, managing partner of Eastman Dillon, Union Banking Co.; Mr. Watts, Jr., a partner of Goldman, Sachs & Co.; Harry C. Piper Jr., a partner of Kuhn, Loeb & Co.; Alfred Watts, Jr., a partner of Paine, Webber, Jackson & Co.; and John R. Underwood, President of the Guaranty Trust Co., New York.

The four Governors re-elected were and four present Governors were re-elected, all for three-year terms. A number of issues have been held since 1913, when the Exchange, in its 54th year, adopted a formal Constitution.

John W. Hanes Jr., investment banker and former U.S. Assistant Secretary of the Treasury, has been elected a director of Ohio National Bank. He had been associated with the New York firm of Eberwine & Co., since 1961, following several years of service with the State Department.

Hanes Named Dir.

John W. Hanes, Jr., investment banker and former U.S. Assistant Secretary of the Treasury, has been elected a director of Ohio National Bank. He was Speci-
al Assistant to the Secretary of State from 1935 to 1937, Deputy Assistant Secretary for United Nations Affairs, 1937-39, and in the Office of the High Commissioner for Germany, 1939 to 1952.

**NYSE Elects To Board**

Henry M. Watts Jr. has been re-
elected for a second one-year term as Chairman of the Board of the New York Stock Exchange. Mr. Watts, a senior partner of the firm of Williams, Schreiber, Watts & Co., is a member of the Board of Governors of the Exchange, and was re-elected to the post of chairman of the board of the Exchange in 1961.

Five new Governors were elected and four present Governors were re-elected, all for three-year terms. A number of issues have been held since 1913, when the Exchange, in its 54th year, adopted a formal Constitution.

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**Our Reporter on Governments**

**BY JOHN T. CEPPELEND, JR.**

The Treasury bill market remains steady despite the fact that the long-term WOYAM 5% rate, raising Treasury 4½% of 1980/83 would not be received at the original offering price of 93½ and was being put away at prices which are just a bit under the one which the speculator paid for it, over 900,000 issue. The fact that the price decline from the first price of 101% was so small, or in the area of 100% indicates that there is still a real interest in the instrument in Government bonds, the best credit available when the yield is such as to entice a secondary (institu-
tional) buyer. According to reports, pension funds of the public vari-
cy have been among the impro-
tant buyers of this recent new issue of the Government.

**Bond Yields on Plates?**

The capital markets are being held up by a breathing spell in the flota-
tion of corporate bonds along with the belief that corporate bond yields will not be offering long-term bonds for new money raising pur-
poses for quite some time. The controlling factor is the very large supply of available funds de-
for the purchase of corporate stocks and corporate bonds, or for the purchase of corporate stocks and corporate bonds, or for the purchase of corporate stock.

Nevertheless, it does not appear though the level of the capital bond market will change too much the foreseeable future, especially for high-grade paper for which the Treasury refrains from crowding this area, or for new issues.

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In addition, as long as there is a high level of the inflation psychology, there is not likely to be a shift of funds and interest rates would be a hedge against the loss of pur-
chasing power.

**Contrary Opinion**

This, however, is not an un-
proposition because there is a small group in the financial dis-
cern who are of the opinion that the economy is now moving on to much improved conditions which will eventually bring about a turn of the boom. And in order to protect their position against such a happening, there will be shifts in investment policies so that fixed income investments' losses will lose a great deal of their glamour in favor of equities.

This point of view has which has taken place in the past when the boom and bust psychology was strong. In 1929, when Mr. Hanes was plagued with curtailed credit and high interest rates, it was evident that the monetary author-
ities will not allow the economy to run away, which means that restrictive policies that would have a marked influence on interest rates and bond prices would be the offering under such conditions.

**New Treasury 4½s in Demand at Low Price**

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American Bittrit Rubber Co., Inc. (5/27-31)


American Mortgage Insurance Co.


Ampeq Co., Inc.


• Associates Investment Co., Inc.


• Atlantic International Corp.


• Allied Mortgage & Development Co., Inc.

Jan. 28, 1963, filed $2,000,000 of 6% subordinated sinking fund debentures due 1973 (with warrants) and 100,000 common warrants to be offered to the public in units (with a warrant to purchase two shares) and one common share. Price—By amendment. Business—Mortgage banking, real estate development, and sale of Insurance. Proceeds—For debt repayment and land development, and working capital. Office—3230 Park Ave., N. Y. Underwriters—To be named.

Ameril Mining Co., Ltd.


American Annuity Life Insurance Co.


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Ameril Mining Co., Ltd.


American Annuity Life Insurance Co.

Continued from page 29


Doman Helicopters, Inc. — May 15, 1963 filed 100,000 common. Price—By amendment (max. $10). Business—Research, development and construction of helicopter engines. Proceeds—For research, development and construction of helicopter engines. Address—San Diego, Calif. Underwriter—None. This registration will be withdrawn.

• Farmers & Ranchers Corp. — May 9, 1963 filed 150,000 common, 15,000 preferred. Price—By amendment (max. $15). Business—Supplying farm equipment. Proceeds—For the distribution of farm equipment. Address—Cedar Rapids, Iowa. Underwriter—None. This registration will be withdrawn.

Federated Baseball League Corp. — Feb. 26, 1963 filed 150,000 common, of which 50,000 are to be offered by the company and 100,000 by stockholders. Price—By amendment (max. $5). Business—The sale of baseball league stock. Proceeds—For the sale of baseball league stock. Address—St. Petersburg, Fla. Underwriter—None. This registration will be withdrawn.

Federal Reserve Bank of St. Louis — Digitized for FRASER

First American Mutual Fund (6/10-14) — Aug. 15, 1963 filed 2,750,000 shares of beneficial interest. Proceeds—For the purchase of United States government securities and other corporate securities. Address—Minneapolis, Minn. Underwriter—None. This registration was withdrawn.

First City Banking Corp. — March 27, 1963 filed 460,000 common shares. Price—$1.00. Business—A real estate development company. Proceeds—For the construction of a high-rise office building. Address—Panama City, Fla. Underwriter—None. This registration was withdrawn.


Ford (Alex) & Sons, Inc. — March 23, 1963 filed 125,000 common. Price—By amendment (max. $10). Business—Manufacture of aluminum and steel. Proceeds—For the purchase of equipment and for general corporate purposes. Address—Fort Worth, Tex. Underwriter—None. This registration was withdrawn.

Forrest Lake Paper Co. — Jan. 27, 1963 filed 100,000 common. Price—By amendment (max. $1). Business—A hardwood-cultivation company. Proceeds—For the sale of hardwoods. Address—Forrest Lake, Ark. Underwriter—None. This registration was withdrawn.


Frisco Electric & Gas Co. — June 19, 1963 filed 50,000 common. Price—$5.00. Business—Electric power and gas. Proceeds—For working capital. Address—Beamsville, Kan. Underwriter—None. This registration was withdrawn.


Hallandale Rock & Sand Corp. — July 5, 1963 filed 150,000 common, 5,000 preferred. Price—$1.00. Business—A 69% subordinated debentures due 1977, 200,000 common and 6% warrants to purchase common are to be offered for sale in units consisting of $10 debentures, 8 common shares and one warrant. Proceeds—For general corporate purposes. Address—Jacksonville, Fla. Underwriter—None. This registration was withdrawn.

Hecks' Discount Centers, Inc. — June 7, 1963 filed 125,000 common. Price—By amendment (max. $15). Business—Operation of discount stores. Proceeds—For inventory, expansion, debt repayment and for general corporate purposes. Address—760 S. Hill St., Los Angeles, Calif. Underwriter—None. This registration was withdrawn.

Hill Street Co. — April 27, 1963 filed 2,261,328 common to be offered for subscription by stockholders of Union Bank of Califor¬nia on a share-for-share basis. Price—$3. Business—A real estate development company. Proceeds—For real estate development. Address—760 S. Hill St., Los Angeles, Calif. Underwriter—None. This registration was withdrawn.


Holsworth Solderless Terminal Co. — Jan. 16, 1963 filed 100,000 common. Price—$4. Business—A manufacturer of solderless terminal bar¬ges and other wire terminating products. Proceeds—For construction and for the purchase of equipment and working capital. Address—P. O. Box 450 Phoenixville, Pa. Underwriter—None. This registration was withdrawn.

Hoosier Baking Co. — July 26, 1963 filed 5,000 common shares of 6% non-cumulative preferred stock, and 5,000,000, to be offered for sale in units of one common share and one 500 share unit. Proceeds—$150 per unit. Business—Company plans to construct and operate a beef and pork packing plant. Address—Bloomington, Ind. Underwriter—None. This registration was withdrawn.

Interstate Motors, Inc. — Jan. 30, 1963 filed 1,650,100 shares of beneficial interest. Price—$5. Business—Sale of cars and light trucks to independent wholesale and retail dealers. Proceeds—For the purchase of inventory. Address—450 E. 90th St., Chicago, Ill. Underwriter—Van Alstyne, Noe, Co., N. Y. This registration was withdrawn.

Interstate Power Co. (5/22) — June 15, 1963 filed 4,000,000 common to be offered for subscription by stockholders on the basis of one new share for each $100 of stock held. Proceeds—$5.30. Business—Acquisi¬tion and development of power plants. Address—140 Fifth Ave., New York City. Underwriter—None. This registration was withdrawn.


Greenman Bros. Inc. — April 23, 1963 filed 2,000,000 common, of which 50,000 are to be offered by company and 100,000 by stockholders. Price—By amendment (max. $9). Business—Wholesale and retail distribution of toys, hobby and other novelty stores. Proceeds—For debt repayment, inventory and other purposes. Address—Indianapolis, Ind. Underwriter—J. R. Williston & Beane, New York. Underwriter—None. 

National Central Life Insurance Co.
Dec. 7 filed 143,000 common. Price—By amendment (max. $5). Business—Operation of a cleaning and pressing plant and affiliated dry cleaning firm. Proceeds—For expansion and working capital; common. Office—1940 4th St., Kansas City, Mo. Underwriter—None.

National Equipment & Polastics Corp.

National Fence Manufacturing Co., Inc.

National Fidelity Life Insurance Co. (5/22)

National Life Insurance Co. (5/22)

National Marine Life Insurance Co., Inc.

National Park, Inc.

National Security Life Insurance Co.
continued from page 31

Office—102 Grand St., Westbury, New York. Under¬
writers—Archer & Cameron Co., Inc., and Heritage Equity
Corp., New York.

(Corn Products) Enterprises, Inc. (6:10-14)
May 1, 1967, filed 200,000 common. Price—$.25. Busi¬
ness—The company and its subsidiaries manufacture, distribute, and sell chemical products. Proceeds—For the payment of debt and other corporate purposes.

Orr Oil Filters, Inc. (6:1-

May 1, 1967, filed 1,000,000 common, units of $5 par value. Price—$1.50. Business—For the manufacture of oil filters and related products.
This Week

**Archaeon Exploration Corp.**

$0.25 common. Price—$0.25.

**Barger (Harry), Inc.**


**Bristol Silver Mines Co.**


**Brown (John) Distilling Co., Inc.**


**Charming Associates, Inc.**


**Coastal States Corp.**


**Commonwealth Telephone Co. (6/3)**

May 2, 1963 filed 71,460 common for offer by subscription to common stockholders on the basis of one share for each 8 common shares held. Price—$5.

**Tri-Nite Mining Co.**

Apr. 29, 1963 filed 300,000 common. Price—$0.40 common.

**Underwriters National Assurance Co.**

May 27, 1963 filed 600,000 common. Price—$2.50.

**United Resources, Inc.**

March 20, 1963 filed 150,000 common. Price—$1.

**Vend-Mart, Inc.**

Jan. 6, 1962 filed 500,000 common. Price—$0.10.

**Waterman Steamship Corp.**

Aug. 29, 1963 filed 1,043,000 of common. Price—$1.

**Western Steel, Inc.**


**Western Union International, Inc.**

March 29, 1963 filed $5,000,000 of 6% senior debentures due 1968. Price—$100.

**Wiener Shoes Inc.**

Apr. 29, 1963 filed 600,000 common. Price—By amendment (max. $11).
ATTENTION UNDERWRITERS!
Do you have an issue you’re planning to register? Our Corporation News Department would like to purchase an exclusive item similar to those you’ll find hereupon.
Would you telephone us at Rector 2-5707 or write at 33 Park Place, New York 7, N. Y.

Prospective Offerings

Bank of Tokyo of California (San Francisco)
May 6, 1963 it was reported that the bank is offering stock to private individuals in addition to the 82,500 capital shares on the basis of one new share for each held of record May 8. Rights will expire May 31; Price—$100 par value. Underwriters—(Competitive).

Bethlehem Steel Co.
Feb. 26, 1963, Arthur B. Homer, Chairman, announced that the company’s tender offer of $100,000,000 capital improvements program to be completed by 1965. He said that approximately one-half of the shares for the program will be generated internally and the balance secured externally. Mr. Homer added that this would not be required until at least 1964. Offer—15 Broadway, New York, Underwriters.—To be named. The last public sale of securities in May, 1956, was handled by Kuhn, Loeb & Co., and Smith, Barney & Co., New York.

Columbia Gas System, Inc. (10/3)

Hathaway, Inc.
Jan. 11, 1963 it was reported that this company plans to sell $8,000,000 of first mortgage bonds in June 1963. Offer—600 W. 85th St., Chicago, Illinois. Underwriters.—(Competitive). Probable bidders: Halsey, Stuart & Co., New York; Loeb Brothers and Salomon Brothers-Hutziel, Slone & Webster Securities Corp.

Lightnin Company

McClellan Aircraft Company
Apr. 5, 1963 the company announced that the securities which jointly own this new firm have petitioned the SEC for registration of Public Utility Holding Company Act of 1935. Public Utility Holding Company Act of 1935. The proposed offering is in the form of a $100 par value bond which can be sold to any public utility company. The offering is being handled by the brokerage firm of Halsey, Stuart & Co. (Jointly). Morgan Stanley & Co., Salomon Brothers & Hutziel, Slone & Webster Securities Corp. (Jointly). Underwriter—(Competitive).

Pertinent Electric Devices Co.
Apr. 26, 1963 it was reported that the company has been successful in the form of a $100 par value bond which can be sold to any public utility company. The offering is being handled by the brokerage firm of Halsey, Stuart & Co. (Jointly). Morgan Stanley & Co., Salomon Brothers & Hutziel, Slone & Webster Securities Corp. (Jointly). Underwriter—(Competitive).

Rural Telephone Co.
May 14, 1963 it was announced that the company plans to sell $80,000,000 of common stock in 1964. Offer—New York, Underwriters.—To be named. The last public offering of bonds on Jan. 20, 1960 was handled by Kidder, Peabody & Co., and Morgan & Co.-Chas. W. Scranton & Co.-Eastbrook & Co. (Jointly).

Washington Fire & Casualty Co.

Throughout the years many business and industrial leaders have been active in the life insurance industry.

Effective Registrations

The following registration statements were declared effective this week by the SEC. Offering details, where available, will be carried in the Monday issue of the "Chronicle."

Alabama Power Co.

Airline Union Station Co.
$19,000,000 of 3½% debentures, series A due June 1, 1964 and $10,000,000 of 4% debentures, series B due June 1, 1969-73 priced to yield from 5½% to 45%. offered by Halsey, Stuart & Co., Inc., Chicago. Proceeds—For construction and other purposes. Address—111 W. W. Washington St., Chicago, Ill. Underwriter.—None.

Airline Union Station Co.
$29,000,000 of 4% first mortgage bonds due 1985 offered at 101½% to yield 4.2%. offered by Kidder, Peabody & Co., New York, Underwriter.—None.

Ark Air King Corp.

American Union Co.
$5,000,000 of convertible preferred stock offered at $100. Also offered at $101.30 to yield 4.2% by Kidder, Peabody & Co., New York, Underwriter.—None.
Illinois Bell Telephone Co. (7/9)
June 12, 1963. The company plans to offer $50,000,000 of first mortgage bonds due 2003.
Proceeds—To repay advances from A. T. & T., parent, and to raise funds.

Florida East Coast Ry. Co. (6/11)
March 4, 1963. It was reported that this A. T. & T. subsidiary was preparing to issue $40,000,000 of first mortgage debentures in June, marking its first sale of debt securities. Office—240 Meridian St., Indianapolis, Indiana—Underwriters—(Competitive).

Indiana & Michigan Electric Co. (8/6)
April 10, 1963. It was reported that Indiana & Michigan Electric Co. plans to sell $45,000,000 of preferred securities.

Iowa Power & Light Co. (5/4)
April 10, 1963. It was reported that the company plans to sell $10,000,000 of bonds in late 1963 or early 1964. Office—2301 Avenue of the Americas, New York—Underwriters—(Competitive).

Michigan Central RR (5/23)
April 23, 1963. The company announced plans to sell $2,000,000 of 5% preferred securities. Office—225 Eleventh St., New York—Underwriters—(Competitive).

New York State Electric & Gas Corp. (3/3)
April 3, 1963. It was reported that the company plans to sell $16,000,000 of medium-term preferred bonds in the fourth quarter. Office—441 Stuart St., Boston—Underwriters—(Competitive).

Pacific Telephone Public Corp. (3/13)
April 18, 1963. It was reported that the company plans to sell $180,000,000 of medium-term debt instruments in the second quarter of 1963. Office—1200 Peachtree St., Atlanta, Ga.—Underwriters—(Competitive).

Northern Illinois Gas Co. (7/10)
April 30, 1963. Company reported that it plans to sell $20,000,000 of first mortgage bonds due 1988.

Northern States Power Co. (Minn.
March 27, 1963. The company reported that it plans to sell $15,000,000 of equipment trust certificates in June. Proceeds—For construction. Office—15 South Fifth St., Minneapolis, Underwriter—To be named. The last rights offering in July 1959 was undersubscribed.

Northern States Power Co. (Minn.
New N. Rochester, Securities spend of 507 York

Knudsen March 5, 1963

March to Sixth South Stuart & Rochester Tail Power


that about half the Lehman

bidders that the Diet had authorized


Aug., 1962 It was reported that this company plans to issue $25,000,000 of preferred stock and $40,000,000 of bonds by the end of 1964. Office—1100 Hill St., Seattle, Wash. Underwriters—(Competitive); probable bidders: First Boston Corp.; White, Weld & Co.; Blyth & Co.; Halley, Stuart & Co.; Lehman Brothers; White, Weld & Co.; and Shields & Co. (Jointly); First Boston Corp.

April 1963, it was reported that this newly-formed nationalized postal savings corporation plans to issue $50,000,000 of U. S. Natural Gas Corp. Address—9601 Wilshire Blvd., Beverly Hills, Calif. Underwriter—None.

March 6, 1963 the company announced that it had ar- rived at a decision that the company will be managed on a continuing, not a seasonal, basis. This has been a real change in management, but it has not determined the terms or timing of the action. Office—460 12th Ave., New York, Underwriter—To be named.


Western Transmission Corp.

April 17, 1963 it was reported that this company plans to issue $5,000,000 of general mortgage bonds due 1964 and $7,500,000 of general mortgage bonds due 1965. Office—1100 Hill St., Seattle, Wash. Underwriters—(Competitive); probable bidders: First Boston Corp.; White, Weld & Co.; Blyth & Co.; Halley, Stuart & Co.; Lehman Brothers-Hyde & Allen; White, Weld & Co.; and Shields & Co. (Jointly); First Boston Corp.

April 1963 It was reported that this company plans to issue $32,000,000 of bonds. Proceeds—Refund a refunding of Series C Bonds, dated May 15, 1963. Office—23 South La Salle Street, Chicago, Ill.

Sears, Roebuck & Co.

Feb. 1963, 1963, Allied Consumer Corp.—ad replied that the company plans to offer stockholders the right to subscribe for additional $75,000 shares on the basis of one new share for each 100 shares held. Office—233 South Dearborn St., Chicago, Ill. Price—$32. Proceeds—To increase capital and surplus. Office—First Boston Corp., Boston, Mass.

Sumitomo Bank of California (San Francisco)

May 15, 1963, it was reported that the company is planning to issue debentures by mid-summer. Earlier, the company had announced that it had obtained the FCC for authority to construct additional pipeline facilities for use in the San Francisco Bay area.

Tokyo (City of)

May 15, 1963, it was reported that the Diet had authorized the sale of $25,000,000 of City bonds in the U. S. during the fiscal year ending March 31, 1964, Underwriters—Stone & Webster Securities Corp.; White, Weld & Co.; Halley, Stuart & Co.; Lehman Brothers-Hyde & Allen; White, Weld & Co.; and Shields & Co. (Jointly); First Boston Corp.

Transcontinental Gas Pipe Line Co.

May 6, 1963 It was reported that the company plans to issue $23,000,000 of debt securities in September. Proceeds—For expansion. Office—310 Davis St., Houston, Underwriters—J. Shearson Loeb, Rhoades & Co., and Stone & Webster Securities Corp., New York.

Union Electric Co.

March 20, 1963 the company plans to issue $5,000,000 of preferred stock and $25,000,000 of bonds by the end of 1966. Office—310 Davis St., Houston, Underwriters—(Competitive); probable bidders: First Boston Corp.; White, Weld & Co.; Blyth & Co.; Halley, Stuart & Co.; Lehman Brothers-Hyde & Allen; White, Weld & Co.; and Shields & Co. (Jointly); First Boston Corp.

United States Steel Corp.

April 29, 1963, it was reported that this company plans to issue $25,000,000 of bonds of the Michigan & Northern Railroad Co. Office—460 12th Ave., New York, Underwriter—To be named.

Yale Express System, Inc.

May 14, 1963, Gerald W. Eskow, President, told the annual meeting of stockholders that, "preliminary discussions have been held with investment bankers in relation to a possible listing of the company's shares on the New York Stock Exchange." (jointly); Halley, Stuart & Co.; Kidder, Peabody & Co.—First Boston Corp.; Halley, Stuart & Co.; Kidder, Peabody & Co.—First Boston Corp.; Halley, Stuart & Co.—Kidder, Peabody & Co.
### American Iron and Steel Institute

#### Index of Production Based on Average Weekly Production of the Month of May

<table>
<thead>
<tr>
<th>Month</th>
<th>Index of Production</th>
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<tr>
<td>May</td>
<td>133.8</td>
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#### Crude Steel and Raw Materials

<table>
<thead>
<tr>
<th>Month</th>
<th>Raw Materials (000 tons)</th>
<th>May</th>
<th>133.8</th>
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#### reviewer feedback

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### Covenants of Creditors

For details, please refer to the full text for any required computed data and its display in the table format above.
Modest Devaluation Would Cure Our Payments Gap

Continued from page 11

Yet reached their full impact. This cumulatively destructive process of overvalued exchange rates, overproduction, and underdevelopment should be taken as an urgent signal for us to do something to check our payments deficit in good time.

In spite of Dr. Haberler's assertion that the division of labor in the free world requires the American authorities to termi- 
mands in our payments balance by reducing our rate of earning less-

nated gold reserve, and wages in the United States should be permitted to rise more rapidly. If we were to allow a unilaterally tariff cut, say by 10% and a good will to expand world trade, we would stabilize export prices of raw ma-

terials to improve the interna-

tional balance of payments, and a number of countries would be convinced that our own tariff reductions for exports to the United States (

The root of the decline in United States international competi-

tiveness (chiefly in industrial goods) can be traced back to 1945 when the exchange rate of the dollar relative to other interna-

tional key currencies was increased by 43% (equal to the 39% devalu-

ation of the pound sterling and 36% of the French franc) and that of gold. Without doubt, international competitiveness would also be strengthened by a "virtual" devaluation of the dollar.

Conclusions

We have reached a situation that implies a threat to the ac-

ceptability of the dollar as a reserve currency. The United States is a financial giant, and its financial position as a result of this, is evidently considered as a sign of the financial strength of the dollar euro. In the present situation, foreign-owned dollars are used as a weapon by the European and central banks that cooperate, to make forays on our gold stock. We should therefore, for the reason of increasing the dollar as a reserve currency, etc., we cannot afford to sit idly by. It follows that the exchange value of the dollar cannot be in-

terpreted as a "betrayal" of the United States. According to the statutes of the BIS, the countries having used the dollar as a currency need not be a member only of the Bundesbank. But have the duty to correct a situation that would be in the ex-

pected manner, as we cannot achieve a justifiable adjustment in any other way. Alternatives: either we can maintain the right to withdraw dollars freely in gold and conse-

quently bear the loss from the devaluation, or we could conclude non-convertibility of the dollar.

By agreeing to keep their dollar assets, they would receive a non-convertibility bonus. The compensation equal to the rate of earning less imports and foreign investments, but no income from the exportation of dollars.

Instead of being afraid of inflationary consequences, we should realize that the dollar is a very small and almost non-essential system which, should not be captured by the interests of the world trade. The dollar is a cheap, which could be used for financing the dollar.

The United States has now lasted 15 years, we cannot be sure that we "will not experience" a situation at present there hardly exists a more efficient and less costly de-

valuation. If we improve our ability to export, our trade will suffer not only in Europe, but also in the United States. Without defense of our market, the United States could not be able to maintain its high quality of goods, and the United States, therefore, on the other hand, we must take into account the cultural surplus which face the regulatory systems of the United States.

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Continued from page 7

The program is financed from a revolving fund with the following authorizations totaling $2.725 billion through June 30, 1963. This authorization will increase $300 million during each of the ensuing two fiscal years. A few facts tell the story of what this program is accomplish-

ing, based on funds encumbered as of March 31, 1963.

Accumulated over $500,000,000 students, student nurses, interns, and faculty members are expected to receive $2.2 billion in net fund reser-

vations, $2 billion in net loan approvals, $1.5 billion in our portfolio of bonds purchased.

Congress has wisely viewed College Housing Loans as a pro-

gram of national urgency. With-

out it, many of our institutions of higher education would have been forced to meet the housing demands of an increased enrollment. It would have meant severe restrictions on admissions. Our human re-

sources as a nation would have been severely underestimated, and our ability to educate our people would have been greatly diminished.

This program has emphasized the human and social objectives of education and basic economic judgment. Our loans are good loans.

The spread of only 1 1/4% between what we pay the Treas-

ury and what the borrower will soon cover all our administrative ex-

pense.

The program enjoys a remark-

able breadth of support—particu-

larly among the educational leaders and the educational administer-

ative officials. There is no pattern to college housing directed from an ivory tower in Washington. This too results from deliberate policy, thoughtfully conceived and carefully administered.

In administering the College Housing Loan program, it has been our basic objective to encourage good debt manage-

ment and to enable the market-

ability of the bonds.

Our financial requirements have been powerfully reinforced by both the standards and conventions of the capital market, particularly the recent changes in the behavior of the public, and to require each borrower to ad-

vertise its offering in a public-

ication and to prepare an Official Notice of Sale and Statement of Essential Facts for

The Commercial and Financial Chronicle . . . Thursday, May 16, 1963

opportunities for the municipal

industry in Federal loans

Continued from page 7

interested dealers and investors. The CFA staff took the initiative in working with the investment bankers in acquainting them to rate college housing bonds.

Over 40 issues have been rated by Standard and Poor's, a number which applies uniformly to all maturities and types of interest. CFA has required certain bond provisions which are either more stringent, or broader than the more common provisions, and that could be rated A or better by Standard and Poor's, and rated by Standard and Poor's as "mature.

This record speaks for itself.

CFA's Rejected Longer

Since market interest rates for the early maturities of a long-

term bond issue are often lower than the market interest rates which apply uniformly to all maturities, CFA has required certain bond provisions which are either more stringent, or broader than the more common provisions, and that could be rated A or better by Standard and Poor's, and rated by Standard and Poor's as "mature.

These policies have contributed toward developing an increasing market for college housing bond issues of public importance. This culminated in the sale of over $160 million of revenue bonds to private in-

stitutions, of which about $50 million the tax-exempt college housing bonds sold to the Housing Authority of the City of New York. This is another record that speaks for itself.

Since we operate with a Re-

course of the Alaskan oil dis-

ot that is provided from private sources for college housing means that we are still a growing and unstable need for college housing facilities. The $166 million in bonds sold privately in 1962 means accommoda-

ations for more than 40,000 students.

We have used $112 million in government loans for public in-

stitutions, $16 million in low interest student loans of $166 million for the same purpose. This accomplishment is of particular importance because it is the first to be made of funds from a program established by the Congress.

Looking ahead, there are several trends that will have a consider-

able impact on the problems we
face and on the opportunities facing investment bankers.

$4 Billion Needed Just for 1979's College Housing

Total outlays by the Federal Reserve increased from 1.3 million in 1939 to 2.1 million in 1962. By 1968, the college savings rate should be approximately 7 million.

In 1949 private schools enrolled 36% of the nation's children. By 1985, only 25% of the total enrollment is expected to be in private schools.

Assuming that by 1979 housing accommodations need be provided for 25% of the increased enrollment, $4 billion additional must be made available by 1979.

$3 billion of this amount will be borrowed.

Over $2 billion of the borrowings will be tax-exempt.

And all the college loans will exclude existing backlog of unmet housing needs. The total dollars required could easily exceed the Federal funds at the present level of $450 million per year. But the higher interest rates and potential issues could well be financing an increased amount of college housing loans, and not only meet the 25% of the total enrollment at interest rates the colleges can afford to pay.

The combination of private and public credit which we have nurtured over the years will not be able to compensate for the greater investment in education which is required to meet the increased enrollment of public institutions.

If I had to choose between two students who had stayed away from college housing revenue bonds up to now, I'd take the other look at each. Perhaps the dealer would become convinced as we are:

(1) the present increasing investment in higher education is an irreversible trend which assuages the demand for increased college housing revenue bonds.

(2) The trend to tri-semester and quarterly academic terms will mean greater use of housing facilities and economically sound and greater debt service coverage.

(3) That college officials are knowledgeable, able and good people with whom to do business.

Sales from Government's Portfolio

If I sound like a salesman, it's because I am. It is the way most of us do formal sales announcements. Many know one of the best-known was the $5 million College Housing bond sale for fiscal year 1964 sets a goal of $30 million in College Housing bonds.

Actual sales may be more or less than $50 million, depending upon market conditions. Such sales will have two major effects:

(1) They will improve the cash position of the college.

(2) As the bonds of more institutions get wider distribution, we believe the higher visibility will show an increasing interest in college housing bonds. This in turn should mean an increased demand for public funds in the future.

Depending upon market conditions, the timing of these sales within the next month or two, and probably will be in the market on more than one occasion.

This offering will be composed of carefully selected issues that we anticipate will result in sales of approximately $25 million.

All bonds offered will have A or better rating of equivalent quality, with excellent debt service coverage.

No bids will be accepted below par plus accrued interest.

In order to sell as many bonds as you are willing to buy, bids will be invited on successively larger amounts beyond the first 10-year block.

Bids that will take the larger number of bonds will get the award.

Coupon rates will range from 3% to 5%, with perhaps some shorter maturities at 2% and 2½%.

A series of pre-sales information meetings will be held in several Federal Reserve cities - St. Louis, Chicago, Dallas, Atlanta, San Francisco, and New York.

A comprehensive brochure on all college housing issues along with circulars for each issue will be available for distribution in these new markets.

Judging from the inquiries received to date, bidding interest will be widespread.

* * * * *

Common Stock Offered for Pay TV System

Public offering of 500,000 common shares of Home Entertainment Co. of America, Inc., at $10 per share is being made by Bernard M. Kahn & Co., Inc., New York. Proceeds to be used for the incorporation and operation of a television system in Santa Monica, California.

Headquartered at 19th and Rapid Sts., near the eastern edge of the city, the company, through its wholly-owned Home Entertainment Co., Inc., of Los Angeles, plans to install pay teleprocessing service and distribute materials in other parts of Los Angeles and other communities in the United States.

Pforzheimer Co.

To Admit Partner

Carl H. Pforzheimer & Co., 25 Broad St., New York City, and members of the New York Stock Exchange, announce that the firm of Edward T. Hourigan to partnership.

Edward T. Hourigan will be entitled to 5% of the profits of the firm, and also come a member of the New York Stock Exchange.

Named Director

A. T. Brod, a director of the New York Stock Exchange and a former member of the Board of Directors of Photocopia Corp., has been elected a director of the firm of Sanwich & Co., in the Island City, N.Y., operates a nationwide photo service and distributes amateur photographic products, photomachines and their own "ipol", is headed by the Continental Illinois National Bank and Trust Co. of 1993 maturity carried a 1½% coupon and was reoffered at a 4½% yield.

The first week's final sale of note consisted of $7,000,000 Galvaneck, $10,000,000 Paper and Electric revenue bond, and $10,000,000 Water and Sewer bonds. The high bid, a 3½% net interest cost, came from the Bankers Trust Co., Syndicate. The principal to the additional groups which bid for this issue.


The bonds were offered from 1½% to 3½% and as we go to press the price of $2,700,000 remains in effect.

Weekly Market Sale

Wednesday (1/15) was another busy day with three issues of selling at competitive bids.
The largest issue also the most competitive bid was $42,000,000 New York State general obligation (1965-1967) bonds attracted two bidders and the second highest bid was made by the First National City Bank and Lehman Brothers was the next highest bidder for the lower interest cost, buying out the Chase Manhattan Bank group which bid 1½ points higher.


The bonds were reoffered from 2½% in 1969 to 2½% in 1977 and from 3½% in 1965 to 3½% in 2003. The 1965 to 1968 maturities; the 1975 to 1964 maturities and the 2005 to 1970 bonds, were sold pre-sale. Late indications show that it was estimated that the balance of $2,700,000 in stockyards would be reoffered at a 1¼% interest cost.

Infrquent Barrows

The City of Augusta, Georgia, an infrequent borrower and the second largest revenue bond, $4,000,000 Water and Sewer revenue bond (1965-1967) bonds to the account headed by the First National Bank of Boston, Drexel & Co., Drexel & Co., Dominic & Dominic and William Blair & Co., Inc., each offered 3½% cost of 3.3561%. The second bid, a 3½% net interest cost, was made by Hill, Snell & Co., Inc. and associates.

Other members of the winning syndicate included Bankers Trust Co., Stern Brothers & Co., Folger, Nolan, Fleming & Co. and John C. Legg & Co.

The bonds were reoffered from 1½% to 1965 in 3½% to 1975 and initial orders have amounted to $2,500,000. The 1993

Philadelphia.—Edwin D. Halsey, publisher, and the American Stock Exchange, will open the meeting of The Bond Club of Philadelphia to be held on Monday, May 22, at The Barclay Hotel.

Albert A. Wenzel of Francis J. Powell & Co, is in charge of arrangements.
WASHINGTON AND YOU
BEHIND-THE-SCENES INTERPRETATIONS FROM THE NATION'S CAPITAL

WASHINGTON, D. C. — Four years ago the then Senate Majority Leader from Texas, Lyndon B. Johnson, was running for the Democratic presidential nomination. Today he is running for nomination and election as Vice-President of the United States.

Prior to the 1960 Democratic National Convention, Mr. Johnson vehemently maintained that he would take a second fiddle on the Democratic ticket. Perhaps he meant it, but he changed his mind many seasons politicians do.

The Kennedy-Johnson ticket won, of course. But Mr. Johnson is running for renomination with the blessing of President Kennedy, Attorney General Robert F. Kennedy, and the White House advisors.

A few days ago a good friend of both President Kennedy and Vice-President Johnson said the President and Vice-President are on cordial relations, plus the fact that each recognizes the other's political assets.

This puts to rest some intermittent rumors that have cropped up in the Nation's Capital this spring that President Kennedy might dump Mr. Johnson.

The Vice-President is a frequent guest at the White House. When he is in the city he meets with Democratic Congressional leaders and has dinner with the President every Tuesday.

Not Interested in Returning to the Senate

The Attorney General, who managed his brother President's 1960 campaign in 1960, says there is no doubt at all that Vice-President Johnson will be renominated in 1964. Some segments of the Democratic party have been in the opinion that Mr. Johnson was a drag on the party, and cited their record. But that opposition has died down.

For 24 years, Mr. Johnson served Texas in the House and Senate. He enjoyed his role in Congress particularly as Senate Majority Leader. Only recently he was asked, while back in Texas, whether he might run for the Senate. He replied that he would not dignify the report by making a reply.

Some of Mr. Johnson's close associates say that the Vice-President is presently enjoying his role as the holder of the second most important political office in the land. He is delivering speeches in all parts of the country.

As an example, he spoke in Los Angeles on last Friday night and flew back to Washington to address American cartoonists at a banquet on Saturday night. On May 20 he will address a Jefferson-Jackson Day dinner in Tulsa; and on June 8 he will address the graduating class at the U. S. Naval Academy; three days later he will make a commencement address at University of Maryland where he will receive an honorary degree, and he also will make a commencement address at Tufts University at Medford, Mass.

WOOLING TEXAS

Wooling Texas

The Vice-President is doing a great deal of speech-making in his native Texas. The Lone Star State was barely in the Democratic column in the 1960 Presidential race. Then, to make things bad for Vice-President Johnson and the Democratic party, Texans elected a Republican Senator to succeed LBJ.

Senator John G. Tower, who succeeded Mr. Johnson, became the first Republican senator ever elected by popular vote from a former Confederate state.

Some of the Vice-President's friends feel that, while he appears has the Vice-Presidential renomination well in hand, his position will be strengthened if an enthusiastic delegation for Johnson is sent to the next Democratic convention.

It appears to be in a favorable position. Governor John Connally of Texas has been a good friend of the Vice-President for a long time. Usually a governor carries substantial influence with his state delegates to a political convention.

Of course a lot can happen in a year, but as of now the Democratic presidential ticket in 1964 will be the same as it was in 1960.

Republicans May Choose Miami Beach

Washington is already full of speculation about the Republican outlook as the Republican chieftains are already eyeing a 1964 Convention city.

For the first time since the Civil War the Republicans might have their convention in the South. Miami Beach with its many hotels, seems a logical spot for the possible pow-wow.

Numerous hiccups in the Republican race would have a great thing psychologically for the Republican party to hold its own in the South.

There is no doubt that the South is the fastest growing area for Republicans in this country. A number of the supporters of Governor Nelson A. Rockefeller of New York might prefer to hold their next presidential convention in Atlantic City or Chicago or some other place where else in preference to Miami Beach, and the South.

Goldwater’s Status

For a couple of years the boom town Republican Senator Goldwater of Arizona has been growing louder and louder in the Southern States. The way things are stacking up at this time, Senator Goldwater is the “front runner” by far for the Republican Presidential picture in the South. The only catch is the Senator insists that he is not running for President, but for reelection to the Senate. The South will send about 300 delegate votes to the Republican convention next year.

Some interested observers and politicians on Capitol Hill are assertedly convinced that Senator Goldwater genuinely is not interested in running for President in 1964. They rationalize that Senator Goldwater wants to be reelected for a six-year term, and furthermore he would prefer not to run against an incumbent President who might have the inside track in a Presidential race. Obviously President Kennedy is going to be a powerful candidate for the Democrats.

Witt Yerger, a young Jackson, Miss., businessman, and Chairman of the Mississippi Republican organization, has been in contact with Southern Republican leaders, said recently "the South is for Goldwater.” Mr. Yerger expressed the conviction that all Southern states will send delegates to next year’s convention that will favor Senator Goldwater.

At the same time, some leaders for the first time in part of the country maintain that Governor George Romney of Michigan could garner some votes in that region. If Goldwater flatly refuses to permit his name to go before the convention, Governor Rockefeller also would get some votes in scattered areas. Florida, one of the fastest growing states, will have 34 votes at the next Republican convention, and Texas will have 56. As of now, a majority of Republicans in both states reportedly favor Senator Goldwater.

This column is intended to reflect the "behind the scenes" interpretation from the nation's Capital and may or may not coincide with the "Chronicler's own views.”

The Commercial and Financial Chronicle . . . Thursday, May 16, 1963

COMING EVENTS

INVESTMENT FIELD

May 16-17, 1963 (Gonall, O.) Municipal Bond Dealers Group of Cincinnati Annual Field Day—Reception and Dinner May 16 at the Queen City Club; Outing May 17 at the Losantiville Country Club.


June 22-25, 1963 (Santa Barbara, Calif.) California Group Investment Bankers Association 12th Annual Conference at the Santa Barbara Club.

June 27, 1963 (Des Moines, Iowa) Iowa Investment Bankers Association 28th Annual Field Day at the Wakonda Club.

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