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EDITORIAL

As We See It

The forthcoming conference over the "ideological differences" between the Soviet Union and Communist China will, of course, be watched and analyzed with interest and concern in countries which have no ties with either of the major powers involved and have no intention of making any. "Ideological differences" appear to have to do with interpretations of the Marxian "dialectic" —the latter term being used to refer to the complicated, often unrealistic analyses and preachments of Karl Marx as emended by Nikolai Lenin. Not very many people in the non-communist world, we feel certain, care a great deal about the abstractions of these elder communists—many of which having been refuted meanwhile by the events of history. These "ideological" matters seem, however, at times at least to have a controlling influence over the foreign policies of such large countries as Russia and China which are of world-wide interest.

We can not but wonder, however, if these "ideological differences" do not have a deeper meaning than is sometimes realized. These differences may well be a reflection of rather basic changes going on in the world and of experience with the practical affairs of mankind. They may even reflect in one degree or another certain national trends of thought easily visible at least in Russia for centuries of capitalism. The older generation of Bolsheviks in Russia is slowly passing from the scene, and with their passing some of the missionary ardor of the early communist proselyter may be fading out of the picture. The hard course of events may be bringing a greater sense of reality to the powers that be in Russia who have been trying for a good many years to match capitalism in economic performance. What has happened or is happening in China may be (Continued on page 18)

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 a moot question 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.

Growth and inflation are phenomena of special interest to investment analysts—but also to finance ministers, central bankers, economic planners, and professional academic economists, governments, and international institutions. For these individuals and many others, growth and inflation, as well as the relationship between growth and inflation, are of vital concern. They are also of vital concern to the man in the street—on whom the benefits and costs ultimately fall.

George W. Mitchell

We have learned in the postwar years that neither growth nor inflation, nor the linkages between them, are simple matters. They are, in fact, exceedingly complex. Many a finance minister, economic planner, professional economist, not to mention investment analyst, has learned at great cost that popular rules of thumb regarding the inevitability of growth or inflation, or both, are likely to be spurious.

We have learned, for example, that bumper crops of babies do not assure economic growth; that old, tired, and apparently rigidified economies can spring to life and exhibit rapid growth (France in the past decade); that, although higher investment frequently leads to faster growth, it failed to do so in the United States in 1955-57 and subsequent years.

We have also learned to distinguish between demand-pull and cost-push inflation. We have seen that inflation can occur without either rapid monetary expansion or budget deficits and that budget deficits need not breed inflation.

Finally, growth can occur with and without inflation. And inflation can be accompanied by economic advance or by stagnation.

Simple, popular, and comforting rules of thumb on these complex matters are quite unreliable.

What are the inflation and growth implications for the analysis of stock market valuations? To discuss this question, I will border on the analysts' area of special competence, but I have no intention of attempting to judge the market. I fully realize that many intermediate fluctuations in stock prices are related mainly to shifts in investor psychology and to short-run business cycle developments where knowledge of individual stock and industries is indispensable to a profitable operation and position. But it also seems clear to me that the general level of stock valuation is in the long run dependent upon the total economic environment, and that the particular mix of growth and inflation projected by market participants has relevance to that valuation.

First of all, it seems readily apparent that the popularity of common (Continued on page 25)

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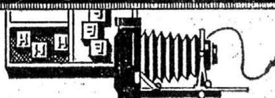

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The Security I Like Best...

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

This Week's Forum Participants and Their Selections

New England Tel. & Tel. — Mitchell Jay Bayer, Manager, Investment Research Dept., Federman, Stonehill & Co., New York City. (Page 2)

Texas Instruments, Inc.—Edward L. Brennan, I nvestment Analyst, Hardy & Co., New York City. (Page 2)

MITCHELL JAY BAYER

Manager, Investment Research Dept., Federman, Stonehill & Co., New York City

Members, New York Stock Exchange

New England Tel. & Tel.

The saying, "It is not what is true that counts, but what people believe to be true" is perhaps best reflected in the securities markets. Too often emotions and impressions and not the facts (usually most readily available to even the casual observer) determine the attitude towards 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 persons. The real truth (the only kind!) is quite the opposite. There has been a resurgence of population, entrance of new industries, and important growth in both total personal income and per capita income. New England is on the move, creating a favorable climate for the continuing growth of New England Tel. & Tel.

The changes within the Boston region are most notable. The fine academic, cultural and vacation facilities in the area have attracted a professional elite, and many firms, particularly in electronics, have established research divisions in the environs of Boston. The redevelopment of the city presently includes the planning and construction of some 49 apartment and commercial projects, each involving over $1 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 phones in its operating area will have almost doubled from the 3.6 million now in service.

The growth in personal income in New England over the past five years represents a significant change from the earlier declines which marked the economy of the area from 1929 to 1957. Between 1929 and 1947 the region's share of total U. S. personal income declined by almost 20%; 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 bettered the nationwide figures. The area's per capita income advantage over the rest of the nation shrank from a 25% higher level in 1929 to one only 10% greater by 1945; This trend has now been reversed as New England income climbed to a point some 15% ahead of the average U. S. income. 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.

The growth in New England Tel's net income during the past ten years has exceeded that of its parent, American Tel. & Tel. (holder of 69.32% of the 25,198,292 common shares). This is even more notable in light of a slower growth in total operating revenues (up 106% for New England versus 122% for American Tel.). During the past ten years, New England Tel's net income rose by 264%, American's by 241%. Increased mechanization of services, higher volume and acceptance of new specialized services aided profit margins. Over $1 billion was spent in the past ten years to expand and improve service; $140 million is budgeted for the current year. Continuing progress is indicated with the latest earnings statement showing a further improvement in profit margins. Total 1962 per share earnings were $2.43, a gain of 9.3% over 1961; an expected moderate increase would serve to produce record earnings in 1963. Recently released first quarter results showed period earnings to be 6% ahead of the comparable 1962 figure. Total dividend payments of $1.90 annually provide a return of 4.0%; dividends have been paid each year since 1886, a rather respectable record.

Six offerings of new common shares on a rights basis since 1951 have been well received. It is anticipated that future rights offerings will be made available to its shareholders from time to time. Exercising rights affords the owner a privileged subscription price; selling rights acts to reduce the 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 the investor an interesting opportunity to participate in the future growth of the New England area.

EDWARD L. BRENNAN

Investment Analyst, Hardy & Co., New York City

Members, New York Stock Exchange

Texas Instruments, Inc.

Texas Instruments is one of the more interesting potential comeback situations on the New York Stock Exchange. Who among us does not remember its soaring antics at the 250 level three years ago? Aftermath was brutal: TXN stock hit 49 in the autumn of 1962. The current market rise has carried it up over the 70 level.

Thus, we have under discussion a security which is highly volatile and not considered appropriate for conservative investors. It must be remembered that, even at its depressed level, this stock is still about fifteen times higher than it was ten years ago. The cash dividend is small, 80 cents per share per year, giving a yield of barely 1%.

These cautions in mind, let us listen to what management has to say: "We expect that the electronics industry will continue to extend in application and grow at a faster rate than that of the expanding general economy.

"Texas Instruments intends to become not only a much larger company but also to maintain a rate of return that will compare most favorably with the very best of its competitors."

Enlarging though it may be, this is no tiny mite of a corporation. In 1962, total sales came to $240,000,000 with net income of $8,550,000 or $2.13 per share on close to four million common shares. Texas Instruments hit its profit peak back in 1960 (year also of top level for its stock) with earnings of more than $15 million or $3.91 per common share.

Major factor in this earnings decline was the building up of competitive forces in the field of Texas Instruments' specialty: semiconductor devices. This held down profits but the company did continue to manufacture these transistors and diodes at a profit. Management is confident that its lower production costs and solid research back-up will keep it strong and flexible as its specialty field develops, particularly in the fantastically intricate Solid Circuit networks.

The corporation has gradually moved away from dependency on the semiconductor area. However, these devices still account for close to one-half of total sales revenues. The other activity areas may be categorized as: Guidance and Control; Nuclear Fuel Cores; and Geophysics.

Guidance & Control: This category includes complete electronic navigation and reconnaissance systems, microwave, radar, timers, temperature controls and precision switches.

Nuclear Fuel Cores: The company manufactures nuclear fuel elements for government and industry. For example, it fabricated the nuclear core for the Pathfinder nuclear power plant in South Dakota—first such plant to use efficiency-raising nuclear superheater. Long-term outlook here looks interesting, especially as nuclear power becomes less costly both for utilities and for ocean-going ships. A record amount of contracts in this line was received last year: over $21,000,000.

Geophysics: Seismic testing, sounding the ocean depths, oil field discovery, radar terrain analysis — all are activities of Texas Instruments. Any disarmament program will involve methods for detecting underground nuclear weapons tests. This company is now involved in just such detection systems.

Research expenditures came to $6 per share last year. The corporation has agreements with IBM and with International Telephone to exchange electronic technology data. Obviously, inter-company dialogs can be most helpful in the space age.

Plants in France and Italy give Texas Instruments entry to the evolving Common Market.

Prospects are favorable for earnings over the $2.50 area for

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Bond Market Outlook for The Second Half of 1963

By Sidney Homer,* *Partner, Salomon Brothers & Hutzler, 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 undue taxing of capacity? Mr. Homer's reply anticipates no sustained rise in long term yields with long governments staying in their range of the past two years. If interest rates were to rise, he adds, corporates and municipals would be more vulnerable to rising yields than government bonds. Mr. Homer analyzes the supply of and demand for funds, and the changing market forces, to explain developments pre-empting the bond market as a business cycle indicator. He avers yields would be substantially lower today were it not for balance of payments conditions, and comments on significant Federal Reserve departures from "nudging" wherein corporates and municipals now have lower yields than governments. The writer sees another large mortgage year, doubts corporate bond financing will rise, expects U. S. debt-rise will not force higher yields, notes the narrowing spread between governments and corporates, and expects improving business will permit "less ease" by the Fed which, however, would leave higher short rates and stable long rates due to offsetting market forces—barring an all out boom.

Any gathering of security analysts is apt to include many whose primary interest is solely in stocks, a very few like myself who are interested solely in bonds, and many who try to be neutralists and keep an eye on both markets. For those who are stock men, pure and simple (as the expression goes), the bond market must often be something of a nuisance. If the bond market is rising, 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 dawdling, pokey, soporific bond market such as we have been having for two years can be safely ignored.

Sidney Homer

The bond market has been all but eliminated in a few European countries where two wars and two nearly total inflations have discouraged 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 98% of the total of new money raised in the market.

For almost a year now we have enjoyed what some 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 flotations and a stepped up use of bank credit. Consumers, as their expenditures 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 a smaller pool of savings. Finally, it is argued, 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 interest 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

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OBSERVATIONS...

BY A. WILFRED MAY

ENFORCEMENT PROBLEMS

THE SIXTH INSTALMENT OF A SERIES ON THE SEC's SPECIAL STUDY OF SECURITIES MARKETS

The more one delves into the Securities Markets Study, the more must he be troubled by the potential difficulties in the way of enforcing the suggested broader regulations. These problems will be important whether the policing is done by direct Government administration; by self-regulation by the stock exchanges under the SEC's watchful eye; by "cooperative regulation" as through the NASD (the National Association of Securities Dealers) operating under the aegis of the SEC, covering the far-flung unlisted market area, or as with the mutual funds through the government-industry adopted Statement of Policy; or by complete self-regulation to which many of the current proposals advanced by the Study Group and approved by the Commission are committed. Such doubts on our part are enhanced by attending the New York Practising Law Institute's full-dress weekend discussion of *Broker-Dealer Problems* through panels of corporate lawyers and high SEC officials including the Study's director Milton H. Cohen and SEC Commissioner Manuel F. Cohen.

Exchange Regulation

Admittedly the New York Stock Exchange is doing a conscientious and laborious job on its rules and supervision of member firm personnel *vis-a-vis* the customers. This is epitomized in its Rule 405, enacted in 1960, and as freshly advanced in its revised program promulgated last January under the title "Supervision and Management of Registered Representatives and Customer Accounts."

"405," the Exchange's "Know Your Customer" rule, states, in part,

"Every member organization is required through a general partner or an officer who is a holder of voting stock to:

"(1) Use due diligence to learn the essential facts relative to every customer, every order, every cash or margin account accepted or carried by such organization and every person holding power of attorney over any account accepted or carried by such organization.

"(2) Supervise diligently all accounts handled by registered representatives of the organization."

Despite the energetic and maximum efforts of the Exchange, major regulatory hiatuses remain—as inability to exercise discipline over the spoken word, just as the Statement of Policy is circumvented in the Mutual Fund field. In the broker-client relationship, centering on the reemphasized "suitability" structure (i. e. providing for the *suitability* of an added security for the customer's as well as the broker's benefit), the proposed differentiation between solicited and unsolicited orders, and other attributes affirming this as a service profession rather than a merchandising business, grey areas are created by uncertainties over the spoken word. Likewise will doubt over the verbal communication hinder fair action under the proposal to fasten civil liability on false factual statements leading to losses.

Sabotaging "Know-Your-Customer"

"Know your customer" routine also may be sabotaged by a client's concurrent activities in accounts with other brokers or dealers.

Unfortunately recent incidents, as the Sutro case involving credit abuse, and the Reynolds & Co. branch office incident of alleged misrepresentation regarding a new issue, show that partner supervision is not necessarily to be relied on.

But the greatest bar to the optimum in practice, particularly in the self regulation ramifications, on or off the Exchanges, is the remuneration system. Turning down an order as *unsuited* to the client's needs; and/or foregoing business because it has been solicited rather than un-solicited involving loss of salesman's compensation consistent with a merchandising rather than servicing, must enlarge the grey areas.

Expanded Population Coverage

Regulation on the Exchanges, as we have noted, is bound to have many loop-holes. But how much more difficult will regulation of the "cooperative" or self type as well as governmental, be in the over-the-counter market? For, in contrast to the comparatively tightly aligned New York Exchange market with its 672 member firms, 1,101 partners, or stockholders, and 32,552 Registered Representatives; the far-flung unlisted area of the securities industry has about 5,200 dealer firms (4,800 being NASD members), and some 160,000 employees (100,000 being NASD members).

The importance of the Counter Market and the need for more uniformity in regulation are enhanced by the growing interconnection between the two markets. As Special Study Staff Director Cohen reveals he was surprised to learn, an over-the-counter business of growing proportions is conducted by non-New York Stock Exchange members in Exchange listed stocks; while New York Stock Exchange firms do more than half of the dollar volume of all over-the-counter business in stocks.

Areas of Difficulty

In both the use of legal implementation and more informal procedure is the difficulty evidenced of accomplishing effective intra-industry disciplinary action. Constituting an important and basic block is the hesitancy to act disagreeably against one's co-industry members—with the individual on the receiving end ascribing it to competitive motivation. Another such hindrance to intra-industry action, which has long been looming in the over-the-counter field, is the threat of the accused to turn to anti-trust action in retaliation. This weapon will, of course, become more of a threat with expansion of reform and regulation.

Blackball's Legal Complications

The difficulty of barring from the securities business a salesman who even works for an obvious boiler shop, even where the SEC takes an active part, is well illustrated by the Berco case. First the Commission had to hold its own elaborate hearings calling for disciplinary action; then was subsequently reversed in the courts, and finally won out by changing the basis of its action to a different theory as to the responsibility of the salesman.

Such long drawn-out and uncertain legal procedure is reminiscent of the two Chenery cases, where the SEC first won and then lost in the U. S. Supreme Court.

Another Gray Area

How much more difficult it will be to impose legal and extra-legal discipline over the investment adviser on whose recommendations the Commission and the Special Study Group are proposing the imposition of civil liability—"in favor of customers reasonably relying on the advice to their own detriment."

Whether administered by the Commission, by the industry, or the Courts, the differentiation between wrong-doing and honest error in forecasting surely constitutes another gray area. And this unfortunately tends towards conclusions based, ex post facto, on the course of a stock's price, irrespective of long-term value considerations or extraneous market conditions.

Blue Chip-itis Accentuated

In any event, imposition of liability for advice-gone-wrong must accentuate the *Blue Chip-itis* trend. Legal liability as well as nonlegal blame are likely to be withheld when the score goes badly in a "name" issue.

If a Dow Chemical declines by 20%, the adviser is deemed to be (and feels) blameless; the loss being "respectable." But let there be a mere 5% decline in a little-known issue, however laden with long-term value, all hell breaks loose on the manager of other people's money (and on his conscience).

Curbing advisers' advertising and mail promotions, as this space has detailed in numerous articles, presents seemingly insuperable difficulties, both qualitative and quantitative midst the current torrent of such material. These elements of doubt are reinforced as a result of joint SEC-Industry discussions last week.

Also, and more basically to realize, is the lack of economic sanctions with which to implement self-policing in the adviser field, even if the suggested trade organization is formed. In the over-the-counter industry the NASD possesses the effective sanction of depriving a guilty member of transacting business with any of the membership. But in the investment advisory field the business relationship, being geared directly to the consumer, cannot be so controlled.

We repeat: no amount of regulation or policing can be as practically fruitful as investor education.

* * *

QUOTE-OF-THE-MONTH

From Comptroller of the Currency JAMES J. SAXON'S remarks before the Trenton Trust Company's Symposium on "The Survival of Free Enterprise," (Chaired by its President Mary G. Roebling) on the occasion of its 75th Anniversary, May 1, 1963.

Banking is one clear example of an industry in which the forces of private enterprise have been subjected to a high degree of explicit public regulation. The experience we have had with public controls in this field teaches us a significant lesson concerning the hazards of regulating private enterprise.

The 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 demise of the understanding Per Jacobsson.

The firmness of sterling since April was followed by a weaker trend early in May. It proved to be of short duration but, while it lasted, it went some way towards making the market realize that there was no cause for complacency. It is true, the covering of a large part of the autumn import requirements of dollars during the early months of this year for fear of a devaluation means that autumn 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 continue to press heavily on sterling.

The immediate cause for sterling's weakness at the beginning of May was the fear that after all Mr. Macmillan will decide in favor of an election this year instead of deferring it until 1964. These fears received considerable support by the ill-advised publicity given to a weekend meeting of Cabinet Ministers for the declared purpose of discussing the election program. It is a complete mystery what the government hoped to gain by publicizing its intention—if indeed it is its intention to go to the country in the autumn. Quite obviously the anticipation of an early election was bound to depress sterling. It also tends to discourage the trade revival which at long last seems to have made a start.

Premature Election Fears

On the assumption that there will be no general election for 12 months and possibly for 18 months businessmen were prepared to commit themselves to investment projects, but they will hesitate to do so now that there appears to be a possibility of an election in six months. Possibly the government wanted to prevent the development of a Stock Exchange boom. Hence the hint given about the possibility of an early election. But such hints are apt to nip in the bud not only a Stock Exchange boom but also a trade revival.

The unexpected death of Mr. Per Jacobsson was a contributory cause of sterling's temporary weakness. It is widely assumed that the renewal of Britain's standby arrangement with the International Monetary Fund would encounter resistance on the part of France and Germany. As Mr. Per Jacobsson is known to have been strongly in favor of the arrangement, 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 arrangement. On second thoughts, however, these fears were dismissed, as it stands to reason that France and Germany could ill afford to weaken the defenses of sterling at a time when the approaching election would make them particularly necessary. It is safe to assume therefore that sterling would be strongly defended during the critical period that will follow the announcement of the election date.

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 New York offices at 50 Broadway under the management of Miss Angela Deane. Miss Deane, formerly with J. Barth & Co., will direct all trading activities.

Angela Deane

White & Co. provides complete trading and investment facilities, acting as Broker to Brokers across the nation.

The New York offices are equipped with latest telephone control boards and ties into the home office network of private wires to all major U. S. markets. Active daily contact is maintained with correspondents throughout the mid-west and south.

Gallagher Joins N. Y. Securities

Robert Gallagher has joined New York Securities Co. 52 Wall St., New York City, members of the New York Stock Exchange, as a member of the new business department.

Prior to his new association, Mr. Gallagher had been in the investment departments of All State Insurance Company, Investors Diversified Services, Inc., and most recently was a Vice-President with United Improvement and Investing Corp., New York City.

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 National Sales Manager. In the past he was with L. F. Rothschild & Co.

Broad St. Sales Elects Lundy V.-P.

CHICAGO, Ill. — Richard D. Lundy has been elected District Vice-President of Broad Street Sales Corporation. Mr. Lundy makes his headquarters at the firm's Chicago office, 209 South La Salle Street.

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In The Chips

By Dr. Ira U. Cobleigh, Economist

A swift resumé of the expansion and earning power of a leading producer, and efficient national distributor, of snacks and convenience foods, Frito-Lay, Inc.

The story of the company selected for review today is a solid saga of success in the best tradition of American enterprise. It begins with original investments of about $100 apiece, by two men—Elmer Doolin in San Antonio, Texas, and Herman W. Lay in Nashville, Tennessee. In the early 1930s both men entered the chip business, Mr. Doolin in corn chips now nationally known and munched as Fritos; and Mr. Lay in potato chips of which in 1962, Frito-Lay, Inc., offered ten separate brands.

History of Two Companies

The companies, thus started, went their separate ways for nearly 30 years. The Frito Co., headquartered since 1939 in Dallas, with plants in the Southwest and West, concentrated in those regions until 1945, when it broadened its distribution by licensing other manufacturers (including Mr. Lay's company). H. W. Lay & Co., Inc., moved its home office to Atlanta, Ga. in the late 1930s, and expanded throughout of the South and Southeast, using a driver-salesman delivery technique; and by 1961 had become not only a substantial producer and merchandiser of assorted snack foods on its own account, but the largest Frito licensee as well, doing a $44 million annual business.

Merger

Mr. Doolin, who died in 1959, did not live to see the highly logical merger of these two enterprises, in 1961, to form Frito-Lay, Inc., the largest snack food processor in the United States, with combined sales for fiscal 1961 (year ended Aug. 31) of $127.4 million. Consolidation eliminated some duplication of facilities, led to many economies and efficiencies in manufacturing and distribution and concentrated advertising and promotion of products under the Frito name.

The company now has a total of 48 plants and a nationwide network of warehouses. New plants have recently been built to replace obsolete facilities in Denver, Colorado and Louisville, Ky. Capital expenditures for 1963 are expected to total around $4 million.

Wide distribution is achieved through over 3,000 driver-salesmen who service retail accounts direct, deliver fresh supplies and are responsible for in-store promotion and display. These men are paid on a salary and commission basis, and represent the largest sales force of its kind in the food industry. This selling team not only markets effectively present products, but is almost automatically equipped to expand sales as new items are added to the line.

Products

While sales of potato chips and corn chips account for around 70% of sales, the line includes as well an assortment of other snack foods (cheese-coated corn snacks, dip mixes, pretzels) and canned convenience foods such as beef stew, tamales, potato sticks, spaghetti and meatballs.

The snack food market is a massive one (around $1 billion annually). Potato chip sales are growing at the rate of 10% nationally, and corn chips even faster. It is felt that, in particular, growth rate of Frito corn chips will accelerate in the next five years due to potential demand for regular and king-size Fritos, and the newer Frito round corn chips.

Future growth should be further augmented, due to manufacturing facilities established in England, Scotland and West Germany. Moreover, the company is constantly at work bringing forward new products which fit in with existing patterns of production and distribution and research to improve existing items and test new ones is continuously in progress.

Advertising, Margins and Management

Daytime network television was used successfully in 1961, and, starting last fall, major nighttime television shows were added. Television is, for Frito-Lay, stimulating existing regional demands and effectively opening major markets in which Fritos are less well known. The company spent over $7 million on advertising in 1962.

On the operating side, Frito-Lay has been upgrading its efficiency. There has been a considerable amount of plant realignment since the merger; and significant economies in purchasing and administration have been achieved. As a result, the profit margin is expected to reach 4% in the current fiscal year and may widen to 4½% by 1965.

The management team is highly regarded. It is headed by Mr. John D. Williamson, Chairman, an investment banker with special competence in directing the company's financial and acquisition programs. President is Mr. Herman W. Lay who knows the snack food business from route salesmen all the way up. Other officers include men talented in finance, accounting, sales and advertising.

Financial Growth

Frito-Lay, Inc., is the kind of company that can become widely popular with investors. Its products are sought, bought and relished by millions, coast-to-coast. The growth rate has been, and continues, impressive. Although the merger is less than two years old, Frito-Lay, Inc., has more than 10,000 stockholders who benefit from, and enjoy, the rising trend in earnings and dividends. Cash dividends increased from 24 cents a share (adjusted) in 1958 to 50 cents in 1962, and currently are on a 15 cent quarterly basis. There was a 3 for 2 stock split in 1961.

Sales have risen steeply from $51.3 million in 1958 to $146.6 million for year ended Aug. 31, 1962. In the same period, adjusted per share net rose from 67 cents to $1.29. Capitalization is quite simple, consisting of about $8 million in long-term debt and 4,212,151 shares of common stock, of which about 20% is owned by management.

Frito-Lay, Inc., common is traded Over-The-Counter and has ranged, since 1960, between a low of 18¾ and a high of 45¼. The current quotation is around 38. The stock makes a logical appeal to those who like leisure time equities, and the food product industry; and who respect proven, managerial competence in building up a company of substance and stature at unusual velocity. The past is surely attractive. Ahead lies indicated sales of probably around $160 million for fiscal 1963, a per share net in the $1.50 area, and the possibility of a further dividend increase. Selling at 25 times indicated per share net, Frito-Lay common seems reasonably appraised. The company is renowned for its vegetable chips, and its common stock may well mature as a blue chip.

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 *News Call Bulletin* and one of its predecessors, is now devoting his entire time to his investment counsel business.

John S. Piper

When he left the paper, he joined Streloff Associates, financial public relations firm, and at the same time opened an investment counsel office. He has terminated his direct association with the Streloff company, but will do special research and statistical work for that firm.

His new office is in the California Pacific Building, 105 Montgomery Street.

Discount Corp. of N. Y.

The Discount Corporation of New York, 58 Pine Street, New York City, has elected Sidney W. Gledhill, William G. Morton, Jr., and John E. Shantz Assistant Treasurers.

FROM WASHINGTON ... Ahead of the News

BY CARLISLE BARGERON

Despite all the talk about the necessity of a tax reduction the fact is that this late in the session there is still no tax bill pending before Congress. No bill has yet been drafted and consequently no bill has been introduced. The House Ways and Means Committee has been considering a series of presidential recommendations. Latest reports are to the effect that it will be July before the committee will have framed a measure. Then it will be necessary to get it before the House for action. And later still when it reaches the Senate Finance Committee. So Congress may be here in October before it gets final action on this still nebulous measure which President Kennedy has placed first in importance on his program for this session of the national legislature.

The latest effort by administration forces has been to persuade the Senate Finance Committee to hold hearings on tax legislation before the House has drafted a bill and passed it. Five members of the 17 member committee wrote Senator Byrd urging that this action be followed. So Senator Byrd put the matter up to the committee which voted 10 to 3 against such unusual procedure.

Under the Constitution, all tax legislation must originate with the House. Under strict interpretation this means that the Senate must wait until the House has acted. That is the position of Chairman Byrd. The Virginia senator has no love for the President's proposal to cut taxes while the United States Treasury is going deeper and deeper into the red. All the arguments of the President and his economist advisers in favor of tax reduction while the government continues to expend vast sums of the taxpayers' money roll off his back as water off a duck's.

It is Senator Byrd's contention that the greatest dangers to the freedom of the American people lie in massive Federal spending and the concentration of governmental power in Washington. Big spending and big government complement each other, for the more Federal government spends on all kinds of social programs, including public schools, the greater will it be in control over all the activities of the American people. This trend in both big government spending and centralized government got its first big start in the early days of President Franklin D. Roosevelt's administration.

Senator Byrd, speaking at the University of Virginia recently described himself as one of the first New Dealers. Indeed, he said he had embraced with enthusiasm the New Deal when it was first proclaimed by Roosevelt in 1932, as a means of strengthening our form of government and bringing us out of the big depression. He quoted from the 1932 Democratic National platform which declared:

"We advocate an immediate and drastic reduction of governmental expenditures by abolishing useless commissions and offices, consolidating departments and bureaus, and eliminating extravagance, to accomplish a saving of not less than 25% in the cost of government."

"There we old New Dealers stand. Admittedly there is not much to stand on but then there are not many of us left standing. Just let me quote again from what the platform said:

"'We favor maintenance of a Federal budget and sound currency to be balanced at all hazards.'"

He continued with a final quote as follows: "'The removal of the Federal government from all fields of private enterprise except where necessary to develop public works and natural resources in the public interest.'"

This announcement appears as a matter of record only.

$50,000,000

The Boeing Company

5% Notes, Due May 1, 1983

These notes have been placed privately by the undersigned.

Harriman Ripley & Co.
Incorporated

63 Wall Street, New York 5, N. Y.

BOSTON • CHICAGO • PHILADELPHIA • SAN FRANCISCO
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May 10, 1963.

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Tax-Exempt Bond Market

BY DONALD D. MACKEY

The state and municipal bond market has shown no evidence of strength since we last reported a week ago but *The Commercial and Financial Chronicle's* Index shows a very slight improvement in the level of high grade offerings. Our preselected list of 13 long-term (20 years) offerings averages out at a 2.925% yield this week as against 2.926% a week ago. In other words, the market went up about a dollar a bond on the strength of new issue bidding, better government bond prices and in some disregard of the market lethargy induced by the slow $122,000,000 Washington Public Power Supply System issue and the consequent *Blue List* record total of offerings ($706,772,500 state and municipal bonds) as listed on May 14.

Buyers Have the Edge

Although dealers have recently become accustomed to carrying more inventory than was formerly customary, the appearance of a new record total of offerings necessarily places the institutional buyers in an advantageous trading position and reduces the inquiry for items on laden dealers' shelves. Their interest in offerings naturally diminishes or becomes less apparent and then price indications are backed off some or temporarily withheld.

Despite the present lack of broad investor demand, the recently firm markets for long-term Treasury issues and long-term corporate bond issues have helped stabilize the bond market generally. Downside pressures have been progressively overcome since early in the year by the deft operations of the Treasury and the Federal Reserve. Interest in bonds surges and falls back but at appropriate intervals, the Federal interest is persuasive.

Elusive Profits

The narrow trading range that has persisted for months has made for small profits among municipal bond dealers and has stamped the period as one of the least interesting bond market periods since the war. But it has also stopped the wider market vagaries that have been periodically experienced in the past by municipal bond dealers.

The urge for profit has recently been expressed in many types of effort. The most commonplace expression, in the absence of negotiated deals, is an effort on the part of dealers to gain larger commitments in new issue syndicates. This procedure doesn't really do much for you unless your group buys the issue and then sells it at or close to list price. In a market as competitive as this one, even unusually consistent luck leaves something to be desired profitwise.

A Good Example

In this latter vein, on Wednesday, May 8, *William S. Morris & Co.*, bidding all alone, was the high bidder for $122,000,000 Washington Public Power Supply System serial (1967-1986) and term (1996) bonds. Circumstances have conspired to inhibit sizable sales of the bonds thus far and more than $100,000,000 remains in account. Thus, this balance becomes at best a substantial commitment for one financial house to effectively handle in the best interests of distribution.

It is our feeling that large issues, with occasional exception, may continue to be best distributed by investment banking groups that represent a broad distributive power. However, the pressures of competition may progressively reduce the membership in new issue accounts for some time to come.

Urgent Need for a Comprehensive Tax Analysis

While certain salient business symptoms continue to point up general economic improvement, pressures persist among influential businessmen and by important political representatives for a cut in Federal income taxes. There has been a general awareness for more than a year of the necessity for a general tax revision. Little more than Congressional hearings has been accomplished to date so far as we see.

At the same time a serious crisis is fast developing in the general area of municipal and state finance. A national tax convention, as we have suggested before, is desperately needed yet neither the Administration nor the Congress appears to be contemplating such a straightforward approach to our manifold economic problems. Such a convention, to be sure, would be time consuming but it could have been well on its agenda by now had the country's interest been allowed to emerge. In the interim a moderate tax cut with a gesture toward some budgetary economy might have been a salutary procedure for the present.

We are constantly indulging in innumerable international conferences and conventions yet a national convention on Federal, state and local taxation seems tacitly to be averted. We earnestly believe that something of this character must be promulgated very soon.

The new issue calendar as currently presented through June 30 is of moderate total. Scheduled as well as tentatively scheduled flotations total less than $500,000,000. There appear to be no large negotiated issues being readied for market within this period. The largest issue scheduled involves $30,000,000 Puerto Rico general obligation serial bonds for sale May 22. The largest tentatively scheduled issue involves $57,200,000 Nevada Irrigation District bonds for possible sale on June 5. Right now there are no jumbo issues advertised for sale in the near future.

Recent Awards

This past week has seen a total of $160,000,000 of various tax-exempt bonds sell at competitive sale and while this volume is not overly large, 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 retail and investor demand has been poor to fair.

Last Thursday only one issue sold at competitive sale. The City of Niagara Falls, New York, awarded $1,740,000 public improvement (1964-1980) bonds to *C. J. Devine & Co.* and associates on a dollar price bid of 100.2799 for a 2.70% coupon. The runner-up bid, 100.2599 also for a 2.70% coupon, came from the Harris Trust and Savings Bank account.

Other members of the winning syndicate include Francis I. du Pont & Co., Hallgarten & Co., and the New York Hanseatic Corp.

Reoffered to yield from 1.60% to 2.90%, the present balance in syndicate totals $980,000.

The *Harris Trust and Savings Bank* and associates was high bidder for a smaller issue of Niagara Falls totaling $910,000 as 2.40s. Reoffered to yield from 1.60% in 1964 to 2.50% in 1972, the unsold balance totals $350,000.

Friday was unusual in that there were no sales of any size with the exception of $32,000 Keystone, Iowa general obligation bonds. We are happy to announce that the local Keystone bank bought this issue at 100 for a 2.60% coupon and that Keystone will get its new red fire engine.

Monday of the present week was also a light day with $1,800,000 Euclid, Ohio, various purpose (1964-1978) bonds the feature. The group headed by *McDonald & Co.* was the successful bidder at a net interest cost of 2.665%. The second bid, a 2.67% net interest cost, was made by Stern Brothers & Co. and associates.

Other major members of the winning group include Merrill Lynch, Pierce, Fenner & Smith, Eastman Dillon, Union Securities & Co., The Ohio Co., Provident Bank, Cincinnati, Ohio, Harrison & Co., and Weil, Roth & Irving Co.

As we go to press, a balance of $970,000 remains in account.

A Busy Tuesday

Tuesday was a banner day with five issues of importance offered at public sale. The account headed jointly by *Halsey, Stuart & Co. Inc., Drexel & Co., Glore, Forgan & Co. and Ladenburg, Thalmann & Co.*, submitted the best bid for $25,000,000 Port of New York Authority revenue term (1994) bonds with a 3.385% net interest cost. A competing bid for the bonds, offering a 3.4114% net interest cost came from the syn-

Continued on page 39

MARKET ON REPRESENTATIVE SERIAL ISSUES

	Rate	Maturity	Bid	Asked
California, State	3½%	1982	3.15%	3.05%
Connecticut, State	3¾%	1981-1982	3.05%	2.90%
New Jersey Hwy. Auth., Gtd.	3%	1981-1982	3.05%	2.90%
New York, State	3¼%	1981-1982	2.95%	2.80%
Pennsylvania, State	3⅜%	1974-1975	2.75%	2.60%
*Delaware, State	2.90%	1981-1982	3.00%	2.90%
New Housing Auth. (N.Y., N.Y.)	3½%	1981-1982	3.10%	2.95%
Los Angeles, California	3¾%	1981-1982	3.15%	3.00%
Baltimore, Maryland	3¼%	1981	3.00%	2.90%
Cincinnati, Ohio (U.T.)	3½%	1981	3.05%	2.90%
Philadelphia, Pennsylvania	3½%	1981	3.20%	3.05%
*Chicago, Illinois	3¼%	1981	3.20%	3.05%
New York, New York	3%	1980	3.09%	3.03%

May 15, 1963 Index=2.925%

*No apparent availability.

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.

May 16 (Thursday)			
Hawaii G. O. (Honolulu)	10,000,000	1966-1983	2:00 p.m.
Livingston Co. Tp. HSD #90, Ill.	1,726,000	1964-1979	8:00 p.m.
Ogden City, Utah	2,000,000	1966-1990	6:00 p.m.
May 17 (Friday)			
Kansas State Board of Regents, Kansas State University	1,170,000	1965-2002	10:00 a.m.
May 20 (Monday)			
Illinois State Normal University	6,750,000	1966-2003	11:30 a.m.
Solon Local Sch. Dist., Ohio	1,300,000	1964-1983	1:00 p.m.
May 21 (Tuesday)			
Colorado Highway Fund Revenue	21,540,000	1963-1975	11:00 a.m.
Coral Gables, Fla.	1,000,000	1964-1979	3:00 p.m.
Fort Walton Beach, Fla.	1,150,000	1964-1993	9:00 a.m.
Monroe, La.	6,000,000	1966-1993	10:00 a.m.
State Teachers' Colleges, Tex.	4,372,000	1965-1976	10:00 a.m.
Tennessee (Highway, Education & Mental Health)	25,000,000	1964-1983	11:00 a.m.
Toledo, Ohio	3,765,000	1965-1989	Noon
University of New Mexico	2,500,000	1963-1972	10:00 a.m.
Wilmington, N. C.	1,595,000	1964-1989	11:00 a.m.
May 22 (Wednesday)			
Cook County Community High Sch. Dist. No. 218, Ill.	3,140,000	1965-1980	8:00 p.m.
Puerto Rico Public Improvement	30,000,000	1964-1988	11:00 a.m.
Springfield S. D. No. R-12, Mo.	1,750,000	1965-1979	7:30 p.m.
May 23 (Thursday)			
Brooklyn Park, Minn.	1,295,000	1965-1975	8:00 p.m.
Penfield, Perinton, Etc. Central Sch. Dist. No 1, N. Y.	1,273,000	1964-1992	11:30 a.m.
Penn. State P. S. Bldg. Authority	23,260,000	1963-2002	Noon
Yonkers, N. Y.	10,121,000	1964-1982	Noon
May 24 (Friday)			
Northwest Missouri State Coll.	4,905,000	1964-2002	3:00 p.m.
Valley Center Mun. Water D. Cal.	1,250,000	1964-1992	7:30 p.m.
May 27 (Monday)			
Florida Development Commission	2,700,000	1966-1991	2:00 p.m.
Kane, Cook & Du Page Counties Community Sch. Dist. #U46, Ill.	2,400,000	1964-1973	7:30 p.m.
Roseville, Minn.	1,250,000	--------	7:00 p.m.
May 28 (Tuesday)			
Anchorage, Alaska	3,630,000	1963-1983	11:00 a.m.
Brunswick County, N. C.	1,170,000	1964-1989	11:00 a.m.
Cherry Hill Sch. Dist., Mich.	1,600,000	1964-1992	7:30 p.m.
Columbus County, N. C.	1,000,000	1964-1989	11:00 a.m.
DeKalb Co. W & S Revenue, Ga.	5,000,000	1964-1992	Noon
Denham Springs, La.	1,639,000	1964-1983	7:00 p.m.
Excelsior Union H. S. Dist., Calif.	1,532,000	1964-1988	9:00 a.m.
Gregory-Portland Ind. S. D., Tex.	2,050,000	1964-1986	7:30 p.m.
Lakeland Sch. Bldg. Corp., Inc.	1,850,000	1966-1994	3:00 p.m.
Palos Verdes Peninsula Unif. S. D., California	1,500,000	1966-1988	9:00 a.m.
Santa Ana Unif. S. D., Calif.	4,000,000	1964-1988	11:00 a.m.
Secaucus Sanitary Sewer, N. J.	2,160,000	1964-1993	7:30 p.m.
Southern Illinois University	10,500,000	1966-2003	10:00 a.m.
Springfield Pub. Bldg., Comm., Ill.	3,500,000	--------	--------
May 29 (Wednesday)			
Chicago Bridge, Viaduct & Municipal Building, Ill.	5,000,000	1968-1978	--------
Columbia, S. C.	3,252,000	1964-1992	11:00 a.m.
Dallas Indep. Sch. Dist., Texas	10,000,000	1964-1983	10:00 a.m.
Houma, La.	5,815,000	1964-1982	11:00 a.m.
Houston, Texas	6,000,000	1975-1986	10:00 a.m.
Houston, Texas	25,000,000	1964-1983	10:00 a.m.
North Dakota (State Board of Higher Education)	2,145,000	--------	11:00 a.m.
May 31 (Friday)			
Univ. of Ala. Board of Trustees	4,805,000	1965-2003	Noon
June 3 (Monday)			
Carlsbad Mun. Sch. Dist., N. M.	1,250,000	1964-1973	10:00 a.m.
Louisiana State Univ. & A. & M College	2,990,000	1965-2002	10:00 a.m.
June 4 (Tuesday)			
Anaheim Union H. S. Dist., Calif.	3,280,000	1964-1983	11:00 a.m.
Charlotte Sch. Dist., Mich.	1,225,000	1965-1979	8:00 p.m.
Cleveland, Ohio	13,150,000	--------	--------
DeKalb County Sch. Dist., Ga.	2,550,000	--------	--------
Harford County, Md.	6,000,000	--------	--------
Louisiana State Bond & Building Commission	15,000,000	1964-1983	11:00 a.m.
Ohio State Underground Parking Commission	6,600,000	1963-2003	11:00 a.m.
St. Tammany Parish Parish-Wide School District, La.	1,950,000	1966-1993	10:00 a.m.
Westmoreland County, Pa.	2,875,000	1964-1991	--------
June 5 (Wednesday)			
Erie, Pa.	2,150,000	--------	10:00 a.m.
Hudson City Sch. Dist., N. Y.	1,345,000	1963-1982	Noon
Nevada Irrigation Dist., Calif.	57,200,000	--------	--------

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Opportunities for Municipal Industry in Federal Loans

By Sidney H. Woolner,* *Commissioner of the Community Facilities Administration, Housing and Home Finance Agency, Washington, D. C.*

Investment bankers are escorted through the programs and goals of the Community Facilities Administration, and chided for not taking advantage of the financing, refinancing, and portfolio purchasing opportunities resulting from the Agency's activities. Pleading for an open-minded assessment, Mr. Woolner argues the Government's case for the work done by the CFA; briefs investment bankers on how they can reduce CFA's participation in public facility loans; and outlines, for example, the forthcoming sale of A and double A rated College Housing Bonds said to be particularly attractive to municipal dealers. Mr. Woolner asserts CFA seeks only a secondary position to the private market; confines loans to those smaller communities neglected by the investment industry; hopes its partial grants for public projects and planning will induce local and private participation; 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 some of our basic program policies.

Sidney H. Woolner

It is slightly more than two years since I was appointed CFA Commissioner by Housing Administrator Robert C. Weaver. During that period, I want to acknowledge how cooperative and helpful Washington staff and individual IBA members have been in sharing their knowledge and experience with us. We certainly have 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 honest difference of opinion discussed without recrimination.

One area where there appears to have been more heat than light has been the Public Facility Loans program administered by CFA. Let me try to set the record straight.

Interest Rate Formula

This program is confined by law to localities under 50,000 population — or under 150,000 if the locality is in an economically distressed redevelopment area. I should mention, even though the exception may be academic, that these population limits do not apply to communities eligible under the accelerated public works program. Under statutory provisions, the top interest rate on long-term loans for this fiscal year is 3¾%—with 3½% authorized in redevelopment areas.

In establishing the interest rate formula, Congress intended that our smaller towns, hard-pressed to meet basic needs and growth problems, obtain credit for their public works expansion on terms more nearly equal to those of larger cities. Prevailing market rates, the Congress said, "discriminate against worthwhile projects undertaken by small towns compared to the rates available to larger communities."

It is our policy in this program to give private investors full opportunity to participate in the financing of these projects. To do this we have determined that a private bid, ¼% higher than the Federal rate, is to be awarded the bonds in preference to loans by us at our lower lending rate. Many towns, as a result, have been able to obtain their financing on the private market, even though they had an approved loan from our agency.

During the nine months ending March 31, 1963, this policy has resulted in the award of $19 million in bonds to private investors as compared to only $24.5 million awarded to the Housing and Home Finance Agency. This means that 44% of bonds subject to purchase by the Federal Government were awarded to private bidders.

Loans Made Primarily to Smaller Communities

And who have been our borrowers? The figures I am about to cite may occasion surprise. Of all the loans we actually made—

28% were to communities under 500 population

66% were to communities under 1,000 population

84% were to communities under 2,000 population

96% were to communities under 5,000 population

98% were to communities under 10,000 population

Only one loan—in 1961—was to a city with a population over 50,000. Needless to say, that was the now well-known (I might even say notorious) Charleston loan. Significantly, a second Charleston loan on which we also made a loan commitment was awarded to a private lender in 1962 after much more vigorous and competitive bidding than on the first occasion.

Listen to the sounds of native Americana as I cite a few names of communities whose bonds we have purchased. I would wager that only a few can name even 10% of the States in which these towns appear:

Ohatchee; Pine Level; Red Boiling Springs; Beechwood Village; Equality; Bald Knob; Mud Lake; Elk Run Heights; Red Oak; Buffalo Gap; Seal Rock Water District.

We cannot condemn a large segment of our population to malodorous sewers, contaminated or inadequate water supply, unhealthy refuse disposal, and other inadequate facilities.

To pick and choose loans is the lender's privilege. But no one can condone large discounts and high interest rates and disproportionate fees for small communities. I realize that what I am describing here represents only the "fringe" of the investment banking industry. But this does not make the problem any less real. The Federal Government cannot abdicate 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, then Budget Director David Bell, Chairman Walter Heller of the Council of Economic Advisers, and Chairman William McChesney Martin of the Federal Reserve Board of Governors), 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 total use of resources which otherwise would not be fully employed."

Both the College Housing and Public Facility Loans programs have always been guided by the principles expressed so succinctly by this illustrious committee. We accept the continued 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 3⅜% to 5⅛%. 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 4¼% or more, totaled $46.4 million. More than half of these issued are in the southeastern States. The balance are almost equally divided in three areas—the mid-west, the southwest 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 today's market at premiums. 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 to the borrower's advantage.

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

From the Federal Government's viewpoint, such refinancings would implement the avowed interest of the Congress and would carry out the recommendations of President Kennedy's Committee on Federal Credit Programs, which is to provide Federal loan assistance for a desirable public purpose until such time as private capital is willing and able to take on the loan on reasonable terms. That is to the public's advantage.

Grants Provide Greater Loan Security

The other opportunity for increasing your participation in public facility loans stems from the grants being made under the Public Works Acceleration Act. 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 favorable tax-exempt market, only failure on the part of private investors to take the initiative will keep most of these loans from going private.

I want to call attention to another program that has an impact on the ability of local governments to meet their public works needs in an orderly, economical and efficient manner. CFA administers a program of interest-free advances for the planning of all types of public works. These advances are being used in ever increasing volume by communities of varying size throughout the country.

These advances, which are repaid when the planned public works are started, make it possible for communities to plan ahead. They help to break the impasse of a bond issue that cannot be put to vote until plans are completed and probable costs are known. They help to create a reservoir of planned public works.

Cites 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 Sewer 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 that are then financed entirely from local and private sources.

The CFA also is responsible for administering the College Housing Loan Program. I would hazard the guess that in 1952, when the first project financed under this program was completed, very few knew much about the program or realized its potential. Today any reader of the *Bond Buyer* must be aware, from 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 3½%—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 pro-

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Auto Accessory Companies — Discussion in May issue of "American Investor"—The American Investor Magazine, American Stock Exchange Building, New York 6, N. Y.—25 cents per copy; $2 per year. Also in the same issue are articles on **Seligman & Latz, Standard Metals Corp., Ipco Hospital Supply Corp., and Knott Hotels Corp.**

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

Banks and Trust Companies of the United States — Comparative figures for first quarter—New York Hanseatic Corporation, 60 Broad Street, New York 4, N. Y.

Canada's Banks and Other Financial Institutions—Report—Draper Dobie & Company Ltd., 25 Adelaide Street, West, Toronto, Ont., Canada.

Japanese Economy for 1963 — Booklet—Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y. Also available is a booklet on the **Japanese Stock Market for 1963.**

Japanese Market — Review — Daiwa Securities Co., Ltd., 149 Broadway, New York 6, N. Y. Also available are studies of **Kirin Brewery, Kanegafuchi Spinning, Takeda Chemical, Asahi Glass, Yawata Iron & Steel, Ebara Manufacturing, Isuzu Motors, Minolta Camera, Nippon Kogaku, Mitsubishi Estate.**

Japanese Natural and Synthetic Rubber Industry—Analysis with particular reference to **Bridgestone Tire**—Yamaichi Securities Co. of New York, Inc., 111 Broadway, New York 6, N. Y.

Laggards in the Market—Stocks selling below their highs—H. Hentz & Co., 72 Wall Street, New York 5, N. Y. Also available are reports on **Wisconsin Public Service, Minerals & Chemicals Philipp** and comments on **Norfolk & Western-Nickel Plate Merger, Chicago Rock Island & Pacific,** and **Delaware & Hudson.**

Merchant Marine Bonds—Analysis—New York Hanseatic Corporation, 60 Broad Street, New York 4, N. Y.

New York City Banks—Comparative figures on ten New York City Bank Stocks—Laird, Bissell & Meeds, 120 Broadway, New York 5, New York.

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Over-the-Counter Index — Folder showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 23-year period — National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

Pulp & Paper Industry—Memorandum with particular reference to **Rayonier** and **West Virginia Pulp & Paper**—Shields & Company, 44 Wall Street, New York 5, N. Y.

Railroad Merger Trends—Study—E. F. Hutton & Company Inc., 1 Chase Manhattan Plaza, New York 5, N. Y. Also available is a memorandum on **Aldens** and **Commercial Solvents.**

Review of Recommended Issues—Comments on 18 companies chosen for income and appreciation and 12 for appreciation—F. S. Moseley & Co., 50 Congress Street, Boston 2, Mass.

Selling of Stock Options—Memorandum—Gude, Winmill & Co., 1 Wall Street, New York 5, N. Y.

Small Loan Companies—Review with particular reference to **Dial Finance Company** and **Family Finance Corp.**—The Milwaukee Company, 207 East Michigan Street, Milwaukee 2, Wis. Also available are memoranda on **Connecticut Light & Power Co.** and **Geo. J. Meyer Manufacturing Co.**

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Canadian Pacific Railway Company—Analysis—Doherty Roadhouse & McCuaig Bros., 335 Bay Street, Toronto 1, Ont., Canada. Also available are analyses of **Great Lakes Power Corp., Ltd., Industrial Acceptance Corporation Ltd., Hiram Walker Gooderham & Worts Ltd.** and a memorandum on **MacMillan, Bloedel & Powell River.**

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Fruehauf Trailer Co.—Analysis—J. R. Williston & Beane, 2 Broadway, New York 4, N. Y.

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The Security I Like Best

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1963. Net income for first quarter showed an increase to $2,455,000 from $2,411,000 last year. The contract *backlog* moved up to record levels: over $118,000,000. Dollar volume for new contracts in geophysical exploration exceeded that for any first quarter in history and included major business in marine services.

It is obvious that purchase of TXN stock involves the risks attendant on any supplier of programs sponsored by governmental agencies. In addition, the company has had serious problems in key product lines. Nevertheless, management appears to know how and when to move in new directions. Research should keep the company on the New Frontiers of science: space travel, molecular physics, laser technology, microminiaturization, automation, nucleonics, oceanography and seismology.

We have in Texas Instruments stock a far-traveled voyager, penetrator of the upper realms and the nether regions. This is a stock whose long day's journey may once more begin.

New York State Housing Bonds Publicly Offered

An underwriting group managed by The First National City Bank and Lehman Brothers on May 15 submitted the better of two bids for $48,755,000 of State of New York Housing Bonds, due June 1, 1965 to 2013, inclusive. The group bid 100.0089 for the bonds as 4s, 3¾s, 3.20s, 3.10s, 3s and 2s, setting a net interest cost of 3.0421%.

Reoffering prices are scaled to yield from 2.20% for the 1969 maturities out to 3.20% for the bonds due in 2003. Bonds maturing 1965-1968; 1978-1984; 1987; and 2004-2013 will not be reoffered.

Ball, Burge to Admit Three

CLEVELAND, Ohio—On June 1 Ball, Burge & Kraus, Union Commerce Building, members of the New York and Midwest Stock Exchanges, will admit Clemens E. Gunn, Walter J. Carey, and Richard J. Cook to partnership. Mr. Gunn and Mr. Carey are officers of Gunn, Carey & Roulston, Inc., Mr. Cook who recently joined Ball, Burge & Kraus, in the municipal department, formerly was with Wm. J. Mericka & Co., Inc.

Wood, Struthers Elects Six

Wood, Struthers & Company, Inc., 20 Exchange Place, New York City, has announced the election of six new officers. Elected as Vice-Presidents were Russell A. Lowe, James P. Cookson, and Neil G. Clifton, J. Andrew Hachtmann has been elected Assistant Vice-President, Charles H. Jones, Jr., Treasurer and Charles F. MacGill, Secretary.

Wood, Struthers & Company, Inc. is active in corporate and municipal underwriting and private placements.

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Are Commercial Banks Competing for Savings?

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

Commercial bankers are served a blunt ration of practical novel advice on how they can profitably compete for a larger share of the country's savings. Harvard expert covers, first, commercial banks' failure to make the most of their advantages and, second, measures to overcome inherent weakness in the race against thrift institutions. Stressed is the need to remove non-universally applied restrictions governing savings, investing and taxing in the commercial banking, S & L Associations, and MSB's industries. Professor Williams: (1) opposes negative approach seeking to ban credit unions and Home Loan Bank System in lieu of more competitive vigorousness; (2) points out how independents' antibranching efforts disadvantage all commercial banks; (3) advocates complete elimination of savings' reserve requirements and Regulation "Q"; (4) suggests facility to provide standby-liquidity reserves; and (5) touches on the possibility of low-cost capital financing.

The last few years have been ones of soul searching for a lot of commercial bankers. The impressive growth of deposit-type savings, the introduction of new time-savings instruments, such as the negotiable C. D., the growing recognition of the striking, indeed spectacular, success of the savings and loan associations, the loosening of some of the self-imposed and externally-imposed constraints on commercial banks (CB's) as competitors in the growing savings market, and the real success of some CB's in the fight for the saver's dollar should, and have, stirred the thinking and action on savings of those commercial bankers who are especially eager to capitalize on the opportunities open to them.

I trust that those who have decided really to get in the fight for savings are in it to stay. Thus, they should find it easy to accept my time horizon in approaching the subject, which is one of years rather than months. What is impractical in the near term may well be possible in a decade if you get going on the right tack.

My basic approach to the issue before us is a simple one. It is built around these key questions:

(1) In competing successfully for savings, what are the CB's' important strengths? How can they be maximized?

(2) What are the CB's' major weaknesses or competitive disadvantages? How can they be minimized?

(3) Which of the moves to maximize your competitive advantages and to minimize your weaknesses are essentially within your control as bank managers? Which require changes in supervisory policy and practice and in legislation?

(4) Why have commercial bankers been so ineffectual in getting legislative changes? What must be done if they are to be more successful in shaping the public policy environment in which they work?

Before I dive into the substance of my comments, let me make clear the meaning I attach to the words "competing effectively for savings." I mean not only increasing the commercial banks' share of the savings pot but making money at it. Certainly we *cannot* count profitless growth as competitive success.

Now let me give this "interested outsider's" assessment of the CB's competitive advantages and how they can be maximized.

Maximizing Advantages

First among the sources of strength relative to your competition is the broad outreach of the CB's—your natural ties with a great many present and potential customers for your savings services. You already have as bank customers a high percentage of the savers who are your potential market. It should be much easier to get an established customer to use another of your services than for a specialized competitor to pull him in for his one line of services. The significance of this advantage is demonstrated by the sizable amounts of savings some banks have acquired without any effort and with clearly unattractive interest rates.

A related advantage accrues to those banks that can offer an unusual degree of convenience through a network of branches. Many banks have unrivaled facilities to bring their services close to their customers. For example, the Cleveland Trust Company with its 71 offices through Cuyahoga County is far ahead of the largest S & L, the Broadview Savings & Loan Company, with 11 offices. Together, nine California banks offer Californians the convenience of 1,943 offices. In terms of competition for savings, the lead in branch office facilities is largely historical accident in that many of the systems were established primarily as a feature of demand deposit competition. However, the economics of spreading costs over a full-service operation do justify some branch facilities that would not support a savings operation alone.

What can be done to strengthen the convenience advantage? From a customer's standpoint, I would answer, "a great deal." To illustrate, let me comment about hours of operation—of customer access. The typical hours of bank service availability still seem tailored more to the needs of business customers, or to the bank itself, than to customers for consumer services, such as the saver. This is understandable in the big offices that have few individual customers, but all too often the residential neighborhood branch is on the same limited midday hours as the business branches. Your competition is, in my observation, definitely doing better than the CB's. To this outsider, the banks operate under a false and unnecessary handicap stemming from banker attitudes that if a branch is open it has to offer a full line of services. Yet the fellow who buys a tankful of gas late at night doesn't resent the fact that he would have to come back in the daytime if he wants an engine overhaul. Why can't the branches be designed, or redesigned, so that a "consumer service center" open at hours designed to match the customers' needs can offer savings services, consumer loans and check cashing in small amounts? Why can't a branch system be operated with flexible hours, different from branch to branch? I know some of you have well recognized the service opportunities that go with a major effort in consumer banking and have made some progress in offering more convenient hours. But the industry as a whole has a long way to go in this area important to savings competition.

In some parts of the country, the bankers' own intra-industry agreements are a barrier to better service. In some states, hours of operation are more firmly fixed either by supervisory regulation or even by law. Yet surely where public convenience is so obviously served by flexibility concerted banker effort could erase the restrictions.

A minor illustration of another area where obsolete thinking and regulations thwart full service to consumers is that of mobile banking. I understand that in Puerto Rico commercial banks have had marked success with traveling offices, specially rigged busses, making regularly scheduled stops in small towns and villages without other banking services. Even in this mobile United States there must be many areas where such services would be both welcome, profitable and a significant boost to savings. Yet I understand that past comptrollers and other supervisors have flatly rejected the mobile banking idea.

Payroll "In-Banking" Deductions

Particularly in the case of banks which must operate only from a single office, much can be done to make banking by mail more convenient. A lot of us rely heavily on banking by mail. My bank is 12 miles from my home, half a mile from my office. My wife who shares generously in our joint account hasn't been in the bank for three years. In our area, the savings banks are far ahead of most commercials in making banking by mail easy and simple. Further and more importantly, the banks can do much to take greater advantage of their close relationships with corporate customers in exploiting "in-plant," or as I would rather phrase it, "through-the-company" banking. Payroll deduction for credits to checking accounts, loan accounts *and* savings accounts can be a real convenience to many customers and a money-saver for the banks. At Harvard University we have a big, lusty and growing credit union. Payroll deduction has been at the heart of its growth. Yet the local banks could have payroll deduction, too, if they could show the university they could serve the employees equally well. I'm convinced the banks could give such service and make money at it.

Many of your corporate customers have poorly run credit unions; many significant customers have none. The credit unions have grown for many reasons, but the big one is that their members think they're rendering them a unique service. At the risk of seeming to regard this rostrum as a pulpit, let me observe that bankers will get absolutely nowhere in trying to get legislation that appears to curb that service. The only way for bankers to head off the credit unions is to demonstrate that you can serve these people better if you are given the chance.

Compete With Credit Unions Instead of Outlawing Them

Since I know that many of you are — and should be — seriously concerned about the growing competition of credit unions, let me quickly recap my points here.

(1) You have close, in many cases intimate, relationships with company officials.

(2) You can offer effectively a wider range of service to employees built around the convenience of payroll deduction than can credit unions or other competitors.

(3) The way to successful competition with credit unions is through imaginative, affirmative action to serve better, not through efforts at legislation that would let them serve less well.

Anti-Branch Law Invites Non-Bank Competition for Savings

(4) In many states, antibranch regulations severely restrict "through-plant" services. To those of you who are fierce partisans of independent banking, I address the question, "In opposing through-plant banking, are you leaving a service vacuum for the credit unions to thrive on?"

Your competitors stress as a major advantage of the CB's the wide range of options open to the banks in investing savings money —commercial loans, term loans, consumer loans, commercial mortgages, home mortgages and a wide range of bond investments. In contrast, they point to the close restrictions on the types of loans they can make. Actualy, the specialization of the thrift competitors in home mortgage lending has been little, if any, competitive burden in the last 18 years of very active home mortgage demand. Nevertheless, we have already seen considerable effort, and some success, by the competition to broaden their lending and investing authority, particularly in the area of consumer credit. Any major weakening in the demand for mortgage money will stimulate these efforts. How should the CB's react to efforts by the S & L's and Mutual Savings Banks toward what they term "more equal competitive opportunity"? I suggest that it will be difficult for you to win public support to block wider service to the public. Once again, the best strategic defense for banks seems to me to lie in efforts to do such a complete job of public service in the area that it isn't attractive to the competition.

Areas of Competitive Weakness

Now let us turn our attention to areas of CB weakness in the competition with the thrift institutions.

First in my listing is the lack of management focus on savings in commercial banks. Your major competitors, as savings specialists, have savings competition as their

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Federal Tax Cut Means Lower State-Local Taxes

By Hon. Douglas Dillon, *Secretary of the Treasury, Treasury Department, Washington, D. C.*

Country's fiscal chief estimates that Pres. Kennedy's tax program would substantially increase state-local tax revenue. This should mean, he points out, lower tax rates than otherwise would be feasible, and lessened dependence upon the Federal spending arm to support state-local governmental needs. Taking note of the visible signs of better business prospects, Mr. Dillon argues that the more promising economic outlook does not lessen the need for Federal tax reductions this year. The Secretary takes cognizance of the near unanimous business sentiment in favor of meaningful tax cuts, answers misconceptions about the Administration's tax program, and challenges critics to offer 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.

Douglas Dillon

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 Washington on the President's tax program. While they disagreed widely on specifics, there was virtual unanimity in support of the President's basic premise: a substantial reduction in taxes to foster maximum economic growth.

Business Support

The nation as a whole is, in fact, more solidly united in support of the President's goal of meaningful tax reduction this year than it has been on any major piece of domestic legislation in recent memory. An excellent indication of how strong is that support among the leaders of the business community was the formation in Washington less than two weeks ago of the "Business Committee for Tax Reduction in 1963," headed by Henry Ford, II, and Stuart Saunders, President of the Norfolk and Western Railway, with Mark W. Cresap, Jr., President of the Westinghouse Electric Corporation, Sam Fleming, President of the Third National Bank of Nashville, and Frazer B. Wilde, Chairman of the Connecticut General Life Insurance Company, as Executive Vice Chairman.

While virtually no one disagrees with President Kennedy's goal—the goal of maximum economic growth through significant and substantial tax action—there are numerous misconceptions about the program itself. I would like to consider some of these with you today.

No one in the Administration has suggested that the President's tax program contains all of the fiscal wisdom of our age, or that it is a panacea for all of our economic problems. It isn't. No tax program could be.

But the President's program will stimulate increased economic activity, will end some of the inequities in our present tax structure, and will help to assure that more of our resources are used in a more sensible and a more effective fashion.

It will not cure unemployment overnight, but it will generate the higher levels of economic activity we need if we are to reduce our present unacceptably high rate of unemployment and create the increasing number of jobs we must provide for our rapidly growing population.

It will not guarantee us against recessions, but it will alleviate their impact if they come, and enable us to recover from them at a faster rate.

It will not put an immediate end to budget deficits, but it will ultimately produce increased government revenues to balance future budgets.

It will not solve our balance of payments disequilibrium by itself, but it will help by enabling our industry to produce more, better, and newer goods at more competitive prices—and thus help increase our sales against those of foreign competitors in markets both here and abroad.

Above all, it must be borne in mind that the President's program is not intended—and is not designed—merely as a quick and temporary shelter against recession. It was designed—and has always been intended—as a permanent program to raise our long term rate of overall economic growth.

Business Prospects and Tax Cut Timing

Here in this room, in this company, and in this hustling metropolis, it may seem almost paradoxical to talk about economic problems and lagging economic growth. It is undeniably true that our present rate of business activity is high and rising, and it is also true that the vast majority of our citizens are enjoying the richest levels of prosperity in our history. However, although last month saw more Americans at work than in any preceding April, it is a somber reality that our economy last month was unable to offer jobs to more than four million of our fellow citizens who were actively seeking work. And despite the past year's continuing recovery and the recent surge of business activity, there were more people out of work last month than there were in April 1962. We must face the fact that over the past year we were simply unable to create enough new jobs to take care of the normal increase in our labor force.

As Secretary of the Treasury, I am hardly inclined, either by belief or by occupation, to predict that a recession may be in the offing. On the contrary, despite our high rate of unemployment, I believe that our present economic activity shows every promise of continuing on the upswing. However, no one can guarantee that we will not have recessions at some time in the future—with or without a tax bill. The question is: what level of economic activity—what level of employment—what level of income—will prevail if and when another recession comes along? Will our economy be merely drifting along sometimes up, sometimes down, with an unacceptably high level of unemployment, and lacking a clear, steady upward drive? Or will we have moved strongly ahead, reduced unemployment, built up our economic vitality—in short, will we have put ourselves in a position to weather a setback and recover quickly, with a minimum of recession damage to jobs, income, profits, and production?

I think the answer to that question depends to a good extent upon what action is taken on the tax program this year.

Certainly we could hardly ask for an economic climate more conducive to tax reduction than we now enjoy. As I stated last week in Washington, before the U. S. Chamber of Commerce, should the present rate of improvement continue, our revenues for fiscal 1964 are likely to be more than we estimated last January—perhaps as much as $1 billion more — thus reducing the deficit. Even more important, we will reap far greater benefits from tax reduction when the economy is moving at today's relatively brisk pace than we would from a tax reduction when the economy is either receding or simply inching ahead. For the added leverage that our present economic upswing offers will make the President's program even more effective than it would otherwise be.

Tax Action This Year

We must take advantage of that leverage. We must take action—and take it **this year**—to bring the economy up closer to where it should be: to a level where more of our people are working, more of our factories are producing more goods, and where more of those goods are sold to a public which has more money with which to buy. That is the principle behind the tax program. It is based upon the belief that, in a free market economy such as ours the vitality of the economy is dependent upon the vitality of the private sector—and we must remember that this sector includes both consumers and producers, both workers and investors.

The heart of the President's program is a top-to-bottom, across-the-board reduction in tax rates from which virtually every American, in every tax bracket, from the lowest to the highest, will benefit. These individual benefits will have a cumulative effect on incomes and jobs, profits and incentives, consumption and productivity.

Some have voiced concern that the tax cut would be financed out of borrowed money, and that the program would increase the deficit. They overlook the fact that the program provides over $14 billion in rate reduction and hardship relief at a net revenue cost of well under $9 billion, that this cost is staged over three years, during which a good part of it will be offset by increased economic activity. They forget that, as in the case of earlier tax cuts, our tax revenues will in a very few years be greater than they would have been without a tax cut.

They also overlook the fact that this temporary increase in the budget deficit is small when compared to the amount of the deficit we will have anyway because of lagging growth. The 1964 budget deficit was estimated in January to be slightly under $12 billion with a tax cut. But, even without a tax cut, it was estimated at more than $9 billion. The difference is far more than the amount in dollars. The difference is between an economy moving deeper into a situation where the prospects of a balanced budget constantly recede — as they will without a tax cut—or an economy moving toward a situation where increasing economic growth spurred by tax reduction brings us constantly closer to a balanced budget.

Answers Chamber's Statement

Few statements have made this last point better than one which appears in your Jan. 7 call for tax reduction and revision. The statement reads:

"It may be considered paradoxical, but a program of tax reduction which stimulates the economy to full production and employment and a more rapid and sustained rate of growth and which is accompanied by a firm control of expenditures, may be the best way of achieving balanced budgets in the future."

Your organization is among the many that are deeply concerned about expenditure control. This Administration has made it very clear that it shares that concern. The record shows, emphatically and unmistakably, that this Administration has exercised, is exercising, and will continue to exercise, a firm control over Federal expenditures. Let me cite from that record:

First, leaving aside only defense and space, all other Federal expenditures as estimated by the President for fiscal 1964 show an increase of $5.5 billion over their 1961 level. It may surprise you to learn that this increase is $800 million smaller than the increase in the same expenditures that took place during the three-year period from 1958 to 1961. This clear proof of success in slowing the rise in Federal spending in all areas save only defense and space, where overriding national needs had to be met.

Second, as the President stated in his Budget Message: "The prospect of expanding economic activity and rising Federal revenues in the years ahead does not mean that Federal outlays should rise in proportion to such revenue increases. As the tax cut becomes fully effective and the economy climbs toward full employment, a substantial part of the revenue increases must go toward eliminating the transitional deficit." The President has repeated that pledge on other occasions, but apparently its significance has not been fully understood.

Third, the President is actively translating his commitment to firm expenditure control into action. Except for defense and space—and the unavoidable interest on the public debt—he has actually reduced the rest of the current budget. Such a reduction has occurred only three times in the last fifteen years. And it follows average annual increases of 7.5% in this same section of the Budget over the last nine years.

Before the Budget was sent up in January, the President cut $6

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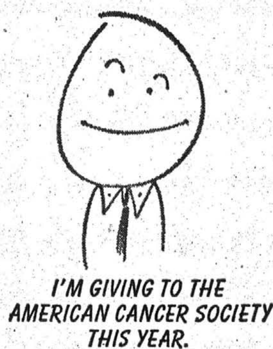
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MAYBE SOME YEAR IT WON'T BE NECESSARY.

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Modest Devaluation Would Cure Our Payments Gap

By Robert C. Wertheimer, *Professor of Economics, Babson Institute and Northeastern University, Mass.*

The nature of our balance of payments ailments, which include the after-effects of the European 1949 devaluation and the extent to which our exports must be propped, is said to leave us no other choice but devaluation of gold to $36.75-$38.50 an ounce. The writer proposes inducing foreign central banks to agree to nonconvertibility 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. Prof. Wertheimer contends that the IMF permits correcting disequilibrium in this manner; that it could not be construed as a betrayal of the trust put in our currency; and that, other than the Triffin or such other plans which claim the dollar's autonomous strength can be restored without regard to payments deficits or gold reserves, we have no other alternative but 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 time being, but the two-sided problem of dollars we already owe and additional annual deficits in the balance of payments, continues.

R. G. Wertheimer

This situation has developed in connection with the relief of the world-wide dollar shortage and the 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 compares favorably with rising prices elsewhere, particularly in the countries which have become our creditors.

Our dollar obligations have been rising since 1950. Liquid liabilities either paid in gold or by an increase in foreign dollar holdings accumulated as follows:

Increase in Liabilities

(Corresponding to U. S. Balance Of Payments Deficits)

	Billions
1950	$3.6
1951	0.3
1952	1.0
1953	2.2
1954	1.6
1955	1.1
1956	0.9
1957	(—0.5)*
1958	3.5
1959	3.7
1960	3.9
1961	2.5
1962	1.9
1963 est.	1.8

*The only 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., now hold a total of $20 billion short-term claims against us (excluding the holdings of International Organizations). Corresponding to our decline is the spectacular increase in gold and dollar holdings of the rest of the world from $15 billion in 1950 to $44 billion by the end of 1962. Continental Europe (the Common Market) amassed the lion's share of these gains, now possessing $25 billion international reserves against $6 billion at the earlier date.

In spite of the correct assertion that our merchandise balance regularly produces $4.5 billion surpluses annually, expenditures connected with our defense abroad and private foreign investments continue to create the overall deficits in our balance of payments. This condition will continue because our political and economic commitments as leader of the free world and provider of a free dollar for international growth and development do not permit the removal of the deficit either by drastic cuts in spending, or by exchange controls.

Dubious About Our Export Strength

Our ability to export remains the basis of the international position of the dollar. Our merchandise exports have been rising very slowly from $16 to $21 billion annually during the last 15 years. When we allow for the large portion of our exports financed by our own private capital flows and various kinds of public spending abroad, we have to draw the sobering conclusion that we have become seriously deficient in unassisted exports. On the service account, too, we would face a deficit of two billion annually except for our income from foreign investment earned and transferred regularly. In view of the dynamic economic and political changes in most debtor countries, this source of income appears highly vulnerable.

Monetary Implications of the Balance of Payments Deficit

The international liquidity of the United States which can only be measured in gold continues to decline, while our short-term obligations, due to deficits, grow at annual rates of $1-2 billion. These liabilities, including dollar assets of the International Organizations, now amount to $25 billion. While our international solvency (amounting to $35 - $40 billion presently) remains very reassuring, no international monetary system has been devised that would permit the neutralizing of short-term debt by long-term claims and thus remove the dollar from international pressure.[1]

Under the present international monetary set-up, we continue to 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 pressures from our creditors** and because it inhibits our freedom to stimulate a sluggish domestic economy."[2] Likewise, Chairman William McC. Martin, Jr., has expressed again and again the view that our foreign financial obligations have to be increasingly considered in our domestic policies.

Hopes 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 suggest measures that might be both ineffectual and dangerous. We propose a reduction of our defense commitment, financial aid and capital exports to the free world that would deflate international credit in order to fight an "imaginary dollar glut." While it is true that Europe is highly liquid against the dollar and has become our net creditor at the rate of $4 billion (with $15 billion claims not counting the short-term against our $11 billion), most other free nations continue to suffer from a dollar shortage.

Europe's Need for Our Capital

Purchasing power financed by U. S. private loans and public aid is needed. Even concerning the external strength of Europe, wrong conclusions may be drawn. The ability of the United States continues unmatched in providing savings that should be fully available to domestic and foreign borrowers. On the other hand, wealthy Europe does not generate sufficient saving first, because its consuming public had too long starved for elementary comforts and second, because investment needs of the business community continue to exceed internal cash-flows.

Concerning the curtailment of U. S. capital exports, we must recall the catastrophic monetary experiences of the recent past when domestic monetary needs were made subservient to balance of payments requirements. During the '20s, exchange considerations dominated financial policies in order to achieve U. S., British and German international payments equilibria. These measures failed tragically and became powerful pacemakers of the Great Depression. This experience teaches us that balance of payments deficits must be cured by other than monetary policies and the suppression of multilateral private and public capital flows.

The Foreign Exchange Rate Of the Dollar

Relatively faster rising wages and costs in Europe than in the United States create the illusion of a growing competitiveness of U. S. products abroad that sooner or later would eliminate the deficit. The Trade Expansion Act, too, by proposing the lowering of tariffs hews to the same line because it expects from such reductions larger gains for U. S. exports than corresponding expansion of imports. In a similar vein, Dr. Walter Hallstein, President of the Common Market Commission, in a letter to me, praised this step as initiative to "improve the competitiveness of the American economy and to achieve a stronger division of labor in the free world." A realstic appraisal of this situation does not support such expectations. Average hourly wages in manufacturing including fringe benefits in Europe still run at only one-third of corresponding levels in the United States. Any cost increase in Europe serves only as further stimulation for investment and measures to increase productivity, resulting in much faster rates of growth than in the United States. In the Common Market, the benefits from a mass market and mass production are only in their early stages and have not

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1 The difference between total U. S. international assets (not including our gold stock) and obligations. In the single year 1962, for example, we added $2.5 billion to our solvency. On the one hand, our dollar obligations rose by $1.1 billion; on the other, we provided a net amount of $2.9 billion of private capital and $700 million repayable public loans. Even if we deduct the gold outflow of $800 million, we still achieved an overall surplus of $1.7 billion in our international dealings.

2 c.f. *Commercial and Fianancial Chronicle*, Feb. 21, 1963, pp. 9ff.

DIVIDEND NOTICES

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of 32½c per share on Common Stock, was declared by the Board of Directors on April 9, 1963 payable June 14, 1963 to stockholders of record on May 31, 1963.

This is our 126th Common Dividend.

A. H. DAGGETT
Chairman

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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 $1.06¼ per share on the 4¼% Preferred Stock has been declared payable July 1, 1963 to holders of record May 31, 1963.

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

XEROX CORPORATION

ROCHESTER, NEW YORK

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 7, 1963.

E. K. DAMON
Treasurer

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OLD GOLD SPIN FILTERS
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HELMAR

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Regular quarterly dividend of $1.75 per share on the Preferred Stock and regular quarterly dividend of $.625 per share on the outstanding Common Stock of P. Lorillard Company have been declared payable July 1, 1963, to stockholders of record at the close of business June 3, 1963. Checks will be mailed.

G. O. DAVIES,
Vice President

New York, May 15, 1963.

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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 harmful from a long-run point of view. He urges that we develop better study procedures supplementing Congressional hearings, and criteria to help lessen economic distortions, unfairness and, most importantly, the burdens on business creation of income. Stressed is the need to face up to new revenue sources, some of which are suggested, and to cease trying to pair off "individuals" with "business" in making tax changes. Suggestions dealt with include, also, eventual cut in corporate tax 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 has the Treasury? Probably each of us. Everyone is aware of the interests of those groups with which he is associated—economically, intellectually, and emotionally. Our associations make us familiar with some parts of the economy, and shield us from the problems of others. It is only human to identify "constructive" policies with those favorable to what we know best.

C. Lowell Harriss

The Treasury's program represents much careful work. It has more merit than is sometimes credited to it. The Administration is making an effort — including one to cut tax rates — which I do not recall that its predecessor attempted. Yet the plan does not seem to me to be the best possible. My comments will not attempt to touch upon the budgetary aspects.

Need for a Long-Run View

Tax change on any significant scale is rare. Revisions made this year will mold the future for a long time. Few legacies we shall leave our children will influence their lives more than the Federal tax system. Each change should be the best we can envision for the long run. What would be best for 1975 or later? The Administration plan, however, weighs near-term considerations very heavily indeed, putting great emphasis upon short-term stimulation of the economy. But today's actions will make changes later more difficult, perhaps foreclose them. The proposals, I fear, would commit us indefinitely to a tax structure designed to meet conditions which — so far as taxes are concerned—may to significant extent be more or less temporary.

Any discussion of tax change ought to start with clarification of objectives and formulation of the criteria by which proposals can be evaluated. Plans for broad revision rarely include clear statements of the concepts of fairness and equity, the cause-and-effect economic relations assumed, and such important issues as the ties to monetary, wage, and other policies. (Who really bears the burden of the corporation income tax?) More analysis of the facts, and of the theories and values, underlying proposals would be helpful. What will advance the welfare of the public as a whole over the long run?

Weight of Business Taxation

One alternative would be to allocate more of the total cut to reduce the burdens on the process of income creation. The Administration program provides relatively little reduction in taxes on business. (The Treasury points out that the investment tax credit of 1962 cut the effective burden on business. The new depreciation guidelines also reduce—or postpone—business tax payments. But this was not so much a concession as a move to right an old wrong.) The pairing off of "individuals" and "business" in discussion is unfortunate. Every individual has a vast, many faceted, personal interest in business.

It is through business that we produce most of our income. Businesses provide most of our jobs. They are the agencies we use to employ what we have to get more of what we want. Businesses are "people cooperating,"

Taxes on business cannot help in the process of income creation. They *can* hurt. The Treasury program is allegedly designed to speed growth. Yet it has little of direct value for the chief growth-producing agency—business. The economy would be able to live with a corporation tax rate of 47% and with rates up to 65% on unincorporated firms. Yet we can live better—the country can produce more and more efficiently, have better jobs, expect more in product and service innovation — if business decisions are not influenced by such high tax rates, if the returns on capital are not taxed so heavily.

For the long run we should plan for tax rates which are much less burdensome on business—to make for more efficiency, to speed growth, to achieve more fairness. To move in this direction is not easy. (Unions, whose members would seem to me to stand to benefit greatly, seem to constitute the strongest opposition.) The impersonality of big corporations is only one of the factors making difficult the reduction of high rates.

The greatest obstacle is that each percentage point of the corporate rate involves revenue of nearly $500 million (gross). No cuts of, say 20 percentage points are now feasible. But could we not make a bigger start than five percentage points over three years for large corporations? (The Treasury plan does, fortunately, propose an eight percentage point cut for the larger number of small corporations.) As the economy grows, so will corporation profits. This growth will offer an offset to declining tax rates.

Congress, of course, cannot commit its successors. Nevertheless, over a period no longer than that since Korea ended the 38% rate we should be able to get down to 30%. To accomplish this objective, however, there must be strong determination, including willingness to make choices which are not easy if only because of "politics."

Who would benefit most? The answer may not be clear. The doubt, and the failure to distinguish short-term effects from those for the longer period, help explain why the tax is tolerated. The benefits, I am convinced, would spread broadly throughout the economy—to consumers, employees, to those who supply capital. National income would grow more rapidly.

Personal Income Tax Rates

The second important feature of the Administration program which seems to me less than the most desirable is the proposed reduction of the first bracket rate to 14% and 16%, with the bracket to be split. To criticize such a proposal may seem to brand a person as opposed to relief for the man with low income.

The revenue cost, however, is substantial. Each percentage point of tax on the first $1,000 means about $800 million of revenue and each point of the second thousand almost $500 million (at approximately 1962 levels of income). Here is the place where the big revenue losses are recommended. The cost is so great that many other desirable changes must be curtailed or abandoned. The long-run revenue potential of the structure would be seriously threatened. And in the future would there be any realistic possibility of reducing the top rates below 65% if as a political matter some cut in the 14% rate were also required?

We lack clear criteria for passing judgment on rate graduation —as to fairness or to economic effects. One thing, however, should carry persuasive weight. Tax rates around 20% will not have much effect on incentive, on business efficiency, and on other matters involving choice. Rates in the 20% range will not often hurt the unincorporated business greatly. High rates, however, will and do.

Whether or not tax rates over 50% are fair may be debated. There can be no debate, though, on the point that high tax rates do have adverse effects on the economy. Perhaps the rate applicable to the great bulk of income should be about the average rate which when applied to taxable income would pay for whatever spending Congress decides upon, allowing for other revenues. Such a rate, however, would be nearer 24% than 16%.

The Administration would retain the present bracket structure with the narrow steps. A widening of brackets would reduce the precipitousness of progression and the sharp differentiation in effective marginal rates. The brackets are now too narrow to be defensible on any objective basis. At lower income ranges, of course, widening of brackets would cost revenue. Yet high top rates of tax could be retained — if politically necessary— but prevented from doing much harm if they were to become effective at much higher income levels as a result of bracket widening.

Structural Changes: Reforms

Building a tax system which will serve us as well as possible over the long run seems to me to require modification of many details — and some changes which are anything but details. Of course, rate reduction in itself makes most problems less pressing. In turn, however, the amount of rate reduction which will be possible depends not insignificantly upon the breadth of the tax base (though more will depend upon the course of Federal spending). There are issues of fairness — inequalities in bearing the expense of government which come from other than highly discriminatory rates; to me, these seem not unimportant. Moreover, there are economic distorations.

In principle, base-broadening to reduce rates has much appeal. In practice . . .? Little evidence of leadership to face up to the problems appears in the testimony before Congress, except opposition to the Treasury proposals.

The Administration has proposed some structural revisions which seem to me desirable, others which seem on balance undesirable, and still others which I am not competent to judge. Every student of taxation would probably agree with such a statement —but rarely on the classification of the items. Some possibilities, it should be noted, are not included in the "package," big as it is.

Getting any agreement will be exceptionally difficult. I wish I could suggest some procedure for supplementing Congressional hearings as a means of examining the issues and trying to develop more of a consensus.

Other Proposals

Proposals of the CED, the Chamber of Commerce, and other groups have merit. One alternative, the Baker-Herlong approach, certainly deserves serious consideration. Though no one will find all features to his liking, there is merit in the plan.

Two major elements, however, require explicit attention. The first is the total revenue cost in relation to expenditures. Are the protections against excessive reduction adequate? Large budget deficits are not to be taken lightly. The second is the "stopping point" of a 42% rate on corporations — too high, in my view. A third issue is the possible distorting effect on decisions of the prospect of future rate reductions. And, of some practical weight—would reductions scheduled for the future actually be put into effect?

New Revenue Sources

The President suggests no new revenue sources. Unless things get much more strained than they are today, no Administration is likely to propose new taxes. Let this unpopular subject be left to others! But the obvious Presidential and Congressional desire to increase spending, combined with the apparent conviction that income tax rates should be reduced, leads to a revenue gap. At the moment, economic arguments for a short-run deficit have merit. Before long, however, difficulties of non-inflationary financing of a large deficit seem highly probable.

Alternative revenue sources would apparently consist of some form of consumption tax. "Bits and pieces" could yield something. Yet for significant revenue we must consider some broader base. What is available? Because the present selective excises cover a good deal, and because manufacturing is not such a big part of the economy as often assumed, a tax at the manufacturing level would have surprisingly little revenue potential even if food were included. To get $5 billion a year more with a 10% rate would be hard.

Another possibility is a tax at the retail level. A rate of 6% on a broadly defined base would about cover the *increase* in Federal spending from 1962 to 1964 (as proposed by the President). A rate of nearly 1½% would be needed merely to offset the base-broadening features of the Treasury's program. The sums involved in proposed Federal tax cuts are far greater than would be yielded by a sales tax at a rate comparable with the typical state rate.

Another possibility, about which we hear more and more, is a tax on value added. It could be thought of as either a business or a consumption tax—as either a reduction of income or a rise in prices. It would consist, in essence, of a tax on the difference between the selling price of a firm's output and what the firm paid for raw materials, parts, and other constituents. Or the tax could, in effect, be considered as a levy on wages, interest, rents, and profit.

The maximum base would be more than half again as large as personal income before the allowance for personal exemptions but after deductions for interest, contributions, etc. A "modest" rate of 3 to 4% would finance a significant cut in the tax on corporations though not many percentage points of reduction on the lower brackets of the personal income tax.

Concluding Comment

The choices are difficult. But the picture is one with more basis for hope than for despair. On purely tax problems, there are perplexing questions about the economic results to be expected from different courses of action. Political considerations will lead to choices which I would probably not consider to be the best for the economy over the long run. (The factor of greatest fundamental importance is the outlook for Federal expenditure.) Yet we do now have the prospect of real progress on the tax front.

*An address by Dr. Harriss at the 21st Annual Meeting of the National Taxpayers' Conference sponsored by the Tax Foundation, Washington, D. C., April 22, 1963.

Dela. Mgmt. Elects Crosthwaite V.-P.

PHILADELPHIA, Pa. — Morgan Crosthwaite has been appointed a regional sales Vice-President of Delaware Management Company, Inc., 3 Penn Center Plaza, investment adviser and national distributor for Delaware Fund and Income Fund, W. Linton Nelson, President, has announced.

Morgan Crosthwaite

Mr. Crosthwaite first joined the Delaware organization in 1959 bringing with him several years' experience in mutual fund sales distribution.

A resident of St. Petersburg, he will continue to represent both Funds throughout Florida and Missouri.

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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 respectability, which he is pleased to see, has been long overdue. Mr. Cohen argues that mild cyclical downturns should not stand in the way of long-range planning which assumes a fully employed economy growing at 4% per year. Note is taken of major long-range planning programs by steel and electrical industries, of the failure of the auto industry to recognize the market, and of developments influencing long-range planning. The writer is confident we can achieve a sustainable 8½% average rise in capital spending in the three years 1963-65 which, if not allowed to grow too fast, could be followed by further expansion. Mr. Cohen hopefully asks management and Washington not to turn their backs on long-range planning.

This is a minority report, but I am sure it will sound a lot more believable than a comparable report presented six months ago. My thesis is a simple one: long-range planning is now due for a revival after a number of setbacks over the past five years. But these very setbacks will make possible more realistic long-range planning that may yet validate those predictions for the soaring sixties which were prevalent only a few years ago.

Morris Cohen

It is the job of statisticians and economists to interpret history to those who must ultimately bear the responsibility for the success of the individual enterprise, i.e., to management. I leave to others more qualified than I to advise public policymakers who might want to dabble in long-range planning. Naturally, I hope what I have to say will be somewhat relevant to their interests.

Long-range planning, of course, can cover many facets of company operations. It should concern itself with an overall profit objective. This would involve the nature, scope, and pace of the company's research 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 markets for existing products, both at home and overseas. It would, therefore, be interested in the inputs required to satisfy such markets, including personnel needs, distribution facilities, marketing strategies, advertising policies, financial requirements, and, capital expenditures. It so happens that my own interests in this subject center on plant and equipment outlays, and I shall be emphasizing them in my paper. This procedure represents a special point of view, and I don't mean to neglect other aspects of long-range planning that may be equally, if not more, important.

Long Range Planning Setbacks

Some may recall that the last time long-range planning was fully implemented was in the 1955-57 capital spending boom. For those too young to remember, or for those who may have forgotten those golden days, the end of the Korean War in 1953 was followed by a large reduction in 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 unsophisticated American consumer, still untutored in the higher economics, was unconvinced, and instead, bought large numbers of automobiles and homes in late 1954 and in 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 1956 and 1957 that it resulted in the over-capacity that so many now talk glibly about, but more of that later on. The 1958 recession, which some think was sparked by the sharp shift in defense policy in mid-1957, was at least partly a consequence of the capital spending boom of 1955-57.

But what is highly significant for our present purpose is the undisputed fact that the 1957-58 recession, while the severest in the postwar period, did not develop into a major depression. Rather, it quickly and dramatically turned around in April of 1958.

The next point I want to make in this quick review of American business cycle history, always appropriate in a discussion on long-range planning, concerns the aborted recovery in 1960. Here I would like to reaffirm the basic appraisal made by Arthur Burns in his famous University of Chicago speech of early 1961. Burns argued then, and I believe history has since shown him to be correct, that the 1960 downturn was a function of (1) the sharp reversal in fiscal policy in 1959; (2) the stringency of monetary policy; and (3) the actual record-long steel strike which disrupted the natural momentum of the recovery. What was unfortunate about the short recovery from 1958 to 1960 was the discouragement it offered to those who were promoting long-range planning. Just as the 1960's were being proclaimed as a decade of golden opportunity, the recovery sagged, and new doubts about America's economic future arose in the land.

Well, the 1960-61 recession was the mildest of the postwar period, and the subsequent recovery has been the most talked about, clucked over, scoffed at, criticized, denigrated, and doubted recovery, and at every step along the way to this very day. As the recovery was finally acknowledged in June of 1961, one can understand why long-range planners might not then have an attentive audience. Hadn't we just had an abortive recovery, and couldn't we go through another one in short order? But as the recovery continued into early 1962, evidently the planners were having some effect. Capital appropriations in the first quarter of 1962 were the highest since the fourth quarter of 1959. However, long-range planning then suffered its second major setback, fortunately in my judgment, a temporary setback. I refer to the spring of 1962 with the events started by the April visit by Mr. Blough 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! Surely a recession would not follow, and some were even predicting it had already started in the second quarter; if not then, certainly sooner or later in the second half of 1962. So why bother with long-range planning. Let's hope the company and the country survive!

Returned Composure

Well, we have come a long, long way since the incredible events and the thinking of last spring and summer. We now know that *business* soon regained its composure despite the excursions and alarums of last summer; capital appropriations rebounded in the third quarter of 1962, and by the fourth quarter soared to the highest level since 1957. This performance bespeaks the return of long-range planning. It is reinforced, once again, by the untutored American consumer who insists upon buying cars, even though everyone knows the market is saturated. Not only cars, but he keeps on buying more furniture and household equipment, clothing, etc. Incidentally, Sindlinger and Company reports, as of the week ending April 12, that the dollar volume of consumer buying plans for the next six months involving sixteen durable items has reached an all-time high.

In other words, the actual performance in the marketplace has revived the spirits of long-range planners. They can now go to management and say, instead of a second abortive recovery in a row, it looks as if the American economy may be in for one of its longest periods of expansion. In place of the death watch on the statistics of national economic performance, we are viewing instead a growing acknowledgement in high places that the economy is behaving better than almost everyone had forecast. This is doubly significant because there are no longer any backlogs of demand to guarantee success. Rather, says our astute long-range planner, we must be prepared to supply a better product at the lowest possible cost to more customers in a growing economy which is steadily setting new records. By this summer, the recovery and expansion from the low point of 1961 will have been the largest in the postwar period. From the summer on, therefore, the economic advance will not be comparable to previous experience. The yardsticks of prior postwar expansions will not be available, at least as to dimension. Such an uncharted future should not be faced with fear and trepidation. Rather, it should be treated as a challenge and an opportunity that is unique, at least for the past two generations, and that includes all who are economists and statisticians.

Steel and Electrical Longe Range Planning

There are two industries which have already publicly announced major long-range programs. They are particularly intersting because these industries have to plan far ahead to accomplish their objectives. I refer, of course, to the steel industry and to the electrical utilities. Since steel was directly involved a year ago in the public controversy, it should not be surprising that the industry recoiled from commitments for capital spending, but only briefly. By the last quarter of 1962, they were once again acting boldly: planning for the best technology available in oxygen furnaces and continuous casting and emphasizing the major steel markets in the midwest.

Thus, last December, Bethlehem Steel announced its new program at Burns Harbor, Ind., initially with a $250 million steel finishing mill. Eventually, Burns Harbor will be a fully integrated steel works; while still an "engineer's dream" this installation may before the decade is out be-

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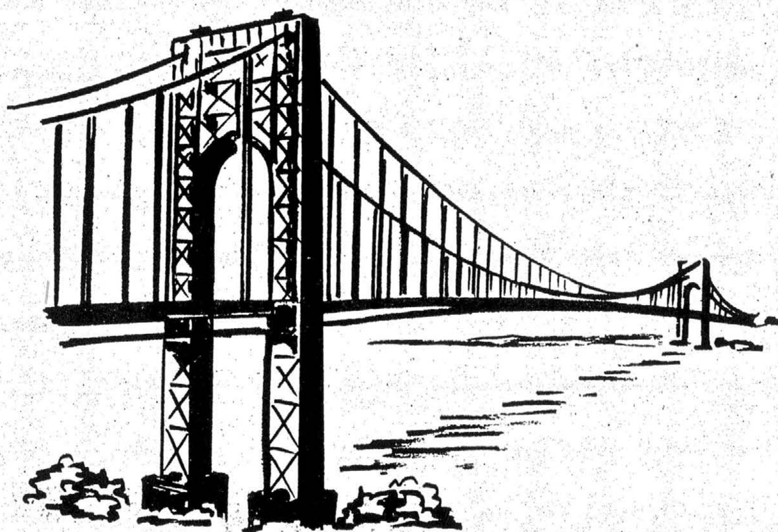

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Whatever Happened to Long Range Planning?

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come the largest steel plant in the world, capable of turning out 10,000,000 tons of ingot a year; and the total cost of such a "dream" may run between $2 and $2½ billion. In any event, Bethlehem Steel already has a backlog in authorized projects of $373,000,000, and expects to spend $750,000,000 in the next three years. Last March, Republic Steel announced its intention of installing six basic oxygen furnaces, costing about $100 million, and in the same month, U. S. Steel stated that it was planning to install continuous casting machines in connection with its new basic oxygen steelmaking furnaces. The steel case is fascinating on a number of grounds because the excess capacity it is supposed to have is being revealed as high cost capacity in the current steel surge. The major plans already announced by most of the leading companies do not therefore sound so surprising in the one industry where everyone knows excess capacity abounds.

The other industry, long a textbook example for long-range planning — namely the electric utilities — also helps to illustrate a number of issues that have been misunderstood in the field of capital spending. The demand for electric power shows no sign of dimunition; for example, this year it's going up by 7%, according to industry estimates, and they could be conservative. Why then has their spending on construction lagged in recent years? We now know the answer. The industry, too, had built up somewhat more capacity than it required in the 1955-57 period, and was growing up to its fuller utilization. But the demand for cost cutting is critically important in a capital intensive industry like the utilities, just as in steel. The technological change in the utilities, however, has taken the form of huge generators, using both conventional steam and atomic energy, which require years to build. After the events of last spring and summer, a number of the leading electric utilities, including Con Edison of New York, announced many new projects which evidently had been germinating quietly in engineering and planning offices. The first sign of this development can be seen in the recent report by the Edison Electric Institute on the orders for generators placed in the first quarter of 1963. The seven million kw figure was the largest amount of capacity ordered for any three-month period since the second quarter of 1956, and with obviously much more to come. The delivery dates are for 1966, 1967, and later.

Just to indicate some of the flavor in the planning now going on among electric utilities, let me recall the announcement made by the Pacific Gas and Electric Company last February when the New York papers were not being published. The company boldly talked of a $2.4 billion expansion program running through 1980, which would add 15 million kilowatts to generating capacity, more than *trebling* the *existing* capacity. According to the company, the new construction schedule includes nine thermal generating units of 660,000 kilowatts each or larger, seven others of at least one million kw, and 1,200 miles of transmission lines of at least 500,000 volts. The largest generator now in their system in 330,000 kw and the highest transmission voltage is 230,000.

Schumpeter's Thesis Applies

In other words, long-range planning which on the face of it seemed to have been languishing turns out to be flourishing, particularly in those industries where you would expect it to be. Large chunks of capital investment have to be planned far ahead. However, what my two examples illustrate even more dramatically is the influence of technology. In the Schumpeterian stationary state, to satisfy existing and stable markets, production goes on in the same way as before, so all you have to do is to replace the worn out capital stock with the same old models. But as Schumpeter himself emphasized, the innovator, that mean disturber of the *status quo*, makes life miserable for everyone by introducing new methods and technology and everyone else simply has to follow. The oxygen furnaces are sweeping the steel mills, and the electric utilties almost seem to be competing with each other in ordering bigger and more efficient generators and interconnecting them with more and more companies located further and further away.

Recalls Earlier Auto Forecast

Thus, long-range planning does not mean projecting the past in a mechanical manner. Rather, at its best, it represents a careful look at the future, always keeping uppermost the notion that change, not constancy, is the rule of economic life. It requires a better comprehension of the structure of the markets to be served. I don't want to take up all of this paper in discussing each market that makes up the GNP, but I can't resist a few comments on the market for automobiles, and the implications, therefrom, for capital spending. Reports have it that some Washington economists have expressed their heartfelt thanks for the surge in auto buying which they frankly underestimated. Other analysts, closer to this market, have also had to revise their judgments in recent months. Seven years ago, it so happens, I wrote a short analysis on the auto market which then challenged the sustainability of the record auto sales in 1955, at a time when it was somewhat unfashionable to do so. Having been burnt once, the auto industry understandably has been reluctant to recognize the 1962-63 performance for what it now clearly is, namely, an indication of the size of the market that is normal, given the replacement demand and the level of income; but this too is changing. One auto official has already raised the possibility that we can see three strong auto years in a row. Still another executive has stated that the sustainable market will reach eight million units only in the late 1960's. In my judgment, this will happen by 1965. What will all this mean for long-range planning when the two largest companies are right now working overtime to meet the current demand, and a third is working three shifts? What does this mean for the planning in associated industries that service the auto companies with their raw materials, parts, and supplies?

Consumer Service Spending Levelling Off

I hope I may indulge in making one more general observation about the future of consumer markets. It gives me a chance to refer to another earlier work of mine, done nine years ago, on the impact of the demand for consumer spending on services. I then pointed out for the first time by anyone how the rising proportion of consumer spending for services was limiting the size of the market for consumer goods, In part, this had been a function of the faster rise in the price of consumer services. But now, I must point out that the phenomenon seems to have ended. In the past year, the service prices in the Consumer Price Index have risen by only 1½%, and 0.6% in the past seven months, compared to a more than 3% annual rise from 1956 to 1960. In other words, suppliers of consumer goods who are planning ahead cannot just take the experience of the past decade as the only indicator of the size of their market in the next decade. Now that service prices seem to have finally passed through their long readjustment process, relatively more of the future advances in disposable incomes will be spent on goods and less on services than has been true in recent years.

Forward Diversification to the Consumer

These and other developments may be influencing another important trend in long-range planning, namely, the growing emphasis in many companies toward the so-called forward diversification to the consumer. In the final analysis, it is the consumer who determines the markets for the industrial companies. If somehow, the company who serves the consumer indirectly through other companies can go directly to the ultimate customer, then, it is argued, he would be tied to the company's products. Advertising could then be directed to the final buyer, fluctuations in shipments and production could be avoided, and long-range planning could be directly engaged in satisfying consumer needs. 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 only the latest indication of this trend.

But let me return once again to my main interest—the long-range outlook for capital goods. This is the central issue on long-range planning, both as it affects company policy and as it affects national policies. The experience of the past 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 should be placed in the framework of a return to a full-employment economy and a growth rate thereafter of 4% a year in real terms. It is now almost 20 years after the end of World War II and 35 years after the shattering experience of 1929. We have gone through four postwar business recessions and survived a stock market panic. No longer should we plan on the assumption that sooner or later the economy will have to go through the wringer. This is not to argue that the short-term business cycle has necessarily been removed from the body economic. 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 capital stock at the end of 1962 was over $800 billion dollars. A fully employed economy, say by 1965, growing at a rate of about 4% per annum, would mean that the capital stock in 1965 would be growing by $31 billion, or by 3.4%. The difference between the 4% national growth rate and the growth in the capital stock is represented by the growing efficiency of capital, roughly estimated at 0.8% per year. The replacement requirements in 1965 would be $33 billion. Together, the $31 billion growth in the capital stock and the $33 billion in replacement adds up to $64 billion for capital outlays in 1965. Last year, according to the GNP accounts, total outlays for capital goods ran to $50 billion. By 1965, therefore, on these calculations, capital outlays could be 28% larger than last year. In other words, for a sustainable growth in spending on capital goods, we need an 8½% average rise in national spending on plant and equipment for each year, 1963, 1964, and 1965. According to the 16th annual McGraw-Hill survey of capital spending plans, announced recently, we shall be doing better than that by the second half of this year, and heading upwards. Incidentally, the utilities are already planning sharp rises in spending for the next three years.

I suggest that long-range company planning in such a context is sound business policy. It so happens that it will also help to provide the proper setting for sound public policy when the facts of current capital budgeting are fully absorbed by both ends of Washington, D. C.'s Pennsylvania Avenue. This analysis of the three year perspective on capital goods, the bare bones of which I have given here and which was fully reported in the September, 1962, issue of *Fortune*, also serves to emphasize why it would actually be detrimental to the national economic interest if capital spending were to rise by 15% a year for three years, instead of the suggested 8½%. The faster growth would, of course, produce a boom, but, alas, it would in all likelihood be followed by a bust. The average 8½% rise for the next three years in capital goods outlays, on the other hand, could be followed by further expansion in capital goods and national output, i. e., it is sustainable.

What are the chances that such a sustained rise will actually happen? Good, I think, taking all the hazards of company decision-making and political decision-making into account. I recognize, of course, the dangers inherent in those industries characterized by what economists call oligopoly. When one company expands, the competitors must follow, and sometimes the end result is too much too soon. I do think, however, that the experience of the 1955-57 capital goods boom was a sobering one. It should serve to temper the enthusiasm of those planners who see no limit to their markets. There are limits, economic limits if you please, that are deep-rooted. But a recognition of these limits need not, in fact, should not stand in the way of company planning for the potential markets in a fully employed economy growing at 4% a year. From the evidence now available, companies once again seem to be looking ahead to these markets of the future.

The next time around, I suggest, is now here. Remember, it takes two to three years to install expansions of capacity. Manufacturing company long-range planning in 1963 should be talking about the markets of 1966 and beyond. The remarkable thing to me is that companies are in fact doing what they should. The McGraw-Hill survey of advance business spending plans for 1964 through 1966, taken in March, 1963, already shows this.

My personal hunch is that long-range planners have again become popular fellows. I hope they've sharpened their pencils and taken a cold, hard look at their markets. Perhaps their advice to their managements is being so effected that we may even skip altogether the next business cycle that history tells us must inevitably happen. Perhaps as a consequence of effective long-range planning, we can proceed more or less smoothly to a growth economy and whatever adjustments have to take place will show up as changes only in the rate of growth.

*An address by Mr. Cohen before the 5th Annual Forecasting Session of the N. Y. Chapter of the American Statistical Association, New York City.

The Boeing Co. Note Sale Arranged

Harriman Ripley & Co. Inc., New York, has arranged the sale of $50,000,000 of The Boeing Company's 5% notes due May 1, 1983 to the Metropolitan Life Insurance Co. of New York.

President William M. Allen of Boeing said, "The financing was arranged in recognition of the magnitude of the long-term capital requirements of the company." He referred to the $50,000,000 expended by Boeing for property, plant and equipment in 1962, and reaffirmed the company's previous statement that substantial additional expenditures for facilities are planned over the next several years.

Boston Inv. Club To Hear Clendenin

BOSTON, Mass.—William S. Clendenin, District Secretary of the National Association of Securities Dealers, will address the Boston Investment Club on the Pitfalls Facing the "Securities Salesman," at the group's luncheon meeting May 16 at the Union Oyster House.

Tariff for the luncheon is $1.75 per person.

Pittsburgh Bond Club Outing

PITTSBURGH, Pa. — On Friday, June 14, 1963, The Bond Club of Pittsburgh will hold its Annual Spring Outing at the Pittsburgh Field Club.

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The State of TRADE and INDUSTRY

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

Personal income, industrial production and employment set new records in March and appear to be heading for still higher levels for the second quarter, the Federal Reserve Bank of Chicago noted in the May issue of *Business Conditions.*

Forerunning these developments were the improvement in retail sales late last year and a sharp upswing in new orders for durable goods in January and February.

Steel production increased to an annual rate of more than 130 million tons by the end of April, up about 35% from the January level. This put production somewhat above the peak rate reached in February 1962 prior to the labor-management settlement concluded at the end of the following month.

While a substantial part of the rise in total output can be attributed to strike "hedge" buying of steel, this is not the whole story. A variety of producers of consumer and business goods also have reported an increase in orders, and higher levels of output of durable goods would indicate the need for larger inventories of steel to support operations.

Retail sales during the first quarter were more than 7% above the level of a year earlier. Unlike output and employment, consumer buying did not level off in 1962 but recorded the largest gain of the year during the fourth quarter.

This rate of increase continued unabated into the first quarter of 1963, and preliminary information indicates that sales held close to the first quarter level in April.

The high rate of auto sales in the fourth quarter of 1962—with demand strongest for larger, more fully equipped models—was about maintained in the first quarter of 1963. Thus further gains in retail trade are attributable largely to other lines.

Families surveyed recently indicated that they plan to buy durable goods in large volume in the months ahead, and this confidence 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, doubt that the 1963 total will exceed even last year's 7.1 million units, implying a decline from current rates of production and sales later in the year.

Business investment—held back by such unfavorable developments as the stock market break in the spring of 1962—has lagged behind consumer spending. However, renewed vigor in investment has been the prime factor in the recent business improvement.

Orders for trucks, freight cars, construction machinery, machine tools and other producers' durable goods have increased substantially in recent months and although construction contracts declined in March, they had 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, the Chicago Federal Reserve Bank noted that the financial sectors of the economy did not reflect the optimism of other sectors in the first quarter of 1963.

The supply of funds continued ample and the demand for credit was inadequate to provide any over-all increase in interest rates.

Interest rates fluctuated within narrow limits during the quarter. While rates on three-month Treasury bills in March were approximately the same as in January, rates on intermediate—and long-term government bonds had moved up moderately to the highest levels since September, 1962.

Rates on long-term governments, however, remained below the year-earlier rates until the last days of the quarter, reflecting the large supply of long-term funds relative to investor demand. Market yields on three-month bills were almost 20 basis points higher at the end of March than at the same time a year earlier.

Long-term corporate and municipal securities and mortgage loan rates did not follow the upward drift, and rates on corporate Aaa securities were at their lowest levels since early 1959 during most of the quarter.

Bank reported greater than usual seasonal declines in loans, with the decline centered in loans to dealers and brokers. Commercial and industrial loans decreased slightly in the first quarter in contrast with a slight rise in the first three months of 1962.

Real estate loans at commercial banks, however, increased almost twice as much as in the same quarter of 1962. Banks' investments in Treasury securities in the quarter declined and maturities were lengthened; investments in obligations of state and local governments rose somewhat less than in the first quarter of 1962.

The public continued to show a strong preference for interest earning liquid assets, adding substantial amounts to holdings of such assets as time or savings accounts and savings and loan shares and making only modest increases in their 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 for such deposits.

The money supply—private demand deposits plus currency outside banks—therefore, increased very little after mid-January and at the end of March was only about 2% larger than a year earlier.

Bank Clearings 6.1% Above 1962 Week's Volume

Bank clearings in the latest statement forged ahead of a year ago. Preliminary figures compiled by the *Chronicle*, based upon telegraphic advices from the chief cities of the country, indicate that for the week ended Saturday, May 11, clearings for all cities of the United States for which it is possible to obtain weekly clearings were 6.1% above those of the corresponding week last year. Our preliminary totals stand at $31,803,910,325 against $29,987,-627,430 for the same week in 1962. Our comparative summary for some of the principal money centers follows:

Week End. May 11—	1963 (000s omitted)	1962 (000s omitted)	%
New York	$17,919,051	$16,815,566	+ 6.6
Chicago	1,294,279	1,380,617	— 6.3
Philadelphia	1,141,000	1,126,000	+ 1.3
Boston	841,071	806,571	+ 4.3
Kansas City	520,350	527,033	— 1.3

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

According to data compiled by the American Iron and Steel Institute, production for the week ended May 11 was 2,548,000 tons (*136.8%) as against 2,544,000 tons, (*136.6%) in the week ending May 4. The week to week output rose 0.2%. Prior to last week there had been 13 consecutive weekly rises in steel production. The recent leveling off of output has accompanied the optimism voiced by Mr. McDonald and steel leaders about the current labor negotiations. The week's output exceeded last year's output by 44.4% and was larger than any weekly output since March 26, 1960.

The sustained upward steel output pace in the past three months since Jan. 26 witnessed a 36% gain in output attributable to an advancing current use demand for steel as well as nervous hedge-buying against a possible steel strike. Not since the fall of 1954 has the industry experienced such a long sustained weekly sequence of rises.

The chances of a strike for or a concession of higher wages have been enhanced by President Kennedy's "Go-Ahead" on selective steel price increases qualified with an admonition against forcing overall costs up. Almost all steel companies including U. S. Steel, have generally raised prices on those steel items in greatest demand.

So far this year — through May 11 — the output of ingots and castings has totaled 41,846,000 net tons (*118.2%) which is 3.3% below the Jan. 1-May 12, 1962 production of 43,287,000 net tons (*122.3%).

District—	*Index of Ingot Production for Week Ending May 11	May 4
North East Coast	129	134
Buffalo	144	142
Pittsburgh	128	128
Youngstown	134	132
Cleveland	157	154
Detroit	154	158
Chicago	141	138
Cincinnati	140	151
St. Louis	132	133
Southern	133	127
Western	141	139
Total industry	136.8	136.6

*Index of production based on average weekly production for 1957-1959.

Steel Consumption Is Expanding More Than Seasonally

Consumption of steel is continuing at a high level and expanding more than seasonally, *Steel* magazine reported.

Mills are sold out through June on most flat rolled products, and they're heavily booked on almost everything else except standard structurals, pipe, wire, and stainless sheets. Order backlogs are still edging upward.

But order volume will probably start to drop unless there's an unfavorable development on the labor front within the next few weeks that would trigger a buying surge.

Mill deliveries of sheets, hot rolled carbon steel bars, and plates are reported slightly more extended. Delivery times on wire, tin plate, and standard pipe are termed normal.

Service centers say their order books have shown some improvement, due almost entirely to gains in consumption. Hedge buying is a minor factor.

Steelmakers probably won't book as much business this month as they did in April, but their shipments will be the largest since those of March, 1960. The labor situation adds an element of uncertainty to the outlook.

Metalworking executives are waiting for an official progress report from the steel industry's Human Relations Committee (HRC). David J. McDonald, United Steelworkers of America president, will brief his executive committee May 14-15 on HRC discussions.

If there's a contract reopening, cutbacks will be delayed, and June production will probably match the 11.5 million ingot tons predicted for May. If there's a quick settlement, June output may drop about 15%.

Annual Output Rate at 130 Million Tons

Right now, the U. S. steel industry is producing at an annual rate of about 130 million net tons of ingots. The most steel that this country ever produced in a calendar year was 117 million tons in 1955. At the start of this year, ingot production was at an annual rate of only 97.5 million tons.

Output will resume its upward trend this week following a one week setback. Output for the week ended May 11 was estimated by *Steel* at 2,590,000 tons.

Steelmaking scrap prices were unchanged last week. *Steel's* price composite on No. 1 heavy melting grade held at $29.50 a gross ton.

Several producers of tool and die steels who recently announced higher prices on certain grades rescinded their action when a leading producer failed to post increases.

An uptrend, however, is indicated by *Steel's* arithmetical price composite on finished steel. It was at $150.92 a net ton last week $150.69, the week before; $150.53, a month ago; and $149.96, a year ago.

Steel says it looks like the second quarter will be the decisive period for metalworking sales and profits this year. Many firms report order backlogs. In a study of 71 selected firms (excluding steelmakers), first quarter sales were up for 6 out of 10; profits were up for 5 out of 10. Combined sales were 3% above the total in the first quarter, 1962. Earnings, down 2%, were slightly more than 4% of sales.

Steel Output Levels Off Though Inventory Trails Year-Ago Period

The buildup in steel inventories continues to trail the comparable year-ago period, *Iron Age* magazine reported.

By the end of June, stocks are expected to total only 78 days supply at the current chew-up rate. Industry will have about 17.3 million tons of steel on hand. This would be 1.4 million tons less than the 18.7 million tons in inventories at the year-ago peak, reached in April 1962. Stocks then totaled 89 days supply, the national metalworking weekly said.

Steel users are now more hopeful for a no-strike settlement. Even announcement of formal negotiations is not expected to set off a secondary wave of inventory buying.

And some customers are beginning to eye the high cost of carrying big inventories for an extended period. The longer there is a delay in a formal reopening of negotiations, the greater will grow the tendency to ease back on stockpiling, *Iron Age* pointed out.

Already there are hints of a leveling-off in the stock buildup. Mills expect a dropoff in order rates any day now. Some even report minor setbacks of June tonnage into July, and July steel into August. But this has not reached significant levels, the magazine says. One mill estimates less than 5% of its booked tonnage is affected; it says a rate of 2 to 3% is considered normal.

The mills are split as to the outlook for July. Tonnage is coming in faster than it did for June. The month is about 20% ahead of June on the basis of advanced bookings.

However, some mills expect automotive and appliance orders, due in the next week or so, will show a pullback for July. But there are reports that one automakers intends to increase July orders over June. Barring a quick settlement, the month could be as strong as June.

In many respects, the question of an easing of July orders is academic. Mills are still taking orders at more than 100% of capacity for flat-rolled products. And other steel products are showing more-than-seasonal strength.

Auto Output 8.2% Above 1962 Week

Auto output in the U. S. this week will reach its highest level of the year and production for entire May will rival the all-time high for the month set in 1955, *Ward's Automotive Reports* said.

The statistical agency said the auto makers have programmed 169,586 assemblies for last week, a 3.6% hike from 163,719 units made two weeks ago and 8.2% above the 156,767 cars made in the corresponding period of a year ago.

Ward's said that for entire May the industry will produce close to the record 724,892-unit level of 1955, the industry's biggest year.

The boost in output this week reflects the return to operations of Chrysler Corp.'s Detroit Jefferson Ave, plant, which resumed assembly Monday after 10 days of shutdown for re-equipment. The plant produces Chrysler-Imperial-Dodge 880 cars.

Overtime in the industry, despite double-shifting at many plants, was extensive again. Ford Motor Co. worked 10 of its car lines last Saturday, and General Motors had four Chevrolet facilities and one combination Buick-Oldsmobile-Pontiac plant continuing operations that day.

Ford plants at Kansas City and San Jose, however, were closed Friday, and the company's Wixom (Mich.) plant was idle a week ago Monday and "down" again last Saturday. The closings were to effect adjustments in inventories of some of the Ford car lines.

Elsewhere, American Motors, at Kenosha (Wis.), Chrysler Corp., in its six plants, and Studebaker Corp., at South Bend (Ind.), programmed normal five-day operations.

During last week, output of '63 model cars climbed to 5,472,678 according to *Ward's*. This will exceed production for an entire model year as recently as the 1961

Continued on page 16

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The State of TRADE and INDUSTRY

Continued from page 15

(model) period, in which only 5,408,625 cars were made.

Freight Loadings Fractionally Above Last Year's Week

Loading of revenue freight in the week ended May 4 totaled 590,981 cars, the Association of American Railroads announced. This was an increase of 14,142 cars or 2.5% above the preceding week.

The loadings represented an increase of 3,568 cars or six-tenths of 1% above the corresponding week in 1962, and an increase of 47,537 cars or 8.7% above the corresponding week in 1961.

Ton-miles generated by carloadings in the week ended May 4, 1963, are estimated at approximately 12.7 billion, an increase of 6.8% over the corresponding week of 1962 and 20.1% over 1961.

The more favorable comparison of ton-miles vs. carloadings is due to the continuing increase in the average capacity of freight cars, coupled with heavier loading and greater average length of haul.

There were 15,624 cars reported loaded with one or more revenue highway trailers or highway containers (piggyback) in the week ended April 27, 1963 (which were included in that week's over-all total). This was an increase of 2,125 cars or 15.7% above the corresponding week of 1962 and 4,199 cars or 36.8% above the 1961 week.

Cumulative piggyback loadings for the first 17 weeks of 1963 totaled 248,866 cars for an increase of 30,748 cars or 14.1% above the corresponding period of 1962, and 68,980 cars or 38.3% above the corresponding period in 1961. There were 61 class I U. S. railroad systems originating this type traffic in this year's week compared with 58 one year ago and 58 in the corresponding week in 1961.

Intercity Trucking 1.0% Below Year-Ago Week's

Intercity truck tonnage in the week ended May 4 was an even 1% below the volume in the corresponding week of 1962, the American Trucking Associations announced. Truck tonnage was 3.9% ahead of the volume for the previous week of this year.

These findings are based on the weekly survey of 34 metropolitan areas conducted by the ATA Department of Research and Transport Economics. The report reflects tonnage handled at more than 400 truck terminals of common carriers of general freight throughout the country.

Compared with the immediately preceding week, 30 metropolitan areas registered increased tonnage, while only four areas showed decreases. The week-to-week increase is closely in line with the seasonal pattern found at this time in previous years.

Lumber Production Drops 4.6% Below 1962 Week

Lumber production in the United States in the week ended May 4 totaled 236,844,000 board feet compared to 261,294,000 in the year-ago week according to reports from regional associations.

Compared with 1962 levels, output dipped 4.6%; new orders dropped 18.6% and shipments fell by 20.6%.

Following are the figures in thousands of board feet for the weeks indicated:

	May 4 1963	Apr. 27 1963	May 5 1962
Shipments	219,178	214,738	276,060
Production	236,844	261,294	248,382
New orders	221,743	222,117	272,586

Electric Output Rises to 7.0% Over Last Year's Level

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, May 11, was estimated at 16,529,000,000 kwh., according to the Edison Electric Institute. Output was 250,000,000 kwh. more than the previous week's total of 16,279,000 kwh., and 1,084,000,000 kwh. above the total output of the comparable 1962 week, or an increase over the year ago week or 7.0%.

Business Failures Edge Highest in Five Weeks

Commercial and industrial failures turned up to 322 in the week ended May 7 from 306 in the preceding week and reached the highest level since April 4, reported Dun & Bradstreet, Inc. Casualties pushed a little above last year's toll of 310 in the similar week and were even with the prewar toll of 321 in 1939. However, they continued to fall far short of the 368 businesses failing in the comparable week of 1961.

Failures with liabilities topping $100,000 inched up to 51 from 47 a week earlier and exceeded considerably the 32 in this size group last year. Among casualties involving losses under $100,000, there was an upturn to 271 from 259 in the prior week but they did not quite equal their comparable 1962 level of 278.

Forty Canadian failures were recorded as compared with 48 in the preceding week and 37 in the corresponding week of 1962.

Wholesale Commodity Price Index Hits Highest Level Since September

Boosted by substantial advances in sugar, steel scrap, silver, hogs and lambs, the general wholesale price level reached an eight-month record this Monday, reported Dun & Bradstreet, Inc. Climbing to 272.50, the index ran above any date since Sept. 21, 1962 when it stood at 272.95. To counterbalance the increases in commodity costs at wholesale markets, there were few declines from the prior week and they were of fractional amounts except in wheat. Furthermore, for the first time this year, the index ran above comparable 1962 levels.

On Monday, May 13, the Daily Wholesale Commodity Price Index rose to 272.50 from 269.53 a week earlier and 269.56 a month ago. As well, it pushed ahead of last year's 271.33 on the similar date.

Wholesale Food Price Index Turns Up After Three Steady Weeks

In a strong upswing from the 10-months low the the past three weeks, the wholesale Food price index, compiled by Dun & Bradstreet, Inc., reached $5.80, the highest level since Feb. 26. It pulled within one cent of the comparable 1962 level of $5.81 but still remained considerably below the $5.90 registered on the similar day of 1961.

Price increases were chalked up at wholesale markets for only five food items: sugar, hogs, hams, bellies and lard. But, these gains substantially outweighed the dips in wholesale cost of flour, wheat, barley, cocoa, eggs, potatoes and steers.

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

Mother's Day and Warmer Weather Spur Buying

A warmer turn of weather and the approach of Mother's Day sparked retail purchases in the week ended Wednesday, May 9. Despite poor retail showings in some areas suffering severe rains and chilly temperatures, over-all volume showed a moderate gain over the comparable year-ago level. Gift shopping centered on apparel accessories, jewelry, small electric housewares, confectionery and flowers. While clothing except for women's accessories fared poorly, sales for the second week in a row received a solid boost from home goods, garden and boating equipment as well as the perennial pace setters—new cars.

The total dollar volume of retail trade in the week ended in the latest Wednesday statement week ranged from 2% to 6% higher than last year, according to spot estimates collected by Dun & Bradstreet, Inc. Regional estimates varied from comparable 1962 levels by the following percentages: West North Central, East South Central, and Mountain —2 to +2; South Atlantic and Pacific 0 to +4; East North Central and West South Central +2 to +6; New England and Middle Atlantic +4 to +8.

Nationwide Department Store Sales Drop 4% Below Last Year's Rate

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index declined 4% (adjusted) for the week ended May 4, compared with the like period in 1962. Until two weeks ago there had been a successive weekly gain which was markedly above last year's comparable performance.

In the four-week period ended May 4, 1963, sales gained +2% adjusted over the corresponding period in 1962 for the country's leading department store centers.

According to the Federal Reserve System, department store sales in New York City for the week ended May 4 declined 1% adjusted over the comparable year-ago week.

So far this year (Jan. 1 to May 4) the 12 department store districts' retail dollar volume increased 3% (adjusted) over that rung up for corresponding period a year ago.

Another broader set of data indicates that sales in the May 4-ending week were not quite as bad as that for department stores. According to the Bureau of the Census, *total* retail sales were up slightly—by 1.0%—from the comparable week last year, and the year-to-year increase for the four most recent weeks combined, ending May 4, was the same as the department stores—+2%.

Pyne, Kendall To Admit

On June 1, Pyne, Kendall, Hollister, 60 Wall Street, New York City, members of the New York Stock Exchange, will admit Aldo Mario Ermini to partnership.

The Market . . . And You

BY WALLACE STREETE

Except for occasional flareups by selected favorites, including some of the rails, the stock market this week pretty much simmered down to a well-earned rest with the industrial average hovering within easy reach of its all-time peak on any new show of general strength.

And, for a change, the rail average was at its best level in more than three years which, if follow-through develops, could put it in position to challenge its 1929 peak which has never been surpassed. The industrial average long since eclipsed the historic top of a generation ago.

Favorable Technical Pattern

The pattern was still a familiar, and encouraging one of trading interest drying up when the general market was reactionary and expanding when new strength cropped up. To the market students, such action augers well for the future. So there weren't too many danger signals flying despite the relatively high standing of the averages.

Speculative interest was still at something of a low ebb, which also was regarded as a sign that excesses demanding correction weren't building up to any danger point at present. The hunt was still directed at quality items, including on occasion the giants of the non-ferrous metal division that have been out of favor for so long.

To some spectators, the quality items in general had come to where they soon could relinquish the market leadership they have held for so long, since investors in general don't forever pay increasing premiums for quality however top-grade it might be.

An Anniversary

And since this transition is only the end of the first of the three traditional stages of a bull market, there is litle trepidation even on the eve of the first anniversary of the 1962 stock market break, which for violence has sent historians scurrying back to the 1929 record for comparisons.

The normal upswings in the stock market start with the blue chips, spread out to the secondary issues and conclude after a rash of speculative over-enthusiasm for low-grade items.

Business thinking, too, is more favorable than it was a year ago when businessmen were disillusioned with the Administration, the talk centered on profit-less prosperity and confidence in the future was lacking. Currently business is operating at a high-level and the talk is of better times ahead as boom conditions spread out.

Price increases are being posted by diverse lines running from cigaret makers to aluminum producers and brass mills as an added indication of business confidence in the outlook.

Solid Airline Prospects

Despite several abortive flurries in the airline issues over the years, based mostly on hopes for improvement in their operations, the recent play in these issues seems to be more solidly based than the false stirring. Western Airlines, for instance, last year showed per-share earnings of $3.50, up from 60 cents the year before. And for this year's first quarter it reported $1.22 against 75 cents, an indication that the trend is still underway.

This line's reports were among the brighter ones emanating from the airline industry, a showing in some part due to the traffic handled for last year's Seattle World's Fair.

With the earnings increase continuing, even without the extra traffic this year, the airline students are projecting Western to an even better showing by around $1 a share more than last year. And with an application pending for a Hawaiian route, the outlook is that much better if a favorable decision is handed down.

For the industry generally, the point being made is that the heavy costs of swinging over to the jet transport age are now behind for most lines. And against a deficit of $38 million in 1961, the airlines last year showed a net of more than $54 million, which appears to be a significant turn for the better.

Available Quality Issues

There are many other issues on hand, including the drugs, selling at high price/earnings multiples and small yields that are still in favor because of their basic quality status. One such is Bristol Myers selling at more than 30-times last year's earnings and offering a return of well below 2%.

But against these indications of a high price tag is the fact that Bristol Myers is highly regarded as a profit maker and last year showed a return on invested capital of almost 18%. It has a record of boosting sales and earnings year after year while even improving on its already high profit margin. And for the last nine years it has steadily increased its dividend with no indication that there won't be a tenth consecutive improvement in due course. Where 10 years ago the company brought less than 5% of sales down to net earnings, last year the company was able to show slightly more than 8% brought down to net.

The price for growth has been high in the stock market for several years now. But Bristol Myers can back its high tag with solid growth that, in 10 years, has boosted its sales by some 258%.

Machine Tool Companies Becoming Popular

With business prospering, and new tax incentives on the record, the machine tool companies were popular in many circles. There was also on the record at least one survey showing that more machine tools are overage in this country today than since the depression of the 30's when corporate funds just weren't available to modernize. Nearly two-thirds of industry's machine tools are 10 or more years old and nearly 20% have been in service 20 years or more.

And it is only in the last several years that the machine tool industry has been scoring breakthroughs in ultra-modern, automated, multi-purpose tools with lower price tags. Last year industry figures showed a sharp upturn and it continued through

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this year's first quarter, which makes for this boom-bust industry its first generally prosperous showing in some half a dozen years.

Ex-Cell-O is usually prominent on lists of machine tool builders although machine tools account for less than a fourth of its sales. Important to its ability to hold up profits when machine tools are in the doldrums is its dairy equipment division.

Indicating the lack of interest in the section from conservative investors are the generally high yields available — 4% in Ex-Cell-O, better than 4% in Sundstrand, 5% in National Acme, and so on.

The plus for this industry is the relatively long time before new orders actually result in deliveries and cash income. Analysts make the point that because of this lag, the demonstrated upturn in the fortunes of tool builders last year won't flower into comforting profit reports until next year. And for the stock market the attraction is when the good news is ahead, not when it is at hand.

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

Toronto S. E. Reports on 1962

TORONTO, Canada — The President of the Toronto Stock Exchange, Howard D. Graham, says it is the policy and determination of the Exchange to conduct its affairs in accordance with the highest principles of ethics as an efficient quasi-public institution.

In his annual report to the members of The Exchange, Mr. Graham pointed out that "we realize full well that should we fail in this policy, then legislative control may replace the self-regulated principle—and rightly so".

Referring to TSE policy, he noted that today members are governed by a strict and exacting code of action set out in the Exchange's By-laws and Regulations.

In his report, the TSE President referred to the past year as being "an exceptional one," fraught with tensions and with international and domestic, political and fiscal crises. Despite these events, market swings were moderate and at no time was there any indication of panic or hysteria invading the investment community, he said.

Mr. Graham referred to the severe break in the market during the latter part of May and early June when share prices declined to their lowest point since the crash of 1929. Noting that the recession was not confined to Canada or North America and was world-wide in effect, he described the decline as apparently being "the reaction to and a correction of prices after five years of almost uninterrupted upward movement".

Mr. Graham pointed out that 1962 share volume on the TSE amounted to 804,399,000 — the highest since 1958, with the value of the shares exceeding $2-billion —down slightly from 1961, but greater than any other year since the boom mining and oil financing years of 1955 and '56.

Mr. Graham said there must be a greater awareness by corporations of their responsibility to shareholders if public interest in equity investment is to be stimulated. He stated this responsibility includes providing full and complete information on their operations and management policies through interim or quarterly and annual reports.

Mr. Graham referred to the unusual activity in take-over bids on the Toronto market during the year. He said the TSE's views on take-overs were that a code of procedure should be established which would be a guide to all parties to such bids. At the same time, it believed that take-overs, mergers or amalgamations are an essential feature of economic growth and development, and that the right to take such action should not be unduly hampered.

The TSE President said the TSE continued to enjoy excellent liaison and co-operation with the Ontario Securities Commission and "regards this relationship as vital to the enforcement of security regulations in accordance with the letter and the spirit of the law."

He said discussions were continuing with officials of the Toronto-Dominion Bank regarding their proposed new building complex in the Bay-King-Wellington St. block where the TSE building is presently located.

He also pointed out that the TSE's membership currently stands at 99, comprising 55 member corporations and 44 member firms.

Goldsmith Joins Salomon Brothers

Bertram M. Goldsmith, who retired recently as a managing partner of Ira Haupt & Co., has joined Salomon Brothers & Hutzler, 60 Wall St., New York City, members of the New York Stock Exch., it has been announced by Benjamin J. Levy, senior partner.

B. M. Goldsmith

A graduate, magna cum laude, of Princeton University, Class of 1926, Mr. Goldsmith started his business career in September, 1926, as a trainee at Salomon Brothers & Hutzler and later started his own firm in Newark, N. J., where he lived at that time. He joined Ira Haupt & Co. in 1932 and became the partner in charge of the Institutional Department in 1941. From 1958 to 1960, he was managing partner and, from 1960-63, was one of three managing partners.

Under Mr. Goldsmith's direction, the bond department of Ira Haupt & Co. started a bank service department which has handled the investments of as many as 600 banks and a municipal watching service used by many of the important institutions of the country.

Harold Stanley

Harold Stanley, an investment banking leader until his retirement in 1955, passed away May 14 after a prolonged illness. He was 77 years of age. For 20 years before his retirement, Mr. Stanley headed the New York investment banking firm of Morgan Stanley & Co., which was formed in 1935.

MUTUAL FUNDS

BY JOSEPH C. POTTER

That Old Bellwether

The investment community was rocked badly by the Stock Market Debacle of 1962, but not a few investment leaders were deeply concerned months and even 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 unseasoned, although they know full well the prime opportunities in many fledgling companies. But they deal primarily with the basics and they can read a balance sheet.

Theirs 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 for many of these men the lean days came long before the spring of 1962. The money-making oils and automotive issues had fallen into disfavor, soon to be followed by the steels. Their place was taken by Space Age, Science, Electronics and Glamour. They understood and welcomed such stocks, but this was not their idea of market leadership. 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 acceptable. But G. M., by unanimous agreement, has the ring of authenticity.

They know all of the familiar arguments against an issue such as G. M. They know that outstanding are more than 285 million common shares—more than any company extant. 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 about the ever-present menace of Federal action against a giant, which got that way by being a great competitor.

But they also are aware of that company's unerring faculty for surmounting every kind of obstacle to make money for its stockholders. Once more, 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 portfolio people.

Indeed, there are people in the investment field who take a dim view of the whole stock market if, after a period of a few months, G. M. has not set a new high. And, on the other hand, they will wait 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 cult may be regarded as even more extremist than the Dow Theory adherents. The point, however, is that G. M. is regarded within investment circles as the greatest bellwether.

Little wonder then that, aside from the highly specialized type of fund, managers of open-ends, closed ends, college endowment trusts, pension funds and just about every trust find a place 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 Vogue vs. Value stocks.

As hundreds of fund salesmen have told prospects: "You may choose the big risk for the big prize 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 fundmen 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 understand. Fundmen, fortunately, do not have to sell pie in the sky. The record—and it is a good one —is there for all to see.

The Funds Report

Energy Fund reports that at Mar. 31 total net assets were $29,169,052, or $20.46 per share, against $28,739,916 and $23.21 a share a year eralier.

* * *

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

* * *

Fidelity Trend Fund announces that at Mar. 21 total net assets were $58.5 million equal to $12.64 per share. A year earlier assets amounted to $55 million, or $14.21 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 Swank, Inc. Over the same span it sold American Agricultural Chemical, Halliburton and Socony Mobil Oil.

* * *

Imperial Financial Services, Inc. reports that for the three months ended Mar. 31, third quarter of the fiscal year, net earnings were $57,452, or 30 cents a share, compared with $23,176, equal to 12 cents per share, in the year-earlier quarter.

* * *

Loomis-Sayles Canadian & International Fund reports that at Mar. 31 net asset value per share, stated in U. S. dollars, was $29.13, against $28.10 a year earlier.

* * *

Stein Roe & Farnham Balanced Fund announces that on Mar. 31 total net assets amounted to $81,217,167, or $36.36 per share. This compares with assets of $74,160,956 and value per share of $38.46 at Mar. 31, 1962.

* * *

Stein Roe & Farnham Stock Fund reports that at Mar. 31 net assets totaled $34,355,842, equal to $30.53 per share, against assets of $33,895,990, or $33.43 a share, a year earlier.

* * *

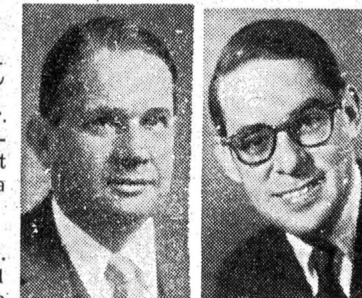
T. Rowe Price Growth Stock Fund reports that at Mar. 31 net assets amounted to $85,348,763, or $14.85 per share, compared with $78,081,725 and $16.50 a share on Mar. 31, 1962.

* * *

The George Putnam Fund of Boston reports that at Mar. 31 net assets totaled $299,791,000, or $14.58 per share against $296,335,000 and $16.26 per share a year earlier.

Correction

In the *Financial Chronicle* of May 9 in reporting the formation of Maxwell, Franklin & Co., Inc.,


John C. Maxwell, Sr. John C. Maxwell, Jr.

the photograph of John C. Maxwell, Sr. was inadvertently used for that of John C. Maxwell, Jr. Correctly captioned photographs are shown above.

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BANK AND INSURANCE STOCKS

This Week — 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 admitted assets of $1,025 million at year end 1962.

The company was originally organized in 1898 as a fraternal society, became a stock company in 1900 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 1920 an ordinary life department was established and in the following year industrial life insurance was added. At the present time, all standard forms of ordinary and industrial life, individual annuities and industrial accident and health are written on a non-participating basis.

Operations 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-third of 1962's premium income of $178.8 million derived from Texas, California, and Ohio. In recent years, the company has grown through incerasing the saturation of its operating area rather than expanding into new territories.

As of Dec. 31, 1962, National Life and Accident had total life insurance in force of $6.6 billion. This was divided as follows: ordinary—55%, industrial—44%, and group—1%. The company concentrates its selling efforts on the small wage earning type of policyholder for both ordinary and industrial life insurance. The latter type, also known as "weekly debt" insurance is sold in relatively small face amounts by agents making weekly door-to-door collections of premiums. This is rather expensive insurance to sell as it requires intensive selling efforts. This type of insurance has not increased for the company in line with industry trends, but remains a highly stable and profitable portion of the company's operations. Expansion of the ordinary life business has enabled National Life to record consistent annual increases in insurance in force over the past decade. While this business has many of the characteristics of industrial life, it shows less tendency to fluctuate with cycles in general business activity and has a strong growth pattern.

The company's accident and health business, principally industrial coverages representing 16% of premium of total income, has been exhibiting steady growth with excellent profit margins since 1958. These policies are often sold in conjunction with "weekly debt" life policies.

National Life has shown a consistent rate of growth in premium income, life insurance in force, capital accounts and earnings over the past decade. The past year was one of sharper growth as life insurance in force increased $510.8 million, easily the largest gain in the company's history. Over 94% of the increase was accounted for by ordinary life insurance. Earnings, penalized by the costs inherent in writing new life insurance policies and the necessity of higher reserves required by the rapid growth, declined slightly on an adjusted basis.

The company has paid annual cash dividends since 1903. The present rate has been $.075 quarterly since a 2-1 stock split and 20% stock dividend declared in February, 1962. Sizable stock dividends were also paid in 1954 and 1958.

The 7.2 million outstanding shares of National Life and Accident Insurance Co. are traded in the over-the-counter market. The current price is $95 bid, midway between its 1963 range of $99-$91. At the present price the stock is selling at 27.2 times last years adjusted earnings and at a premium of 135% over year end liquidating value.

Selected Statistics

	Admitted Assets	Life Insurance in Force — Ordinary	Industrial	Total	Total Premium Written	Capital Funds
	(Millions)					
1958	$753.0	$2,365.6	$2,841.6	$5,276.7	$139.3	$115.3
1959	819.1	2,665.5	2,878.1	5,616.4	149.4	124.4
1960	884.9	2,928.6	2,852.9	5,855.1	157.5	141.9
1961	959.6	3,179.3	2,863.5	6,117.1	162.9	161.1
1962	1,025.6	3,661.7	2,886.4	6,627.9	178.8	171.9

Per Share Data

	Reported Earnings	*Adjusted Earnings	Dvidends Paid	Book Value	*Liquidating Value	Price Range
1958	$2.12	$2.78	$.25	$16.01	$27.00	$52 - 32
1959	2.00	2.84	.25	17.28	29.58	53 - 44
1960	2.88	3.51	.25	19.71	33.74	52 - 41
1961	3.07	3.64	.25	22.38	38.12	100 - 48
1962	2.15	3.49	.30	23.88	40.34	107 - 73

* Adjusted for equity in life insurance in force.

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As We See It

Continued from page 1

rather different at least with respect to practical experience in trying to manage the economic activity of millions, even hundreds of millions of people. We do not feel entitled to any firm opinion about what is going on in that vast land, but from outward appearances it would seem that China is still definitely a more backward country than Russia, and its lack of progress can in part doubtless be charged to the failure of the Soviet Union to provide the help that had been expected of a professed follower of the Marxian doctrine of international solidarity of the communist movement. In any event the tendency of the Chinese is evidently to remain much more largely a prisoner of the Stalinist interpretation of Marxian ideas—and about as ready as Stalin was to excoriate all who differ with them or fail to proceed as they think proper—particularly in the matter of coming to the material aid of communist comrades.

But what is taking place or has taken place in Russia is of more immediate concern to the western world. Russia is a much more formidable military power, is able to make itself effective at distances much greater from home, and is in much closer geographical contact with key areas of the western world. The Kremlin probably would definitely not admit it at this time and may even not itself be fully aware of it, but it seems to us that its outward thrusts are becoming more and more Russian rather than communist thrusts. That is to say with some cooling of the early Marxist-Leninist ardor, the age old Russian imperialism, pure and simple is more and more showing its ugly head in a fashion which can be mistaken for communist aggressiveness but which is and will be in the future more and more in reality the same old Russian imperialism. This change could well be accelerated with the entry of younger men into places of power in the Kremlin.

An Excellent Mask

The Communist Manifesto, as amended, serves as an excellent mask for aggressive acts in so-called backward countries, and peaceful coexistence preachments doubtless are helpful in other lands. If these observations are valid, then the tendency of the rulers of Russia to abandon first one and then the other of the Marxist-Leninist dogmas in actual practice hardly holds much comfort for the western world. On the contrary, the fact is that the farther they get from some of the communist economic nonsense, the more formidable they become as rivals or even enemies of the rest of the world.

The followers of Marx and Lenin may scream all they wish about imperialism, and bring all the charges they can think of against what they call capitalistic imperialism, but the fact remains that nowhere on this earth has imperialism been historically more vigorous, more unrelenting and more ruthless than in that part of the world now known as the Soviet Russia. The same may be said of despotism. The ways of the Kremlin must appear far more natural to the Russian than to citizens of any of the western countries with traditions of democracy. It probably is unrealistic to think that the leopard will change his spots merely because it has changed its name. These are all matters of the very first rate importance to this and the other countries in the western world, and matters which the powers that be should be considering with the greatest care. The mere fact that this is and probably will be a relatively slow process and not altogether clearly in view for some years to come does not in the least suggest that its probability and its promise should be overlooked or neglected.

Do the Chinese Understand

It may be that the Chinese rulers begin to understand the trend of things in Russia and that, rather than any worry about a monolithic world communism, may be what is really worrying them. The Chinese people, of course, have not always been wholly free of imperialism themselves, but what probably is troubling them now most of all is not imperialism as such but the pressure of population upon their food supply, and the urgent need for more elbow room. Eastern Asia now a part of the Soviet Union would be a godsend to China, and, of course, Russia has no intention of giving it up. There are problems and national requirements about the World, particularly in Asia, that are far more pressing than the Communist dialectic and the meaning that is to be attached to it. They are doubtless having their influence on national policies in that part of the world notwithstanding protestations of good followers of Marx or Lenin.

Since so many of the backward countries of the world have never known freedom or democracy as we have long practiced them, the mere fact that communization under Russian guidance always means foreign domination far more complete than was ever known under colonialism, does not have the consequences that similar events would have in countries with traditions of freedom from foreign domination. How long it would take before such Russian colonies come to the conclusion that the last state of affairs was worse than the first, is anybody's guess. This is a troubled era and time, very considerable time, will be required before historical trends will be clear.

Halo Lighting Stock Offered

A. G. Becker & Co. Inc., Chicago, as Manager of an underwriting group, has announced that it is offering publicly 150,000 common shares of Halo Lighting, Inc. at $9 per share.

Of the total, 65,000 shares are being sold by the company and 85,000 by a selling shareholder. There has been no previous quoted market for the shares.

Proceeds to the company will be used, in part: to retire a $250,000 short-term bank loan; to apply toward the cost of construction and equipping a new plant (approximately $50,000); and to provide additional working capital.

Halo Lighting, is successor to a partnership formed in 1956. Executive offices and manufacturing plant are at 4201 West Grand Avenue, Chicago. Halo Lighting and its subsidiaries, manufacture and sell recessed incandescent lighting fixtures for residential, commercial and institutional buildings. Its products are sold throughout the U. S., Canada and Puerto Rico.

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PUBLIC UTILITY SECURITIES

BY OWEN ELY

Indiana Gas & Water Company

Indiana Gas & Water serves gas to seventy communities, and water to seven, in central and southern parts of Indiana. Revenues of about $26 million are 91% gas and 9% water. Population of the area is about 460,000, and Bloomington, New Albany and Lafayette are the largest cities served; the southern service area is considered a part of the Louisville metropolitan district. The general economy of the area is well balanced between farm and industrial activities; communities serve as trading centers for rural areas, which include some of the richest farm sections in the state.

Industry is well diversified, auto parts and accessories being a major line; others include cement, aluminum products, metal castings, clay products, glass, gypsum products and metal specialities. There are also important research activities in the area, the future development of which is expected to aid the company's growth. Gas revenues are 54% residential and house heating, 19% commercial, and 27% industrial, including 11% interruptible. Heating saturation of residential and commercial customers is about 68%.

The company has shown good growth, last year's revenues being 2½ times as large as a decade earlier. In the past two years the company has introduced gas service into ten communities with an aggregate population of 26,000, located in the rapidly growing metropolitan areas of Indianapolis and Louisville where residential real estate development is active. Service may be extended to several additional communities.

The maximum day sendout of gas increased 219% in the ten years, and continuing this trend, on Jan. 23, 1963 the peak day output gained 15%, partly as a result of cold weather. The growth of the past decade was accomplished with an increase of only about 135% in plant. Construction was financed by depreciation and retained earnings, plus sale of additional debt. No common stock was issued during the period, yet the equity ratio in 1962 remained at 47% compared with 48% in 1952. Internal cash flow was improved by low dividend payout, 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 1952 to nearly $13 currently.

The company's cost of purchased gas increased 263% in the past decade, holding the gain in net income to 112%. However, during 1962 the company received refunds of gas purchased costs, with interest, from all of its gas suppliers, aggregating $1,444,000 applicable to the years 1956-61. The company is retaining these refunds and not passing them on to customers, since it had absorbed all supplier increases and had not increased consumer rates since 1949.

The company obtains its gas supplies under long-term agreements from Panhandle Eastern Pipe Line, Texas Gas Transmission and Texas Eastern. The company maintains three underground storage facilities which supply a substantial amount of peak day demand and is working on four additional storage projects, which if completed might permit substantial savings in annual demand charges. Gas purchase costs averaged 33.64 cents per Mcf at a load factor of 76% in fiscal 1962, and the average selling price was 67.99 cents per Mcf. Due to settlements of suppliers' rates under FPC orders in 1961-62, the 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 9.4% in 1956, in 1962 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 return calculated on a fair value rate base would be lower than return on net cost.

The company's record of earnings and dividends has shown a moderate rate of growth—larger in the first half of the decade than in the second half. Earnings increased from 90 cents in 1952 to $1.62 in 1956, dropped back to $1.42 in the following year, rose to $1.79 in 1960 and dropped to $1.68 in the two years following (the fiscal year now ends Sept. 30). These figures have been revised slightly for recent rate refunds as shown in the table of the 1962 report. Earnings are conservatively stated, with tax savings from liberalized depreciation normalized, as well as the investment tax credit.

The stock has been selling recently over-counter around 28. Based on the $1 cash dividend the yield is 3.6%, and if the 2% annual stock dividend should be cashed, the total yield would approximate 5.5%. There is, of course, no assurance 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 16 times the earnings of $1.78 for the 12 months ended March — which earnings were doubtless favored by cold weather.

N. Y. Bond Club Offering

The Bond Club Stock Exchange, which operates only once a year as a feature of the Bond Club of New York's Field Day, is making its annual offering to members of 2,500 shares of "waterproof stock".

Trading will take place on Friday, June 7, in a special Stock Exchange tent at the Sleepy Hollow Country Club where the outing will be held. Ernest W. Borkland, Jr., Tucker, Anthony & R. L. Day, is Chairman of the Bond Club Stock Exchange Committee.

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 commencing with William Jennings Bryan is provided by Mr. Koretz.

Editor, Commercial and Financial Chronicle:

Mr. Haller Belt, in your April 4 issue, remainds us of the famous "Cross 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 average 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 "bloated bondholder" as their enemy. The economic climate now changed and it was the "profiteer" who was blamed for the "high cost of living." Because the word "inflation" was not in vogue in the 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 1920s 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 Friedrich 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 of Yale University. He considered bankers' predisposed 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 objected to putting requirements into the law 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 opinion was opposed to it and it failed to reach the floor of Congress.

Yours sincerely,
SIDNEY KORTEZ
3510 A St., S. E.,
Washington, D. C.

Hawkins Joins Francis I. duPont

CHICAGO, Ill.—Thomas R. Hawkins has joined Francis I. duPont & 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 buying department. Prior to that he was associated with John Nuveen & Co. in Chicago.

Thomas R. Hawkins

He is a member and past treasurer of The Exempters municipal bond group of Chicago.

Mr. Hawkins' activities with Francis I. duPont & 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. Winkler Co., Penobscot Building, members of the Detroit and Midwest Stock Exchanges, as Registered Representtaive.

THE PUBLIC UTILITY ISSUE OF

THE CHRONICLE

Will Be Published June 13, 1963

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Federal Tax Cut Will Aid States And Local Units

Continued from page 10

billion from civilian requests for new obligational authority. Every major agency was cut—and cut heavily and since then, the President has cut another three-quarters of a billiion dollars from the total of spending requests in the 1963 and 1964 budgets.

Fourth, the President is not only controlling expenditures with a firm hand, he is striving constantly to reduce the administrative costs of every Federal Department through more efficient management.

No Quarrel With Realistic Spending Cuts

I recommend for your reading the excellent report recently issued by the Bureau of the Budget entitled "Cost Reduction through Better Management in the Federal Government." This report describes clearly and concisely vital new developments in Federal management improvement. My own department, for example, has reduced the cost of its services to the public by more than five and half million dollars in the first three quarters of fiscal 1963 —the Treasury's highest identifiable annual savings for a nine-month period in the last eight years.

This is a record of realistic expenditure control, of genuine fiscal responsibility, of efficient administrative management. It is a record of frugal conduct of the public business without wasteful neglect of essential public needs. It is a record that reflects deep concern for both our fiscal integrity and our national security and well-being.

I want to make it absolutely clear that I have no quarrel—nor has any other official of this Administration any quarrel — with those who are earnestly concerned with the need for expenditure control and the elimination of waste. We do not believe, however, that meat axe budget cuts at the expense of national security or necessary public needs serve either our people or our nation.

Unrealistic demands for extreme slashes in government outlays make for good oratory, but not for good sense. There are always those who proclaim that we can and should slash the budget by billions and billions of dollars. And always they demonstrate a marvelous reluctance — or inability — to spell out exactly where these cuts should be made. When the time comes to actually start cutting, those supposedly "wasteful" billions simply do not exist.

Nor is it hard to understand why. Increases in this year's budget were limited to the increased costs of space and defense, and the fixed interest on the public debt. If one excluded interest obligations and cut the budget evenly across-the-board, then more than 67 cents out of every dollar cut would have to come out of our vital space and defense programs. A $10 to $15 billion cut of that kind would slice from $6.7 to $10 billion out of these programs. Even holding overall expenditures to their 1963 levels would, on this basis, carve $3 billion out of space and defense.

It is one thing to express concern about control of government spending — but quite another to make specific and considered suggestions about where budget cuts can be made. Such suggestions are contained in a study recently issued by the United States Chamber of Commerce, which seeks to identify 117 ways in which the Federal Budget can be cut. Although I do not agree with all of those suggestions, I applaud the manner in which specific areas and amounts of possible reduction have been spelled out. The Chamber's action contrasts sharply with mere generalized demands for arbitrary spending ceilings or irresponsible claims that the budget can be cut wholesale—thereby avoiding the unwelcome responsibility of deciding where cuts should be made.

The issue of fiscal responsibility is the major, but not the only, ground upon which the President's tax program is being critically examined. Some say — and this is frequently heard — that the program gives too little economic stimulus, too late. they overlook the fact that if the program becomes effective on October 1 of this year, it will reduce tax liability by fully $10 billion in the next 15 months—an average impact of more than $660 million a month.

And there is the objection that the President's tax program provides too little stimulus to investment and too much to consumer demand. This argument, of course, is balanced by those who hold that the program provides too much stimulus to investment and too little to consumer demand.

Encourages Incentives

The answer to both of these arguments is quite simply that the President's program offers a substantial stimulus to both investment and demand. For the inter-action of greater investment and greater demand in an expanding economy will produce a far greater total addition to incomes and gross national product than either will alone. Moreover, a substantial tax stimulus to both consumption and investment will result in far more balanced —and therefore more easily sustainable—economic growth. For history shows that an investment boom, unless it is supported by fresh purchasing power to match the added capacity to produce, is not likely to be very long lasting.

The President's program offers excellent incentives to investment. In the investment credit and depreciation reform of last year, we took the first significant steps toward encouraging investment through tax relief. The results of these two measures have thus far exceeded even our most optimistic hopes. I should like to call to your attention a statement that appeared in the April 27 issue of *Business Week*—a statement which puts quite cogently the point I want to make here. I quote:

"Skeptics about the contribution that government tax policies can make to economic growth should take a careful look at the new (McGraw-Hill) survey's findings on why business is boosting its capital spending figures. Companies told McGraw-Hill that they added $1.2 billion to their 1963 capital spending plans in order to take advantage of more liberal depreciation allowances and tax incentive programs for investment. It would thus appear that, of the $2.8 billion planned increase from 1962 to 1963, some 43% was due to changes in government tax policies."

Business Week then continues:

"This is not to say that exactly the same approach should be pursued in the next round of a continuing effort to get the U. S. economy back on a higher growth, employment, and investment curve. . . . The next change in tax policy should be aimed directly at further improving corporate rates of return **and at increasing consumer demand** for what this dynamic economy is fully capable of producing."

That is exactly what the President's tax program proposes to do. We estimate that the two measures adopted last year will cut business taxes by some $2.5 billion. The proposed corporate rate cut would reduce business taxes by another $2.5 billion. This overall reduction of $5 billion will increase the profitability of new investment by almost 30%— which is a significant incentive in any language. The sharp reduction proposed for individual tax rates and capital gains rates should stimulate still further the incentives to invest. But for new investment to be truly profitable, adequate consumer buying power is also necessary. The proposed individual tax cuts will create that additional consumer buying power.

Growing Benefits

The President's program, therefore, offers the large and balanced stimulus to both investment and demand that alone can create the strong and sustained upward surge our economy must have to reach levels of full employment and full utilization of capacity.

This overall impact of the tax program will mean growing benefits for individuals as well as business. Too many taxpayers have merely calculated the extra dollars that tax reduction will allow them to retain in 1963, 1964 and 1965. But accelerating economic growth will mean much more than that. It will mean jobs for the unemployed—which is a major goal of the program. Those with marginal jobs will see them become permanent and better paid. Those who already have good jobs will have a greater opportunity for better jobs, and more pay. It will also mean higher profits for business. The entire nation will be the gainer.

As economic activity increases, tax revenues will increase. As the economy moves closer to balance, the budget will also move closer to balance. But the Federal Budget will not be the only fiscal beneficiary. State and local treasuries will also reflect the economic upswing and greater utilization of resources.

State-Local Revenue Tax Cut Would Increase

At the request of its Chairman, Senator Paul Douglas, the Treasury has supplied the Joint Economic Committee of the Congress with figures showing the impact of the President's tax program, when fully in effect, upon state and local tax revenues. Senator Douglas just today released those figures. They show that, as a result of the tax program, state and local tax revenues at their current rates—and I emphasize this: at **their current rates**—would be an estimated $2.9 billion higher than they would otherwise be. This would amount to 7% of 1962 state and local revenues. For New York state alone this would mean $201 million in state revenues and $209 million in local tax revenues — more than $400 million in all.

I need not detail all the important implications of such a revenue increase. I will simply point out that it should enable state and local governments to meet the needs of their citizens with lower tax rates than would otherwise be feasible. And it should lessen the pressures upon the Federal Government to meet the many critical needs of our citizens which state and local governments have become increasingly unable to finance. That is merely one important example of the kind of result we can expect from the President's program, which offers tax relief of the kind and the amount our economy needs to move ahead under its own power.

Like all of you here today I have great faith in the innate strength and vitality of our free enterprise economy. That is why I want to see it freed of the drag of an outmoded tax system. And that is precisely what the President's tax proposals are designed to do. Inevitably, those proposals will be somewhat modified by the time the tax bill emerges from the House Ways and Means Committee. But I am confident that the final bill will merit the support of all of those who believe, as I do, that no task before us is more urgent, no need more compelling, than to move our economy farther and faster ahead.

*An address by Mr. Dillon before the Chamber of Commerce of New York, New York City, May 7, 1963.

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1971	4	2.35	1978	4	2.70	1986	3	2.95
1972	4	2.40	1979	4	2.75	1987-89	3	100
1973	4	2.45	1980	4	2.80	1990-92	3.10	3.05
1974	4	2.50	1981	4	2.85	1993-97	3.10	100
1975	4	2.55	1982	4	2.90	1998-2000	3.10	3.15
			1983	4	2.95	2001-2003	3.20	100

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May 16, 1963.

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Bond Market Outlook for The Second Half of 1963

Continued from page 3

though they accept a forecast of rising prosperity.

Reviews Past Bond Price Periods

Let me review briefly a few of the events of recent years which may tend to explain the firmness of the bond market during the last two years of business recovery.

(1) From World War II through 1959 a combination of inflation and private credit expansion resulted in the largest decline in the American bond market in the financial history of this country. Four major cyclical price declines were interrupted by three smaller and briefer rallies. This repetitive pattern of rising interest rates over a long period of years created an extremely adverse market psychology which, in turn, helped to bring yields in many departments of the market in 1959 up to levels which were very high historically. In a period of 17 months new issue corporate yields rose from 3.75% to 5.62% and medium term Government yields rose from 2½% to 5%.

(2) At about this same time the great post-war inflation, which no doubt was the strongest driving force towards higher interest rates had subsided. In fact, wholesale commodity prices, the best index of inflation, are lower today than they were in 1958 and only a few forecasters are projecting an early return to steeply rising commodity prices.

(3) Most of the vast new debt created in the 1950's is amortizable and repayable in annual installments. Also, the new corporate plant and equipment then financed is automatically creating its own large depreciation charges. Therefore, repayments of outstanding bonds and mortgages excluding Federal rose in the last decade from $10 billion to $20 billion a year, while corporate depreciation rose from $12 billion to $26 billion a year. Thus, the huge debt and capital creation of the 1950's guaranteed that the 1960's would see a large return flow of funds to the market. As a consequence, although credit expansion has continued in the 1960's a good part of it is now self-financing.

(4) In addition, new private savings have turned up in recent years and remain high. As a consequence, many investing institutions, which in the 1950's were often swamped by a flood of bonds and mortgages far in excess of their new resources, have in the last few years had more than ample funds to meet the demands upon them. Furthermore, higher deposit rates have created a scramble for higher yielding longer term investments.

Given these changes for the better in longer term fundamentals, and given the very high level of bond yields which developed in 1959, it is not surprising that the trend of the bond market most of the time in recent years has been towards lower yields in spite of firm to higher short term interest rates and improvement in the pace of business.

The decline in government bond yields, however, has been moderate. It has been checked by the consequences of the unfavorable balance of payments of the United States and our continued loss of gold. Ever since 1958 the heavy flow of both short term and long term capital abroad has not only reduced the demand for American investment securities, but has led our government to adapt policies favoring firm to higher interest rates. Not only has the whole structure of short term rates been held up by vigorous application of monetary and fiscal policy, but the maturity structure of the Federal debt has been lengthened by repeated refundings and advance refundings involving the issuance of a substantial total volume of new long term government bonds. It seems probable that were it not for the government's efforts to improve our balance of payments, interest rates and bond yields today would be substantially lower than they are.

Supply of and Demand for Capital

Turning now to the near term outlook I should like to make a brief review of the supply and demand factors in the bond market which should influence yields during the balance of this year. (Table I)

The top part of the table summarizes all of the principal market demands for credit with the exception of bank loans and other short-term private credit instruments. A glance at the net demands reveals the overwhelming importance of real estate mortgages which have usually accounted for much more than half of the total of long term credit expansion and which rose spectacularly last year. The table also shows the sluggishness of net corporate and municipal bond financing in recent years. The net demands from the United States Treasury are smaller than the Federal deficits because they exclude purchases of government securities by government trust funds and by the Federal Reserve Banks.

The first line of the second section of the table shows the steady annual rise in the net investment in bonds and mortgages by non-bank investing institutions such as insurance companies, pension funds, savings banks, and savings and loan associations. The second line of the second section shows the highly variable contributions made to these markets by the commercial banking system. All of these sources of new funds are added up in a subtotal which excludes only private and miscellaneous investors. When this subtotal is subtracted from the total net demand, we arrive at a residual which is absorbed by individual and miscellaneous investors. When the residual is large, as in 1959, there is apt to be heavy upward pressure on interest rates. When the residual is small, it often indicates that the volume of institutional funds seeking investment is large compared to the demands and there is downward pressure on interest rates.

Another Large Mortgage Year

My estimates for 1963 do not seem to suggest any change from the favorable supply and demand balance of 1962. Another very large mortgage year is projected, only slightly below the record of 1962. I do not expect that the volume of corporate bond financing will rise in spite of a healthy growth in capital expenditures; this is because the huge increase in the flow of internal funds of corporations in the last two years very considerably exceeds the most optimistic forecasts for a rise in plant and equipment expenditures. The only real increase in the demand side is from the Treasury deficit.

On the supply side I expect another increase in the volume of funds flowing to investing institutions while the contribution of commercial banks to the capital markets should again be large although somewhat reduced from 1962. The net of all of these calculations suggests that the residual left over for individual and miscellaneous investors is unusually small this year.

If these supply and demand statistics were the whole story on interest rates this model would suggest a decline in bond and mortgage rates. However, there are other basic forces not measured in such a table which could challenge such an inference. Monetary policy, for example, could turn restrictive and thereby forbid the commercial banks to make the substantial contribution to the capital markets which I am projecting. Again, fiscal policy could refund such a large volume of Federal debt into long term as to put great pressure on the bond market; this would not be reflected in the table which groups together all issues of government securities regardless of maturity. Finally, market psychology could deteriorate and lead institutions to favor short term securities.

Thus far my analysis, it seems, leads me to an odd conclusion: namely that a bond market naturally firm to rising in price has been held down by monetary and fiscal policies favoring firm interest rates. For this period immediately ahead, the market's stability seems to be threatened chiefly by the possibility that fiscal and monetary policy may turn in the direction of even higher interest rates. Let me discuss these two potentially adverse factors.

Expiration of Operation Nudge

In 1962 the U. S. Treasury sold to the market chiefly by refundings $4.4 billion of governments with a maturity of ten years or over. This was about three times the average annual volume of new long bonds sold in the three years ended 1959. How did this jibe with the popular impression that our authorities were working for low long term rates? In 1962 the Federal Reserve Open Market Committee made only nominal purchases of these long term bonds, and their holdings over ten years actually declined by $116 million. Federal Trust Fund purchases of long term bonds in the market were under $200 million. The net effect of these government operations on both sides of the market was clearly to hold long term government bond yields in a comparatively high range while other bond yields were declining. Operation nudge had evidently quietly expired without the usual obituary some time in 1961. From May of 1961 to December of 1962 long government yields increased from 3.79% to 4.06%, while yields of new issues of public utility bonds declined from 4.75% to 4.25%, long municipal yields declined from 3.38% to 2.97%, and FHA mortgage yields declined from 5.36% to 5.11%.

An unfortunately large Treasury deficit will have to be financed during the second half of this year. For calendar 1963 as a whole the prospect is that the total of Treasury and agency debt outstanding will increase by about $10½ billion. However, of this almost $3 billion net should be purchased by the Federal Reserve Banks and United States Trust Funds leaving about $7.6 billion net to be raised publicly. How the deficit has been financed, and how this year's deficit may be financed, is indicated on Table II.

Non-Commercial Bank Debt Financing

It may surprise some that in 1962 the entire $6 billion increase in publicly held Treasury debt was financed outside of the commercial banking system. Furthermore, it is estimated that the larger deficit for 1963 can be financed with only small assistance from the commercial banks.

One significant trend shown by the table is the gradual increase in recent years in the volume of government securities purchased by non-bank institutions. For most of the post-war period these institutions were net liquidators of governments on a large scale in order to purchase other securities with much higher yields. As a result their enormous holdings of governments were generally reduced to modest amounts. Furthermore, yields of long governments have now become remarkably close to yields of marketable corporate bonds. Whatever may be the reason these institutions as a group have recently become net buyers of government securities albeit in moderate amounts, and I estimate that their purchases will increase further. Business corporations with their very heavy flow of internal funds, and with their comparatively low liquidity ratios, should continue to buy short governments. If the

TABLE I - SUMMARY OF SUPPLY & DEMAND FOR CREDIT (2)
(Billions of Dollars)

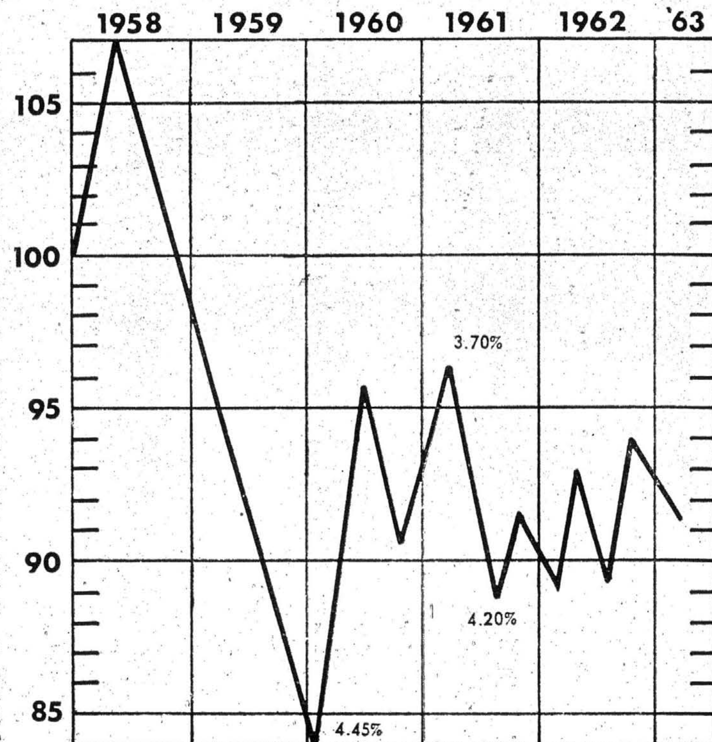
	1957	1958	1959	1960	1961	1962	1963 Est.
Net Demands							
Real Estate Mortgages	10.8	15.0	16.8	15.0	17.8	24.2	23.0
Corporate Bonds	7.0	5.9	4.1	5.0	5.1	5.1	5.2
Municipal Bonds	4.3	5.2	4.8	4.0	5.0	5.0	5.1
U. S. Government & Agency (1)	0	6.2	10.5	- 2.7	5.8	6.0	7.6
Total	22.1	32.3	36.2	21.3	33.7	40.3	40.9
Net Sources of Funds							
Non-Bank Institutions	14.4	16.6	17.8	17.2	20.2	23.4	25.6
Commercial Banks	2.0	13.0	- 5.2	2.7	10.2	8.7	7.9
Business Corporations	.5	.7	5.0	- 2.7	- .1	.8	2.3
State & Local Governments	1.1	- .4	1.0	0	- .3	.6	.5
Foreigners	- .1	0	4.2	.6	.4	1.9	1.5
Subtotal	17.9	29.9	22.8	17.8	30.4	35.4	37.8
Residual to be Financed by Individuals & Misc. Investors	4.2	2.4	13.4	3.5	3.3	4.9	3.1
Total	22.1	32.3	36.2	21.3	33.7	40.3	40.9

(1) Publicly held.
(2) Excludes bank loans, consumer credit, commercial paper and trade credit and the sources of funds for these types of credit.

TABLE II - CHANGES IN OWNERSHIP OF U.S. TREASURY & AGENCY SECURITIES
(Billions of Dollars)

	1957	1958	1959	1960	1961	1962	1963 Est.
Increase in Total Outstanding	+ .5	+ 7.5	+10.1	- .5	+ 6.7	+ 9.0	+10.4
Less Federal Reserve Purchases	- .7	+ 2.1	+ .3	+ .8	+ 1.5	+ 1.9	+ 1.3
Less U.S. Trust Fund Purchases	+ 1.2	- .8	- .7	+ 1.4	- .6	+ 1.1	+ 1.5
Net Change in Publicly Held Debt	0	+ 6.2	+10.5	- 2.7	+ 5.8	+ 6.0	+ 7.6
Net Sources of Funds:							
Non-Bank Institutions	- .7	+ .5	+ .7	- .7	+ .4	+ 1.2	+ 1.6
Commercial Banks	+ .3	+ 8.2	- 8.1	+ 1.6	+ 5.7	0	+ 1.0
Business Corporations	+ .2	- .1	+ 4.7	- 2.9	- .4	+ .7	+ 2.1
State & Local Governments	+ 1.1	- .4	+ 1.0	0	- .3	+ .6	+ .5
Foreign	- .1	0	+ 4.2	+ .6	+ .4	+ 1.9	+ 1.5
Individuals & Miscellaneous	- .8	- 2.0	+ 8.0	- 1.3	0	+ 1.6	+ .9
Net Change in Publicly Held Debt	0	+ 6.2	+10.5	- 2.7	+ 5.8	+ 6.0	+ 7.6

Principal High and Low Prices of U. S. Govt. 3½'s '90



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estimates are correct for 1963, the larger deficit can be financed without the necessity of bidding high for the funds of miscellaneous and individual investors.

Treasury Financing Need Not Force Higher Yields

The Treasury, by means of its new technique of advance refunding, has greatly reduced the size of its maturities coming due during the second half of this year. However, the Treasury will have to think of 1964 and, therefore, we can expect additional advance refundings, or pre-refundings, and from time to time additional offerings of longer term securities in amounts probably fully as large as in 1962. Thus, the Treasury financings in the period ahead will continue to hold up yields of both short and long governments. The Treasury's requirements alone, however, do not suggest that yields need be forced higher.

Monetary policy will no doubt continue to sustain short term yields for balance of payments reasons. Twice in 1962 open market policy shifted to "slightly less ease" largely because this seemed necessary to hold bill rates at a competitive level. The recent improvement in American business sentiment and activity will make it easier for the Federal Reserve to take further steps in the direction of less ease. I expect that they will do so.

This is the reason my estimates suggest a lower commercial bank contribution to the capital markets in 1963 than in 1962.

However, during the past year or more the rise in commercial bank deposits has been largely concentrated in time deposits and this continues to be the case. Since these are subject to very low reserve 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 to create a large decline in the money supply. One objective is still a rapid rate of growth for the economy as a whole and a reduction in unemployment. A very large part of the present improvement in American business is being financed by the flow of public savings into savings deposits of all sorts.

Less Ease Need Not Mean Rise In Bond Yields

What will moderate monetary moves towards still less ease mean to the bond market? Perhaps after the initial shock, not much. Following the decision of the Open Market Committee in June of 196- to move to "slightly less ease," Treasury bill yields rose about one-quarter of 1%, but prime corporate bond yields of all sorts declined during the next six months as did long term municipal yields and real estate mortgage yields. Again, following the decision in December of 1962 in favor of still less ease, Treasury bill rates remained steady, and the yields of long government bonds and long corporate bonds rose only very slightly while the yields of real estate mortgages continued to decline. Thus, throughout the last year pressure by both fiscal policy and monetary policy towards firm to higher yields has been approximately offset by other market forces, notably the great flow of public savings and the institutional scramble for yield. We may again see higher short rates and stable long rates.

In the period immediately ahead if a full fledged boom develops of the sort that only the extreme "optimists ... then there should be no doubt that monetary and fiscal policy will both move vigorously towards higher interest rates. Under the circumstances yields will rise out of their narrow trading range of the last two years. If my analysis of fundamentals is correct, however, the rise in long term yields will be far less than that which occurred under similar circumstances during the booms of the 1950's. The high yields of 1959 should not be reached in this cycle.

I suspect we are not all forecasting such an extreme upsurge in prosperity. If general business volume continues to rise at a reasonably good rate and there should be no inflation and no strain on the physical and human resources of the economy, then my analysis would suggest some increasing pressure on the money market stemming from monetary and fiscal policy, but no sustained rise in long term bond yields. Long governments should remain in their range of the last two years. Finally, if the economic recovery again falters, I would also expect yields to remain within this range during the balance of 1963.

The accompanying chart illustrates this 1961 - 1962 range in terms of the price and yield of one government issue. It also contrasts this range with the last great cyclical price decline which occurred in 1958-1959. Thus, it shows the kind of price fluctuations I expect and the kind I do not expect. If I am right those who are stock men (pure and simple) will not be distracted by sharp cries of anguish from their bond market neighbors and stern warnings of financial stress and trouble to come.

Conclusion

In conclusion I should like to make a distinction between the outlook for long term U. S. Government bonds and that for other departments of the market. Long government bond yields are relatively high; they are unusually close to yields of almost all other forms of long term institutional investment. From the extreme high yields of 1959-1960 prime corporate new issue yields are down over 130 basis points, prime long municipal yields are also down 130 basis points (on a taxable equivalent basis), while long 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 and municipal bonds has been static. If interest rates do rise, I believe that the corporate and municipal bond markets are far more vulnerable to rising yields than is the government bond market. At this point I believe the SEC would like me to remind you that my firm, Salomon Brothers & Hutzler, is a dealer in U. S. Government bonds and that we always have a net long position.

*An address by Mr. Homer to the Financial Analysts Federation 16th Annual Convention, Chicago, Ill., May 13, 1963.

Hornblower & Weeks Names Manager

HARTFORD, Conn.—Donald C. Walsh has been appointed Resident Manager of the 100 Constitution Plaza office of Hornblower & Weeks.

NEWS ABOUT BANKS AND BANKERS

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

H. C. Bailey has returned to active service and has been re-elected Vice-President of **Chemical Bank New York Trust Company, New York** where he will be associated with the Oil and Gas Department, it was announced May 15 by Harold H. Helm, Chairman.

Horace C. Bailey

Mr. Bailey, who previously was with the bank's National Division as Vice-President in charge of its business in southwestern states, has been on leave on European business for the last 18 months. With Mr. Bailey in the bank's Oil and Gas Department will be Ben F. Zwick, Manager, and Dr. Judson L. Anderson, geologist-engineer.

Mr. Bailey began his banking career in 1946 with the **National Shawmut Bank of Boston, Mass.**, where he became Assistant Vice-President in the National Division. He transferred to Chemical New York as Assistant Vice-President in 1952 and became Vice-President in December, 1956.

* * *

John J. Blumers and William W. Lowe have been appointed Vice-Presidents of **First National City Bank, New York.**

Mr. Blumers will head the First National City branch at Seventh Avenue and 34th Street. Mr. Lowe is assigned to the Lexington Avenue and 42nd Street branch.

* * *

The Manufacturers Hanover Trust Company, New York, announced the appointment of Lawrence H. Bober, a Vice-President, as officer in charge of the bank's office at 43rd Street and Eighth Avenue.

* * *

William H. Moore, Chairman of Bankers Trust Company, announced the opening May 13 of the new Foley Square Office. Located at 2 Lafayette St. in Foley Square, it will be Bankers Trust's 5th branch office.

Mr. Moore also announced that Daniel J. Sullivan has been appointed manager.

* * *

Mr. Henry L. Schenk, President of Trade Bank and Trust Company, New York City, announces the appointment of Moe Naitove to the newly created post of Assistant to the President.

* * *

Sydney L. Hammer has joined the **Commercial Bank of North America, New York**, as Vice-President in a senior capacity, G. Russell Clark, Chairman, announced May 10.

Mr. Hammer resigned as Vice-President of **Manufacturers Hanover Trust**, New York, to accept the new position.

Mr. Hammer was with Manufacturers Trust since 1927, and was elected Vice-President in charge of the branch at 43rd St. and 8th Avenue in Manhattan in January 1953.

James E. Dingman has been elected a director of Empire Trust Company, New York.

* * *

Underwriters Trust Co., New York, made Douglas Winquist a Vice-President and Trust Officer.

* * *

James C. Kellogg, III, has been elected a Trustee of the **East River Savings Bank, New York**, George O. Nodyne, President of the Bank announced.

* * *

William J. Auld, Assistant Secretary of **The County Trust Company, White Plains, N. Y.** who has been associated with the Bank for 32 years, is retiring on June 1st.

Mr. Auld entered banking in 1917 as an office boy with **The Hanover Bank, New York**, and successively was associated with **The Chatham & Phoenix National Bank, Union Square Savings Bank**, and **Westchester Title & Trust Company** before joining the credit department of County Trust in 1931.

* * *

John W. Saunders was elected Secretary of the **Dime Savings Bank of Wililamsburgh, Brooklyn, New York.**

* * *

The National Bank and Trust Co., Port Jervis, New York and **The Sullivan County Trust Company, Monticello, New York,** merged under charter of **The Sullivan County Trust Company** and new title, **Intercounty Trust Company**, effective April 29.

* * *

James G. Wilson, formerly Vice-President and manager of the U. S. Government Bond Department of Blyth & Co., Inc., New York, has been elected a Vice-President of the **National Shawmut Bank of Boston, Mass.** Mr. Wilson will assume charge on May 15 of Shawmut bank investment division.

* * *

The **Boston Safe Deposit & Trust Co., Boston, Mass.**, elected Ralph F. Gow a Director.

* * *

The **Mellon National Bank & Trust Co., Pittsburgh, Pa.**, has elected Chas. M. Beeghly and Lawrence Litchfield, Jr., Directors.

* * *

William P. Mullen was appointed Manager of Credit of **Western Pennsylvania National Bank, Pittsburgh, Pa.**, Commercial Lending Department.

* * *

The Comptroller of the Currency James J. Saxon on May 7 announced that he has given preliminary approval to organize a National Bank in Arlington, Va.

Initial capitalization of the new bank will amount to $1,200,000 and it will be operated under the title **"The National Bank of Rosslyn."**

* * *

The **Harris Trust and Savings Bank, Chicago, Ill.** promoted John A. Kuhn to Vice-President.

James E. Mandler was advanced to Assistant Vice-President and Peter J. Brennan to Trust Counsel. New officers named were John H. Tallgren and William E. Weiner, both appointed Assistant Secretary.

* * *

The Comptroller of the Currency James J. Saxon May 8 approved the conversion of the **First State Bank, Caddo, Oklahoma,** into a National Banking Association. The bank will be operated by its present management under the title **"Bryan County National Bank."**

* * *

Four staff members were honored for completing 50 years of service with **First National Bank in St. Louis, Mo.** at the bank's annual 25 Year Club Banquet, May 1.

They were Fred J. Sudekum, Vice-President and Comptroller; Clarence J. O'Heron, Manager of 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. Hamilton, Jr., Robert C. Wolford and Donald Lasater, Vice-Presidents.

* * *

The **University State Bank, Fort Worth, Texas**, elected Darrell A. Cantwell, formerly Vice-President of **First National Bank of San Antonio, Texas**, President, succeeding John B. Collier, III, who continues as Chairman.

* * *

The Comptroller of the Currency James J. Saxon on May 9 announced that he has given preliminary approval to organize a National Bank in Dallas, Texas.

Initial capitalization of the new bank will amount to $400,000, and it will be operated under the title **"Community National Bank of Oak Cliff."**

* * *

Flemming Kolby is made an executive in the **Bank of America, San Francisco, Calif.** international banking division, responsible to the European division in San Francisco.

* * *

David L. Blanchfield has been appointed Vice-President of **Security First National Bank, 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, Harry C. Dackerman & Co., 1401 Walnut Street, members of the New York and Philadelphia-Baltimore-Washington Stock Exchanges, will be dissolved and a new firm, Harry C. Dackerman & Co. Inc. will be formed.

Officers of the corporation will be Harry C. Dackerman, President; Morris Waber, Chairman of the Board; Henry L. McKay, Executive Vice-President and Treasurer; Richard Edwards, 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., 50 Broadway, New York City, members of the New York Stock Exchange.

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COMMENTARY...

BY M. R. LEFKOE

Television viewers who think they may have noticed a significant lack of documentaries dealing with controversial political and/or economic issues have had their suspicions confirmed for the first time this week by *TV Guide.* In a carefully documented and well-reasoned article entitled, "Television: America's Timid Giant," Edith Efron asks — and offers answers to—the following crucial questions: Do the networks actively avoid certain basic areas of coverage? If so, what areas—and why?

Miss Efron demonstrates that there *is* a serious lack of coverage in three fundamental areas: government, business, and labor. Then, after pointing out that this dearth of "fundamental coverage" is due to "self-censorship," Miss Efron sums up the problem by stating:

"If one were to boil down all these different types of diagnoses of the TV industry's trouble into one phrase, it would be: *floating political anxiety.* It is an anxiety caused by a continuous awareness of *potential* political danger — a danger that might spring from any one of dozens of possible sources — a danger that might strike tomorrow, next week, next year, or never. It is so omnipresent an emotion that the men in TV have apparently grown used to it, and automatically act to inhibit coverage of national affairs."

Why the Networks Are Fearful

Only a few of the men interviewed by Miss Efron were willing to identify the primary source of the "potential political danger," and when they did, it was usually "off the record." But Arthur Krock, political columnist for the New York *Times, was* willing to pinpoint the source of the danger openly (perhaps because he *isn't* a network official): "The fear is an inevitable result of the licensing situation. The broadcasters *must* be licensed if they are using government property. But it creates serious problems because the regulation is political. The FCC [Federal Communications Commission] is a political entity, every Commissioner owes his job to the President. So, everybody walks on eggs! The networks are afraid of being harassed if they are criticial. 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 scared."

The Bill of Rights guarantees both freedom of speech and freedom of the press, and the Communications Act of 1934 states that ". . . no regulation . . . shall be promulgated . . . by the [Federal Communication] Commission which shall interfere with the right of free speech . . ." One is thus forced to inquire: *Why* should a network official be "scared?" What type of "harassment" *can* a network be subjected to? How could the "licensing situation" create *fear?*

Unlimited Regulatory Power

The first, and most fundamental answer to these questions can be found in the Communications Act itself. In an article published by *Barron's* list year which analyzed the FCC's threat to the "independence of broadcasting," Shirley Scheibla perceptively observed that, in effect, the FCC has virtually no limits to its power: "The Act gives the Commission a broad grant to authority to regulate broadcasting 'in the public interest.' Since neither Congress nor the courts ever have been able to agree on a working definition of what constitutes the 'public interest,' the commissioners need only decide that it is served by the way they happen to vote."

Last January, the National Association of Broadcasters pointed out the necessary consequences of such a sweeping grant of power to the FCC: "We are seeing the liberal doctrine of public interest contorted to support an illiberal scheme of coercion against programming. It is an ingenious effort to use freedom of expression to stifle freedom of expression."

Minow's Position

Newton Minow, who resigned his chairmanship of the FCC early this week, has attempted to answer this charge by asserting: "Under our broadcasting system, as I have repeated so often, your Government does not decide what goes on the air. Acting as trustees for all of us, you private citizens make the decisions. We will continue to prod your consciences, to goad your ideals, to disturb your sleep." And while Mr. Minow does nothing but innocently "prod," "goad," and "disturb," he subtly reminds broadcasters: "The heart of the FCC's regulatory authority is its power to issue or deny a broadcast license—and its power, at the end of three years, to renew or refuse to renew that license."

In yet another attempt to censor broadcasting by implicit threats, the Commission recently started renewing many broadcasting licenses for a period of only one year, rather than the normal three. The FCC apparently follows this practice whenever it isn't quite sure that the station will serve the "public interest"—as defined by the FCC.

"Warning Letters"

Assuming, perhaps, that *implicit* threats weren't sufficient, FCC staffers recently decided to write letters of warning to television stations around the country. Exposed by *Broadcasting* magazine, the ominous messages suggested that, unless the stations proved properly receptive to the FCC's views on the content and timing of 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 it power to regulate the networks; at present it has power only over individual stations. Without such legal sanction, the FCC is currently forced to use indirect pressure on the networks: the threat of not renewing the licenses of network-owned stations.

Perhaps the biggest step yet toward explicit control over programming—taken in the name of 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, *Business Week* stated: ". . . the commercial time limitation is important as a foot in the door; it is significant chiefly because it gets into an area of regulation where it can establish major precedents. Once federal standards are adopted to determine how many commercial stations can broadcast, the FCC majority could easily go further and apportion time among various types of programs."

Although Miss Efron never does get around to offering her own solution to the problem of how to get "political fear out of network coverage," she has, nonetheless, performed a great service for the networks and the television-viewing public. She has openly named the fact that a problem *does exist,* and has offered a perceptive analysis of the nature of that problem.

The Industry Must Act

If broadcasting is to ever rid itself of "self-censorship"—a euphemism for "fear of government retaliation"—the full case for getting rid of the FCC must be presented to Congress and the public. And the appropriate groups to organize and present this case for *complete* freedom of broadcasting are the greatest victims of FCC censorship — the television networks and the individual stations.

Customers Brokers Receive Slate

At the Annual Meeting of the Association of Customers' Brokers on May 23, 1963, the Nominating Committee will present the following slate:

Frank Dunne, Jr.

President: Frank Dunne, Jr., White, Weld & Co.

Vice - Presidents: David Bell, Gruss & Co., and Alan K. Gage Parrish & Co.

Secretary: Leon S. Herbert, Jr., Hayden, Stone & Co., Inc.

Treasurer: Donald M. Schumann, Bache & Co.

Member of Executive Committee (To serve until 1964): E. Victor Margand, Auerbach, Pollak & Richardson, and S. Ralph Trulio, The Dominion Securities Corporation.

Member of Executive Committee (To serve until 1966): Joseph E. Bitterly, Dean Witter & Co.; Douglas Campbell, Ladenburg, Thalmann & Co.; Leo J. Larkin, Carl M. Loeb, Rhodes & Co.; Julian Riskin, Reynolds & Co.; Mary R. Tibbetts, Evans & Co., Inc., and A. Van Camerik, Shearson, Hammill & Co.

Members of the Nominating Committee are Louis L. Baere, A. G. Becker & Co. Incorporated; Beatrice M. Bougie, Goodbody & Co; Thomas B. Meek, Harris, Upham & Co.; E. Maurice Moretti, Jacques Coe & Co.; Nicholas Novak, Drysdale & Co.; Alan C. Poole, New York Securities Co.; Donald H. Randell, Filor, Bullard & Smyth; Irving J. Silverherz, Hay, Fales & Co.; Bernard Wynn, Kamen & Co.; and Leo J. Larkin, Carl M. Loeb, Rhoades & Co., Chairman, ex-officio.

SECURITY SALESMAN'S CORNER

BY JOHN DUTTON

Look In That Inactive File

Ever since the disillusioning market break of May, 1962, vast numbers of individual investors have been quietly "licking their wounds." There is little point in denying what has happened to public confidence during the past year. Unfortunately, the period between 1960 and May 1962 was marked by the most comprehensive outpouring of highly speculative, marginal common stocks, that this writer has witnessed in his 33 years in this business. Who was to blame for the debacle? Why did this happen? Can such an era be prevented in the future? These are questions beyond the scope of this column.

But as a salesman of securities certain facts must be faced today. The lay investor has been hurt badly. Possibly several million investors now hold securities that represent ownership in small, struggling companies. Some of these people bought because others were buying . . . and for a while there was a lot of easy money. The salesmen no longer had to work day in and day out servicing investment accounts . . . he waited for the next new issue and he parceled out his allotment. Quite often a customer's ability to obtain a "hot" new issue was based upon the amount of other business he placed with a firm that participated in many of these underwritings. As we live through such an era, the pace quickens. The desire for an easy dollar is UNIVERSAL. Attorneys, accountants, promoters, underwriting firms both large and small, the millions of people who keep on buying . . . without reading a prospectus . . . or attempting to make a serious evaluation of a situation . . . and security salesmen who at last have found that they are in A SELLER'S MARKET . . . build a bonfire into a blaze. The aftermath is difficult . . . for everyone. But time and work solves many problems.

But What Now?

Almost a year has transpired since the great "new issue" boom collapsed. Meanwhile a recovery in the market value of the better quality investment stocks, the "blue chips," the leading "growth stocks," has carried both the "Dow" and the Standard & Poor 500 Composite averages within striking distance of their all time highs. During the past several months many second grade stocks have also advanced, and new groups are becoming popular as the vast accumulation of surplus capital in the hands of professional and semi-professional investors is flowing into the listed markets.

This is the historical recovery pattern after a market debacle. Although there has been limited comment by expert analysts concerning the May 1962 break pertaining to the great over-emphasis on the "something for nothing" approach that involved the public, and everyone who participated in and out of the investment business . . . it is my lay opinion that the average to small investor has been severely hurt. And this is the customer we salesmen serve. He is our bread and butter.

It is all right to bring Wall Street to Main Street . . . but if we are ever going to build confidence in our industry, some way must be found to eliminate, once and for all, certain excesses that have no place in a business that is of vital significance to the continuation of our capitalist system. In my book it would be O. K. if I could control my own customers the next time another wave of "something for nothing" comes along . . . but there isn't a salesman I have ever known who could do this. We are human too. We have quotas . . . we have customers who make demands . . . we are their best source of information and when we look around us today . . . we are elected. It is our job to help patch up the wreckage.

A Suggestion

Take a look at a few of the now thoroughly over-sold, and deflated stocks that are familiar to you. Notice how some companies have made progress in solving their difficulties. Check up on what has been going on in the market and then balance today's price for some of these stocks against reality. . . such as earnings, management skill, new products, and the balance sheet. If you are convinced that you can present accurate dependable information to some of the people you now have in that "inactive file" that has been hidden away in your desk, pick up your telephone, and say, "Hello!" Say more than this. Tell that former customer that you have some encouragement for him. Then renew this contact. Make an appointment and go to see him. He surely will welcome any information that will be offered on the basis of your comprehensive study and knowledge. And if not . . . you have done your best . . . you have offered a service . . . and you can go on to Mr. Inactive Number Two.

And remember—

If you have been reticent about approaching some of the people who have bought securities through you that have declined in price far below their acquisition cost . . . don't think you are the only security salesman in this predicament. You have plenty of company.

After 1960, 1961 and until May 1962, you are also going to locate people in your "Inactive File" who had more than one salesman, or investment broker. You may discover that your headaches are the small ones . . . there could be an opportunity in such a situation. There are stocks that should be sold for tax losses . . . there are others that should be bought . . . there are some that are candidates for additional purchase at present day levels. You could constructively help such an account rehabilitate a portfolio. And you may find opportunities for business that you never expected.

If you are fortunate to be with

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a firm that has the facilities for obtaining and evaluating fundamental information regarding some of the sleepers, the laggards, and the better issues that are depressed, gather up your lists and go to work. If you have to make some calculations with limited facilities, at least go to the best source available . . . either management . . . combined with published reports . . . and the statistical manuals — but take a look around.

Eventually there is going to be a recovery in many stocks that are now as deceptively underpriced as they were over-priced several years ago. Your "Inactive File" can become active again. All it takes is some work, and the conviction that the man who has the courage to face a problem, analyze it, and then act . . . will eventually find the solution.

Japan's Trade Center Appoints Exec. Director

The appointment of Takeshi Maruo as Executive Director of Japan Trade Center, New York, has been announced by Japan External Trade Organization (JETRO), Tokyo. Mr. Maruo has just arrived in New York to assume his new responsibility.

Takeshi Maruo

Mr. Maruo, who comes to Japan Trade Center, New York, following a three-year term of duty as Director of Japan Trade Center, Sydney, Australia, replaces Mr. Eijiro Fujise who has held the post in New York City since March, 1961. Mr. Fujise returned to Tokyo on May 14, where he will serve as a Director of JETRO.

Mr. Maruo has served for 14 years with various branches of the Japanese government. Most recently, he was a key executive of the National Personnel Authority, which is comparable to the U. S. Civil Service Commission. Prior to that he was an official in Japan's Ministry of International Trade and Industry. He has also held a top post with the South Manchuria Railway Company.

Mr. Maruo is a graduate of Tokyo University and holds a law degree.

Mr. Maruo visited the U. S. during 1951, at which time he represented Japan at a conference of the Civil Service Assembly of the United States and Canada.

Japan Trade Center, New York is headquarters for Japanese trade promotion in the Eastern United States. Its functions are to provide information on Japanese industries and products to interested Americans, to conduct market research, to take part in trade fairs and other shows, and to display the latest merchandise from Japan.

The New York Trade Center is also headquarters for the Chicago, New Orleans Japan Trade Centers.

Inflation and Growth in Analyzing Market Values

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stock investment in recent years has rested in part on the widespread assumption that equities provide at least a partial hedge against inflation. The presumption is, of course, that corporate profits as well as product prices will tend to rise during periods of inflation, while the income from fixed dollar investments will suffer directly from any decline in real purchasing power. But it is also evident that a basic motivation for buying and holding equities has been and continues to be the chance to participate in the economic growth of the nation, its leading industries and companies.

These two aspects of investor rationale have in practice become so intermixed that it seems impossible to separate their relative influences on recent levels of market valuation. Usually the inflation argument has been heard as a generalized inducement to equity investment, while the prospects for growth have been associated with the analysis of specific industries and firms. But I believe that the extent to which expansion in a company's sales reflects real growth rather than price inflation should make a great deal of difference to its stockholders. In short, the prospects for real growth should induce far more sanguine expectations than the automatic consequences of inflation.

Among the numerous analytical "explanations" of the level of 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, net additions to the market supply of equities, resulting from new issues and also from portfolio reductions by present holders, are matched against the volume of funds likely to be supplied by the major participating investor groups. But this simple aggregate concept conceals a wide variety of factors. On the supply side, for example, are the needs for external financing and the institutional rigidities, such as the demonstrated hesitance of established corporations to issue new stock and the reluctance of individual stockholders to realize long-term capital gains and incur taxes thereon. On the demand side, in addition to immediate business prospects and market psychology, are longer-run developments such as the rapid 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 usually cited to help explain the dramatic upward revaluation of stocks which has occurred in the course of the postwar period. This may be a substantially correct interpretation, but it is important to note that a continuation of current valuations would depend upon an additional assumption — that the changed supply-demand situation is *permanent*. But what if corporate managements 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 attracted to alternative outlets for funds, if yield relationships favor these and if prospects for growth do not appear sufficiently promising.

In terms of *current* return, it is clear that the relative attraction of equity investment has declined substantially over the postwar period. Thus, dividend yields on average dropped from nearly 7% in 1950 to less than 3% in 1961 and not much more than that currently. During the same period, interest yields on top quality corporate bonds rose from under 3% to 4¼% or more in recent years. Bond yields have, in fact, consistently exceeded stock yields for nearly five years, often by a full percentage point or more.

If the yield on equities is stated in terms of total earnings, on the theory that reinvested income will sooner or later accrue to the benefit of the stockholder, the comparison with bonds has been more favorable. But even here, the earnings yield ratio dropped from 15% in 1949 and 1950 to below 5% in 1961; it is currently well under 6%, based on record fourth quarter 1962 earnings. Some investors seem to have come almost to prefer that earnings be retained rather than paid in dividends, because of the tax advantages of taking income in the form of possible price appreciation rather than current dividends. Still, I think we would agree that some discount should be made in earnings yields, on the grounds of volatility and uncertainty as to the timing and size of the benefits to be realized from funds retained in the business.

Are Stocks Dear Now?

Whether one relates stock prices to dividends or to total earnings, then, equities have become substantially more expensive over the postwar period. The implication would seem to be that stocks were either a very good buy 15 years ago, or that they are relatively dear now. Alternatively, there may have been some basic intervening change in the relative attraction of equities as against other investments. I do not propose to speculate which proposition is the more nearly correct—perhaps each has some degree of merit. The point of the exercise is simply to demonstrate that stock valuations at any time rest upon the market's assessment of the future as well as of the present.

The unique attribute of equities, as contrasted with bonds and savings accounts, is the latitude for future changes in the rewards investors may receive. The fact that dividend and earnings yields have dropped so substantially, both absolutely and in relation to the interest returns available on fixed dollar investments, must mean that the market anticipates significant future growth in returns on equity, either through increased dividends or price appreciation. But with the average dividend payout at 60% and stock prices at about 18 times current earnings, there would seem to be relatively little room for further liberalization. Therefore, this must mean that a sizable advance in corporate earnings is expected over time.

Doubts Sizable Profit Margins Increase

Profits fluctuate widely over the business cycle, and so one's assessment of earnings prospects depends partly on the stage of the cycle he believes the economy is in. And since profits are related to rates of capacity utilization, which are currently still below optimum levels, there is a presumption that full economic recovery would bring more than proportionate earnings gains. Abstracting from these cyclical factors, however, I think it is reasonable to assume that any substantial uptrend in earnings over time would require proportional or larger increases in the dollar volume of sales. Competitive innovations and improvements by individual companies might tend to raise total earnings relative to sales, but a sizable general increase in profit margins would appear quite unlikely on the basis of historical precedent.

Given the market's implied assumption of a substantial long-term uptrend in sales volume, does the particular mix of real growth and inflation which produces the expansion make any difference to stockholders? I think that the record shows it does. In the strongly inflationary periods associated with wars or other major economic upheavals, equity owners do seem to have benefited. Thus, corporate profits after taxes more than tripled between 1940 and 1948, reflecting a 40% advance in the real GNP and an 80% increase in the prices of goods and services embodied in this measure. Though submerged for a time by price and wage controls, this is a clear case of the classic inflation environment, where the total demand for goods and services far exceeds the nation's ability to produce and where wartime financing had provided the liquid assets to fuel this excess demand.

But the kind of inflation experienced after 1951 in the United States has not reflected inordinately strong aggregate demands or clearly excessive increases in purchasing power. This more recent brand of inflation appears to result more from structural problems. These include not only the strong upward bias in wage settlements, but also the persistence and growth of inefficient organization, the resistance to price and cost reductions even in declining industries, and the development of temporary supply-demand imbalances in strategic areas. Such factors tend to increase unit costs of production, putting upward pressure on average prices even though total production capacity may be sufficient. In such an environment, the impact on profits is more likely to be downward than upward, despite sizable increases in the dollar volume of sales.

Difference in Performance

To support this assertion, I refer to recent United States history. In the period since 1955, we have experienced a slowing in our average rate of real economic growth, but the first part of this interval was marked by some price inflation while the latter part has witnessed reasonable price stability. What has the changing growth-inflation mix done to profits? Both from 1955 through 1957 and from 1959 through 1962, the dollar volume of the nation's output of goods rose by about one-tenth. In the earlier period, however, only 30% of this increase reflected real growth, while in the latter period real growth contributed nearly 80%. And, for the Standard and Poor's index of 425 industrial stocks, after-tax earnings per share *dropped* 7½% between 1955 and 1957, while in the 1959-1962 period they *rose* by a like proportion.

The real reasons for this difference in performance, of course, lie behind the behavior of the price indexes. In the 1955-57 period, the forces of vigorous national and international competition were emerging for the first time in the postwar economy. But we were not fully aware of the implications of this; business permitted costs to rise substantially, and was then able to pass only part of the increase along in price markups. In the later period, vigorous competition ruled throughout and cost increases were moderated.

For the nation, the price of this belatedly recognized lesson in economics has been to contribute to an environment in which our resources have been inadequately utilized. At the Federal level, changes in the level and structure of taxation and special remedial programs in the key problem areas are clearly indicated. But success is also likely to depend upon continuing close attention to costs and competitive relationships by the business community, and upon a willingness to undertake investment opportunities as they are recognized.

Does Not Count on Inflation to Validate Present P/E Ratios

For the stock market, the lesson of our recent experience—as evidenced by the sharp break in prices a year ago—is to avoid the easy assumption that stock valuations will sooner or later be validated by inflation. Just as in the review of individual securities, a careful analysis of the forces affecting our economy is required to provide a sound basis for overall market evaluation. I am confident that any such analysis will show that the stock market has as much of a stake in the achievement of vigorous, healthy economic growth as does any other sector of our economy.

The stock market has recovered strongly in recent months, and prices are now within 5% of the previous peak reached in December 1961. I hope that this recovery has been based upon renewed investor confidence in the nation's prospects for more vigorous growth, rather than on the assumption that generalized inflation will prevail. The United States economy today will not readily support any appreciable degree of inflation, and I strongly doubt that it will do so in the foreseeable future. But even if an inflationary trend were to resume, it is a moot question whether its composition would be likely to provide fundamental support to stock market valuations.

*An address by Mr. Mitchell at the annual convention of the Financial Analysts Federation, Chicago, Ill., May 13, 1963.

J. C. Wheat Office

MARTINSVILLE, Va.—J. C. Wheat & Co., members of the New York Stock Exchange, have opened a branch office at 5 Walnut Street under the management of A. Jackson Lester, III. Mr. Lester was formerly Local Manager for Abbott, Proctor & Paine.

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Are Commercial Banks Competing for Savings?

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center of interest. The exclusive concern of their best people is with gahering and using savings. Many of the S & L's have the zeal and drive of an underdog on the way up.

Now let's look at the approach of the CB's to savings in the last 20 years. One of the major handicaps of the banks in savings competition, in my view, has been their general success. Aided by the wartime upsurge in demand deposits, growth in loan demand and rising interest rates, commercial banks in all but the poorest locations have been able to make money in the last 25 years. How many of you know banks with uninspired, unimaginative and unaggressive managements—banks that haven't really exploited their opportunities? I suspect that you can list quite a few. Yet have they made money? Yes, not so much as they could have, but they've made money. Have they grown? 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 make a real fight in the savings field.

Further, it is my suspicion that in many banks, even some with a substantial percentage of savings deposits, the savings operation can be characterized as an underemphasized, even orphan operation. The percentage of management talent, time and effort devoted directly to savings has been low. In many a bank, I have been unable to find *any* officer clearly in charge of the savings function and fully committed to it. Contrast this if you will to the talent and focused effort the typical large bank devotes to, say, competition for correspondent bank balances.

Let me turn now to some areas you expected me to talk about. The ability to achieve a high earnings return on savings money is clearly a vital element of competitive effectiveness. It is essential to a reasonably competitive interest rate *and* to an acceptable profit.

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 1/25) as a source of liquidity should deposits shrink; hence it is not a substitute for other liquid reserves.

I join wholeheartedly the growing list of more eminents in urging the complete elimination of this legal reserve against savings. The Fed should have time, perhaps as much as three years, to release the reserves, but legislation should urge it to effect the elimination as soon as it can smoothly.

The required reserve is a unique burden on the use of the savings dollar that goes into the CB's. It is of historic origin for which current logic is lacking. Moreover, it is not an insignificant item. I would place the annual dollar cost of this historic relic to the commercial banks at some $115 million a year. This is a continuing cost that, absent action, will grow as bank savings grow.

Also arguing for this change is the desirability of reducing the disadvantages of membership in the Federal Reserve System and thus the number of non-members.

But the legal reserve handicap is only a small part of the story. Basically, the difference in earning power on savings stems from three major factors. The commercial banks' major competitors, particularly the S & L's, have:

(1) Invested much more fully.

(2) Invested in much longer maturities.

(3) Accepted higher risks in investment, particularly in mortgages.

Focusing first on the facts of fuller and longer investment, quite obviously CB's as a group have assessed their liquidity needs on savings deposits very differently than have the S & L's. Who is right? Have the CB's been overly cautious? Or have the S & L's operated with inappropriately low liquidity reserves? How many of you would answer "yes" to this last question?

Stand-By Liquidity Reserves

A while ago I would have agreed with those of you who answered yes. Today I query whether this view is valid. Suppose the Federal Reserve were to say to you, publicly and on the record, "Mr. Banker, if you want money at any time to meet deposit declines or to meet loan demand, just let us know. We will be happy to loan you at low rates up to 17½% of your deposits. You can keep such loans out for extended periods—no hurry about paying them down." Note they will loan if deposits drop or loan demand exceeds lending capacity. Under what other circumstances is liquidity needed? If this assurance of available credit on extended terms can be counted on, haven't you got in it a real reserve of liquidity?

This is essentially the setup the Federal S & L's and other members of the Home Loan Bank System have today with the Home Loan Banks. It's a cozy arrangement of stand-by liquidity reserves. Actually some of the associations have chosen to draw on their credit line to make mortgage loans in routine. The cost of this credit currently is well below their dividend rates. Thus, subsidiaries of First Charter Financial Corporation on a recent date were borrowing from the Federal Home Loan Bank some $92 million, or 10%, of their share capital. On this date, this group, regarded by many as one of the more conservative of the S & L holding companies, had loans outstanding equal to 115% of their share capital. Of course, if you have drawn on your liquidity reserves, you don't have them if deposits drop. But for the majority of the S & L's, the open credit line at the HLB's is a major competitive advantage permitting a very much heavier investment in high-yield, less-liquid assets than otherwise would be prudent.

The CB's have no such setup in the Fed. They must provide their own liquidity and, of course, liquidity has a price. For example, a three-year Government yields today about 3.4%, or some 62% of the return on a 5½%, 20-year mortgage. What can be done about this institutional advantage the S & L's (and many of the savings banks) have quietly achieved? I don't have a good answer, but if I were you, I would sure be pushing for one.

No Need to Outlaw HLB's System

I doubt if you can, or should try to, quash the Home Loan Bank members' setup. It does make share accounts safer. It does make more money available to the mortgage market and cuts the cost of mortgage money to the homeowner. It also gives the mortgage borrower a degree of protection from the full rigors of monetary restraint. It also means that monetary restraint to achieve a given degree of restraint on the total economy must bear more heavily through the CB's on the less sheltered elements of the economy. This especial concern for home building and the home owner is nothing new; in fact, for years of both Republican and Democratic administrations it has been a feature of deliberate public policy.

Perhaps you bankers should seek a similar setup which would let you confidently commit, say, 90% of your savings money to longer-term investments of limited marketability or liquidity. The income potential would be great. But what kind of a setup? With whom—the Fed? Not unless the Fed authorities could be satisfied that the savings operation of the CB was sufficiently distinct so that relaxed credit related to the bank's role as a savings intermediary would not jeopardize the Fed's control over the bank's deposit-money creation operation. And a clearly distinct savings operation would present operating complications stemming from the two-banks-in-one operation.

Suggest New Central Asset-Buying Facility

Perhaps a new institution along the following lines would be useful: owned jointly by a large number of banks with capital enough to serve as a base for public sale of bonds (not to banks) as needed, this bank would stand ready to enter into repurchase agreements for blocks of mortgages or other long-term assets of a savings department for periods of six months, a year or more, where money is needed to meet deposit declines. Thirty- or 60-day non-renewable repurchase deals might be available to help banks meet temporary spurts in loan needs, but I do not want to try to match the H. L. B. as a source of money for expanded lending.

It should be clear that I am pointing to an underemphasized and unsolved competitive problem area and suggesting a vigorous industry search for a satisfactory answer rather than putting forward a definitive solution.

You will note that I do suggest more than an asset-buying institution. The F. H. L. B. setup helps its members avoid the need to liquidate long-term investments in bad markets and at poor prices. New mortgage-buying organizations, 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 losses in periods of tight money and high interest rates — when they would be most used by the banks—could be heavy.

Now let me summarize my thoughts in this highly important area. Your competitors have a liquidity setup which lets them invest savings with little concern for investment liquidity. This gives them a striking earnings advantage. Banks should vigorously seek to develop institutional arrangements so that they do not have to continue to pay the price of having, as individual banks, to provide their own liquidity.

But relieved concern for liquidity in the form of a new institutional setup that would supply liquidity for the savings operation is at best years in the future. Of immediate concern and vital significance is the question, "Just how much liquidity do the CB's *need* in investing savings funds?"

Clearly, the answer to this turns on your appraisal of the vulnerability to withdrawal over time of your savings money.

Important Questions

Let me emphasize the importance I attach to this question by several seemingly dogmatic statements:

(1) It is crystal clear—to me at least—that few commercial banks can compete effectively for savings if savings deposits are treated as essentially the same kind of money as demand deposits.

(2) Banks that treat savings money as highly vulnerable, that invest cautiously and at uncompetitive returns, create a real danger of self-fulfilling prophecy. Let me explain. If they don't earn well on savings, they can't pay competitive rates for long. And failure to pay competitive rates can well mean that their bank's savings melt away to competitors —even in a period when total savings in their market are growing lustily. A vicious circle, indeed.

(3) If banks don't especially value savings money, and act accordingly, the public isn't going to give a damn about it—so long as there are competing institutions who are eager for their savings dollars.

(4) Until they are clearly proven wrong, the S & L's are unlikely to change their general assessment that savings deposits are relatively unvulnerable to sharp and sustained decrease.

Questions Legal Distinctions

It is clear that the S & L industry, the MSB industry and the commercial banking industry—as industries—have assessed the inherent volatility of basic savings deposits very differently. The S & L's clearly have premised their investment policies on assessment of savings deposits as long-term money. While as individuals you bankers have differed widely, as a group your judgments of the basic characteristics of the savings dollars seem properly characterized as one of "uncertainty" and caution. Your collective uncertainty is reflected in the wide differences with which you bankers appraise the attractiveness of savings and in the way you use savings money. Moreover, it is reflected in the attitudes of Congress and of banking supervisors, and hence in the regulations you have to live by. As a prime example, as you well know, the laws limiting the percentages of savings that you can invest in mortgages, and the length of mortgages you can write, are much more restrictive than those that apply to the savings dollars flowing into competing institutions. Are there really basic differences (other than those self-created through lower interest rates) in the kind of money you have attracted and that your competitors have garnered that justify, logically and basically, the different management and legal appraisal of this money?

I don't know. But more important, I don't think you bankers really know!

Let me frankly acknowledge that solid, confident assessment of the basic characteristics of saving money that must extend into the always uncertain future is no easy job. There is evidence that these characteristics will be affected by the income levels of the savers, the purposes for which they save, their sensitivity to changes in income available through other savings instruments or at other deposit institutions, the income stability of the savers and their state of optimism regarding the future. Your assessment in the distinctive circumstances of your bank and its customers may well be different from that of other bankers. It will certainly be influenced by, as well as help determine, the interest rate you pay. It will be influenced by your competition and their moves.

Do you know as much about your savers, why they are with you, and why the totals of their deposits with you have changed, as you can and as you should for an effective analysis? My own spotty and unsystematic observation sugests that few bankers have really tried to make an organized and exhaustive analysis of their savings money. Until you do, as individual banker leaders and as an industry, you can have impressions, some rough ideas. But can you have full confidence in your assessment? Can you be convincing to your state banking commissioner or a Congressional committee?

Unwarranted Savings' Treatment

My own impressions — and I emphasize that they can be impressions only, not confident appraisal—are that the basic savings of banks paying a good rate and actively promoting savings will prove to have a much higher degree of inherent stability, as totals, over time that you bankers as a group—or your lawmakers—have been willing to acknowledge. I would go further and conclude that they are little different from those of your S & L competitors. Consequently, I am moved to the view that existing legislation and supervisory practices which impose very different limits on bank use of savings money than on the S & L's is unsoundly premised.

But effective challenge of long-standing premises, however dubious, requires hard, factual analysis and solid projections of a sort that justifies conviction, not emotional opinion or even informed speculation. In other words, the job of analysis and projection of savings money characteristics is a necessary prerequisite for sound legislative proposals. This analysis is a job both for the industry and for individual bankers. A great many of you have not invested so aggressively as the present laws permit, and of course any general liberalization would be permissive rather

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than mandatory. So you must firm up more solidly what you can and should do with your savings dollars.

Differences in Mortgage Investments

Now let's turn to another area of competitive disadvantage—tighter legislative restraints on CB mortgage lending practice than on that of your competitors. These include length of maturity, percentage of appraised value and other significant terms that influence the rate that can be charged. Why should CB custodians of the savers' dollars have less freedom of action than their competitors? Surely it cannot be argued that the S & L's are better prepared to absorb the losses that might well follow from especially aggressive lending. One argument does have some logic if it is valid. Some S & L spokesmen argue to the effect that their specialization in mortgage investment has given them a depth of knowledge and experience — a management expertise—in mortgage lending that commercial banks do not have. Even if this evaluation of comparative management skills were generally valid, *must* it be so? In one field after another, commercial banks have had to develop new lending skills and capabilities among their personnel or to go outside to get men with the needed specialized knowledge and talents.

I do not conclude that the broad lending operations of CB's means that they cannot be competitively effective in mortgage lending or be less skilled or discreet than their competitors. True, the president of a CB is less likely to be a mortgage specialist than the S & L president. On the other hand, the bank president should be expected to bring a useful perspective and objectivity to supervision of the activities of mortgage lending officers.

Moreover, loosening of mortgage lending constraints on commercial banks would permit but not require more liberal mortgage lending. I would caution that the limited bad debt experience in postwar years of the S & L's does not in itself prove the soundness of their more liberal lending practice. We have had a seller's market for housing in most markets for two decades—this may well not be the case in the next two. Further, the rate of inflation of home values of the last 20 years has served to conceal the weaknesses of a lot of home loans —to make bad loans look good on the record. Effective mortgage lending may well become more difficult in the future, so that the practices of the most liberal lenders in the recent past may be a poor guide to the keenest practice for the future. But I am unwilling to conclude that the commercial bankers are not worthy of the same freedom of action as their competitors and that the present disparity is justifiable.

Cost-Free Capital Competition

A further earnings advantage of the competing institutions organized as mutuals stem from their pools of cost-free funds in accumulated capital reserves. True, their earnings on invested capital may often be pre-empted through the need to expand capital to support growth. Otherwise, or in the short run, the added earnings on capital are available to cover current dividend requirements. Obviously, bank stockholders are not *gratis* suppliers of capital; they properly expect from management a good return on total capital including that supporting the savings operation. The cost-free capital position of the successful mutuals is a basic aspect of their operation as a mutual rather than for stockholder profit. If anything, the recent tax legislation might well—in the short run, at least—activate this inherent advantage competitively by encouraging the more generously capitalized mutuals to pay out a higher percentage of earnings in dividends and have a smaller net subject to taxation. In any case, I see no fruitful possibility for legislation that would cut into the cost-free capital advantage of the mutuals.

Subordinated Debt Issue Financing

Indirectly, however, one of the recent policy changes of the Comptroller may prove helpful and hence deserves brief highlighting here. A number of commercial banks are experiencing rapid growth in savings along with limited earnings growth from the savings. If the deposit growth continues, more capital will be needed. If the savings growth is low-income return business, low-cost capital to support this growth becomes especially desirable. On the basis of inquiry and analysis which I won't detail here, I have become impressed with the cost advantages of moderate use of subordinated-debt issues over added issues of common stock. To a lesser extent, preferred stock is also a relatively low-cost source of capital compared to common stock. The Comptroller has indicated his willingness to regard subordinated debt and preferred stock as acceptable, normal instruments for raising capital for national banks. Similar freedom for state banks to raise capital in this form, for which only supervisory policy changes would be necessary in most states, would, in my view, be desirable. Wider bank use of these lower-cost sources for additional capital needs would somewhat cut into the cost-free capital advantage of the mutuals, while still leaving the banks with the advantages that go with stockholder ownership.

Would Remove Regulation "Q"

At this late point in my remarks, let me pay my respects, or more accurately, disrespects, to Regulation Q. Obviously, I have been mainly concerned with the barriers to outstanding earnings performance, and if you can't earn well, you can't be particularly concerned with the present ceilings on interest imposed by Regulation Q. Yet Regulation Q should go. My quarrels with Q are on somewhat familiar grounds. As suggested by my earlier comments, I object on principle to restraints that apply to only one of several competing industries. Further, I favor a maximum of freedom of maneuver for management, unless and until it is clear that restraints are necessary to prevent managements from dangerous folly. Too often, as Regulation Q has in periods of the past, such restraints have been a device to slow the vigorous competitor to the languid pace of the slow-moving mass. In a myopic view that their main competition for savings is from other commercial banks, many bankers have seen the restraints on the banking industry as a protection from the rigorous demands and pressures of competition. My objections are on practical or tactical grounds as well. Too often, changes in the ceilings along particular lines have led banks to jump *en masse* to the new maximum levels, without careful consideration of the interest rate strategy that would best suit their circumstances. Now, I submit, is a good time to get rid of Regulation Q, or if it makes you and the Fed more comfortable, to put it in the stand-by deep freeze. If it went into the deep freeze, I would strongly hope—and trust—that it would never be brought out.

*An address by Professor Williams before the 60th National Savings Conference, sponsored by the Savings Division of The American Bankers Association, New York City.

NYSE Elects To Board

Henry M. Watts Jr. has been re-elected for a second one-year term as Chairman of the Board of Governors of the New York Stock Exchange.

Henry M. Watts, Jr.

Mr. Watts, a senior partner of Mitchel, Schreiber, Watts & Co., has been a member of the Board since 1958 and served as Vice-Chairman in 1961.

Five new Governors were elected and four present Governors were re-elected, all for three-year terms. Annual elections have been held since 1817 when the Exchange, then in its 25th year, adopted a formal Constitution.

The five new Governors are: D. Frederick Barton, managing partner of Eastman Dillon, Union Securities & Co.; Gustave L. Levy, a partner of Goldman, Sachs & Co.; Harry C. Piper Jr., a partner of Piper, Jaffray & Hopwood in Minneapolis, Minn.; Albert Pratt, a partner of Paine, Webber, Jackson & Curtis in Boston, and Milton R. Underwood, President of Underwood, Neuhaus & Co., Incorporated in Houston, Texas.

The four Governors re-elected are: Richard M. Crooks, a partner of Thomson & McKinnon; Stephen A. Koshland, a partner of Carl M. Loeb, Rhoades & Co.; John J. Phelan, a partner of Nash & Co., and Robert J. Lewis, a partner of Estabrook & Co.

Total membership of the Board is 33, including the Exchange's President, Keith Funston, and three Governors not connected with the securities industry, who are appointed as representatives of the public.

Re-elected for three-year terms as Trustees of the Gratuity Fund, from which payments are made to the families of deceased members, are: William K. Beckers, of Spencer Trask & Co., and John Rutherfurd, of John Rutherfurd & Company.

Wall Street Art Assn. Semi-Annual Exhibit

The Wall Street Art Association is holding its semi-annual exhibit at the Park Avenue and 53rd Street office of First National City Bank.

Our Reporter on GOVERNMENTS

BY JOHN T. CHIPPENDALE, JR.

It appears to be the current opinion in the money market that the present level of short-term rates is high enough so that there will not be any important outflow of funds from here even though there will be from time to time losses of gold. In addition the more favorable economic outlook for the country is considered to be a point of strength as far as the readily moveable funds are concerned, since a healthy and improving business pattern is generally conducive to somewhat higher interest rates because of the enlarging needs for credit.

The capital market has been digesting the bonds which have come into the new issue market, at prices which are generally under the ones at which they were originally offered to the public. This is a development which cannot but have a favorable effect on the long-term bond market.

Bond Yields on Plateau?

The capital market, largely due to a breathing spell in the flotation of corporate bonds along with the belief that the Government will not be offering long-term bonds for new money raising purposes for quite a while, is showing signs of improving its tone because the upward trend in yields may have been seen for a while. Accordingly, many of these outstanding issues are finding permanent spots in the portfolios of investors. The demand stems from the fact that these obligations have reached levels that have been attractive to investors who are still very yield-conscious.

Nevertheless, it does not appear as though the level of the capital market will change too much in the foreseeable future, especially as far as yield increment is concerned, assuming the Treasury refrains from crowding this area for new money raising purposes. The controlling factor is the very large supply of funds available for the purchase of fixed income bearing obligations. In addition, as long as there is no return of the inflation psychology, there is not likely to be a shift of funds from bonds into common stocks as a hedge against the loss of purchasing power.

Contrary Opinion

This, however, might be an iffy proposition because there is not a small group in the financial district who are of the opinion that the economy is now moving on to much improved conditions which will eventually bring about a return of the boom. And in order to protect one's position against such a happening, there will be shifts in investment policies so that fixed income bearing obligations will lose a great deal of their glamour in favor of equities.

This is a development which has taken place in the past when the boom and bust psychology was strong and the bond market was plagued with curtailed credit and high interest rates. It is quite evident that the monetary authorities will not allow the economy to run away, which should mean that restrictive policies that would have a marked influence on credit and interest rates would be in the offing under such conditions.

New Treasury $4\frac{1}{8}$s in Demand at Lower Price

The Treasury market remains steady despite the fact that the long-term new money raising Treasury $4\frac{1}{8}$% of 1989/93 was not too well received at the original offering price of $100\frac{3}{4}$ and is being put away at prices which are just a bit under the one which the syndicate paid for the $300,000,000 issue. The fact that the price decline from the first price of $100\frac{3}{4}$ was so small, or in the area of $100\frac{3}{8}$, indicates that there is still a real investment interest in Government bonds, the best credit available when the yield is such as to meet the ideas of the institutional buyer. According to reports, pension funds of the public variety have been among the important buyers of this recent new issue of the Government.

The fact that the Treasury was able to take care of the May 15 maturities in such a successful way through the exchange offer involving mainly near-term obligations points out the demand which is still in existence for the most liquid Government securities. It is this area of the Government market which the Treasury and the monetary authorities have been using to take some of the pressure off our balance of payments problem.

Hanes Named Dir.

John W. Hanes, Jr., investment banker and former U. S. Assistant Secretary of State, has been elected a director of Olin Mathieson Chemical Corporation.

John W. Hanes, Jr.

Mr. Hanes has been an associate of the New York investment banking firm of Wertheim & Co. since 1961, following several years' service with the State Department. He was Special Assistant to the Secretary of State from 1953 to 1957; Deputy Assistant Secretary of State for United Nations Affairs, 1957-59, and Assistant Secretary of State for Security and Consular Affairs, 1959-61.

He has represented the United States at numerous international conferences. He served as U. S. Commissioner of the Caribbean Commission in 1960-61, U. S. Representative to the Council of the Intergovernmental Committee for European Migration, Geneva, Switzerland, 1959-60, and was Vice Chairman of the U. S. Delegation to the UNESCO General Conference in Paris in 1958.

During World War II, Mr. Hanes served in the U. S. Army, rising from private to Captain. He was graduated from Yale University in 1950 and was an economic specialist in the Office of the High Commissioner, Germany, from 1950 to 1952.

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Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

NOTE — Registration statements filed with the SEC since the last issue of the "Chronicle" are now carried separately at the end of this section "Securities Now in Registration." Dates shown in parenthesis alongside the company's name, and in the index, reflect the expectations of the underwriter but are not, in general, firm offering dates.

Also shown under the caption "Effective Registrations" are those issues which became effective this week and were offered publicly.

Airway Hotels, Inc.
April 1, 1963 filed 200,000 common. **Price**—$5. **Business**—Company owns and operates a chain of motor hotels, apartment buildings and a shopping center. **Proceeds**—For loan repayment, expansion and other corporate purposes. **Office** — 901 Fuhrmann Blvd., Buffalo, N. Y. **Underwriter**—None.

Alaska Power & Telephone Co.
April 1, 1963 filed $600,000 of 6% subordinated debentures due 1978, 240,000 common, and 10-year warrants to purchase an additional 180,000 common. The securities will be offered in 600 units each consisting of one $1,000 debenture, 400 common, and 300 warrants. Registration also covers an additional 92,500 outstanding common. **Price** — By amendment. **Business** — Company furnishes electricity and telephone service to Alaskan communities of Craig, Skagway, and Tok, and supplies electricity to Seldovia. **Proceeds**—For debt repayment, construction and working capital. **Address**—Fifth Ave., Skagway, Alaska. **Underwriter**—Jay W. Kaufman & Co., New York. **Offering**—Indefinite.

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, to be offered in units of one $20 debenture (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, land development, and working capital. **Office** — 3756 Lamar Ave., Memphis, Tenn. **Underwriter**—To be named.

All-State Properties, Inc.
April 24, 1962 filed $5,000,000 of conv. subord. debentures due 1977. **Price**—At par. **Business**—Company and subsidiaries conduct a general real estate business with emphasis on land development and home construction in Fla., Md., N. Y., and Ky. **Proceeds**—For repayment of debt. **Office**—230 Park Ave., N. Y. **Underwriters**—To be named.

Amerel Mining Co. Ltd.
July 31, 1961 filed 400,000 common shares. **Price**—50¢. **Business**—The company is engaged in exploration, development and mining. **Proceeds**—For diamond drilling, construction, exploration and general corporate expenses. **Office**—80 Richmond St., W., Toronto. **Underwriter**—E. A. Manning, Ltd., Toronto.

American Annuity Life Insurance Co.
March 29, 1963 filed 154,000 common, of which 125,000 are to be offered by company and 29,000 by certain stockholders. **Price**—By amendment (max. $7). **Business**—Writing of ordinary life insurance. **Proceeds**—For investment. **Address**—807 American Bank & Trust Bldg., Lansing, Mich. **Underwriter**—First of Michigan Corp., Detroit.

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American Biltrite Rubber Co., Inc. (5/27-31)
May 1, 1963 filed $5,000,000 of convertible subordinated debentures due May 1, 1983. **Price** — By amendment. **Business** — Company produces a variety of rubber and vinyl products. **Proceeds**—For prepayment of loans. **Office**—22 Willow St., Chelsea, Mass. **Underwriter**—Goldman, Sachs & Co., New York.

American Mortgage Insurance Co.
Jan. 10, 1963 filed 31,070 common to be offered for subscription by stockholders on the basis of one share for each five shares held. **Price**—$18. **Business**—A mortgage insurance company. **Proceeds** — For investments. **Office**—300 St. Salisbury St., Raleigh, N. C. **Underwriter**—None.

American Pacific Fund, Inc.
July 9, 1962 filed 94,500 common. **Price**—Net asset value. **Business**—An open-end management company specializing in life, health, casualty and accident insurance. **Proceeds**—For investment. **Office**—1523 Kalakaua Ave., Honolulu. **Underwriter**—American Pacific Management Corp. (same address).

Ampeg Co., Inc.
Oct. 29, 1962 ("Reg. A") $294,000 7% conv. subord. debentures due 1972 and 29,400 common to be offered in units of one $1,000 debenture and 100 shares. **Price**—$1,020 per unit. **Business**—Manufacture of amplifiers and accessory equipment for musical instruments. **Proceeds**—For inventory, equipment, debt repayment and new products. **Office**—1570 W. Blancke, Linden, N. J. **Underwriter**—John R. Boland & Co., Inc., New York. **Offering**—Indefinite.

● **Associates Investment Co.**
April 24, 1963 filed $50,000,000 of debentures due May 1, 1984. **Price**—By amendment. **Business**—A sales finance company which also makes personal installment loans and provides the insurance incident to such financing. **Proceeds**—For general corporate purposes. **Address**—320 Associates Bldg., South Bend, Ind. **Underwriters**—Lehman Brothers and Salomon Brothers & Hutzler. **Offering**—Imminent.

● **Atlantis International Corp.**
April 30, 1963 filed 100,000 common. **Price**—$4. **Business**—A real estate development company. **Proceeds**—For debt repayment, property improvement, and working capital. **Office**—700 Park Ave., Plainfield, N. J. **Underwriter**—S. Schramm & Co., Inc., New York. **Offering**—Expected in July.

Atlas Management Co.
March 28, 1963 filed $1,500,000 of 6% conv. subord. debentures due 1978. **Price**—At par. **Business**—A holding company for two insurance subsidiaries. **Proceeds**—For loan repayment, investment, and advances to subsidiaries. **Office**—112 California Ave., Reno, Nev. **Underwriter**—None.

● **Automatique, Inc. (6/3-7)**
April 26, 1963 filed 254,975 common, of which 185,000 are to be sold by company and 69,975 by certain stockholders. **Price**—By amendment (max. $8.25). **Business**—Company, through subsidiaries and joint ventures, is engaged in the general vending and food service business. **Proceeds** — For acquisitions, debt repayment, and other corporate purposes. **Office** — 2540 West Pennway, Kansas City, Mo. **Underwriters**—Kidder, Peabody & Co., Inc., New York, and Barret, Fitch, North & Co., Inc., Kansas City.

● **Bank "Adanim" Mortgages & Loans, Ltd.**
April 9, 1963 filed 84,303 of 8% cumulative preference dividend participating shares. **Price** — $3.33 per share. **Business** — A mortgage loan company. **Proceeds** — To grant loans to immigrants and other persons in need of housing in Israel. **Office**—108 Achad Haam St., Tel Aviv, Israel. **Underwriter**—Sakier & Co., Inc., New York. **Offering**—Imminent.

● **Big G Corp. (5/27-31)**
April 17, 1963 ("Reg. A") $100,000 of 7% convertible debentures due 1968, and 25,000 common shares to be offered in units of one $100 debenture and 25 shares. **Price**—$287.50 per unit. **Business**—Operation of licensed departments in department stores, selling clothing, records, pocketbooks, sporting goods, greeting cards, etc. **Proceeds**—For inventory, expansion and debt repayment. **Office** — 550 5th Ave., New York. **Underwriter** — A. J. Davis Co., Pittsburgh.

Bonanza Gold, Inc.
March 4, 1963 ("Reg. A") 750,000 common. **Price**—20 cents. **Business**—Exploration and development of gold placer claims in Alaska. **Proceeds**—For general corporate purposes. **Office**—E. 15 Walton Ave., Spokane. **Underwriter**—Duval Securities, Spokane. **Offering**—Imminent.

Brown Engineerng Co., Inc. (5/27-31)
May 2, 1963 filed 110,000 common, of which 50,000 will be offered by company and 60,000 by stockholders. **Price**—By amendment (max. $28). **Business**—Company is engaged in engineering and manufacturing activities in support of the research and development phases of space vehicle programs. **Proceeds**—For working capital. **Office**—300 Sparkman Dr., N. W., Huntsville, Ala. **Underwriter**—Goodbody & Co., New York.

Canaveral Hills Enterprises, Inc. (6/3-7)
May 10, 1962 filed 100,000 common. **Price**—$5. **Business**—Company was formed to own and operate a country club and golf course, swimming pool and cabana club, near Cape Canaveral, Fla., and develop real estate, erect homes, apartment houses, motels, etc. **Proceeds**—For debt repayment and expansion. **Office**—309 Ainsley Bldg., Miami, Fla. **Underwriter**—Willis E. Burnside & Co., Inc., New York.

Career-Ways Systems, Inc.
April 18, 1963 ("Reg. A") 100,000 capital shares. **Price**—$3. **Business**—Co. plans to keep an electronic filing system of skills for employment of members. **Proceeds**—For equipment, inventory, research and working capital. **Address**—Route 206 Center, Princeton, N. J. **Underwriter**—Chase Securities Corp., N. Y.

Castle Hospitality Services, Inc.
Dec. 14, 1962 filed $500,000 of 8% debentures due 1969. **Price**—At par ($1,000). **Business**—Company plans to offer management and consultant services to motels and furnish them with equipment. **Proceeds**—For general corporate purposes. **Office**—1068 S. Ocean Blvd., Pompano Beach, Fla. **Underwriter**—None.

Cedar Lake Public Service Corp.
March 20, 1962 filed 9,964 common. **Price**—$100. **Business**—Company plans to qualify as a public utility and furnish water and sewage disposal services in and around Cedar Lake, Inc. **Proceeds**—To construct a sewage disposal system. **Address**—R.R. N. 3, Box 28, Cedar Lake, Ind. **Underwriter**—None.

Centennial Life Insurance Co.
March 6, 1963 filed 260,000 capital shares. **Price**—By amendment (max. $3). **Business**—Company is engaged in writing life insurance in Oregon and Washington. **Proceeds**—For additional capital and surplus. **Office**—811 S. W. Sixth, Portland, Oregon. **Underwriter**—June S. Jones Co., Portland.

Central Illinois Public Service Co. (5/21)
April 22, 1963 filed $10,000,000 of first mortgage bonds, series I, due May 1, 1993. **Proceeds** — For construction. **Office**—607 E. Adams St., Springfield, Ill. **Underwriters**—(Competitive). Probable bidders: Eastman Dillon, Union Securities & Co. - Equitable Securities Corp. (jointly); Blyth & Co.-Kidder, Peabody & Co.-Merrill Lynch, Pierce, Fenner & Smith Inc. (jointly); Halsey, Stuart & Co. Inc.; Salomon Brothers & Hutzler; First Boston Corp.; Lehman Brothers - Bear, Stearns & Co. (jointly). **Bids**—May 21 (10:30 a.m. CDST) at 20 No. Wacker Dr. (21st floor), Chicago.

Charter Oak Life Insurance Co.
March 29, 1963 filed 500,000 class A common. **Price**—$2. **Business**—A legal reserve insurance company. **Proceeds**—For investment, and expansion. **Office** — 411 North Central Ave., Phoenix. **Underwriter**—None.

● **Chemair Corp. (6/10-14)**
Dec. 28, 1962 filed $150,000 of 6% subordinated income debentures due 1973 and 30,000 common shares to be offered in units consisting of one $10 debenture and two common. **Price**—$12 per unit. **Business**—Production and sale of chemicals designed to control odors, bacterial growth and air pollutants; and development, production and sale of an electronic vaporizing unit for dispensing such chemicals. **Proceeds**—For debt repayment, equipment, sales promotion and working capital. **Office**—221 N. La Salle St., Chicago. **Underwriter**—Price Investing Co., New York. **Note**—This company formerly was named Chemair Electronics Corp.

Chesapeake Fund, Inc.
March 5, 1963 filed 100,000 common. **Price** — Net asset value. **Business** — A closed-end investment company. **Proceeds**—For investment. **Office** — 156 South St., Annapolis, Md. **Underwriter**—None.

Chestnut Hill Industries, Inc.
Nov. 29, 1961 filed 300,000 class A common, of which 225,000 are to be offered by the company and 75,000 by stockholders. **Price**—$5. **Business**—Design and manufacture of women's, misses' and junior sportswear, coordinates, and dresses. **Proceeds**—For debt repayment, equipment and working capital. **Office**—2025 McKinley St., Hollywood, Fla. **Underwriter**—Clayton Securities Corp., Boston, Mass. **Offering**—Indefinite.

● **Citadel Life Insurance Co. of New York (5/20-24)**
March 26, 1963 filed 40,000 capital shares to be offered for subscription by stockholders on the basis of two new shares for each three held. **Price**—By amendment (max. $26). **Business**—Writing of life, accident, health and disability insurance, and annuities. **Proceeds**—For expansion. **Office**—444 Madison Ave., N. Y. **Underwriter**—Alex. Brown & Sons, Baltimore.

Clark Cable Corp.
April 25, 1963 filed 121,915 common. **Price**—By amendment (max. $6). **Business** — Manufacture and development of electronic, electrical, and mechanical systems and components; also wholesale distribution of electrical components. **Proceeds** — For selling stockholders. **Office**—3184 W. 32nd St., Cleveland. **Underwriter**—Fulton, Reid & Co., Inc., Cleveland.

Colorado Imperial Mining Co.
Sept. 20, 1962 filed 200,000 common. **Price**—$1. **Business**—General mining. **Proceeds**—For exploration and operating expenses. **Office**—Creede, Colo. **Underwriter**—None.

Commercial Life Insurance Co. of Missouri
Nov. 26, 1962 ("Reg. A") 46,000 common to be offered for subscription by stockholders on the basis of one share for each 3.36 common shares held. **Price**—At-the-market. **Business**—Sale of health, accident, life and hospital insurance. **Proceeds**—For working capital. **Office**—3570 Lindell Blvd., St. Louis. **Underwriter**—Edward D. Jones & Co., St. Louis. **Offering**—Indefinite.

Common Market Fund, Inc.
March 7, 1963 filed 2,000,000 capital shares. **Price**—Net asset value plus 8.5%. **Business**—A new mutual fund specializing in securities of foreign and American com-

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panies operating in the European Common Market. **Proceeds**—For investment. **Office**—9465 Wilshire Blvd., Beverly Hills, Calif. **Underwriter**—Kennedy, Cabot & Co. (same address). **Offering**—Expected in June.

Community Health Associations, Inc.
April 12, 1963 filed 150,000 common, of which 100,000 are to be offered by company and 50,000 by Harry E. Wilson, President. **Price**—$15. **Business**—Sale of hospital and surgical insurance contracts. **Proceeds**—For investment, sales promotion, and other corporate purposes. **Office**—4000 Aurora Ave., Seattle, Wash. **Underwriter**—None.

● **Consolidated Leasing Corp. of America (5/22)**
April 11, 1963 refiled $2,500,000 of 6½% debentures due 1978 (with warrants); also 75,000 units, each consisting of two shares of 7% convertible preferred and one share of common. **Price**—By amendment. **Business**—Leasing of cars, trucks and equipment. **Proceeds**—For debt repayment, and other corporate purposes. **Office**—1012 Baltimore Ave., Kansas City, Mo. **Underwriters**—A. C. Allyn & Co., Chicago and Walston & Co., New York.

Consolidated Oil & Gas, Inc.
Feb. 28, 1963 filed $2,432,500 of 6% sinking fund debentures due 1975 (with warrants) to be offered for subscription by common stockholders on the basis of $500 of debentures for each 500 shares held of record May 8. Rights will expire about June 8. **Price**—At par. **Business**—Company is engaged in the acquisition of oil and gas leaseholds. **Proceeds**—For note repayment and working capital. **Address** — 4150 East Mexico Ave., Denver. **Underwriter**—None.

Consolidated Resources Corp.
March 29, 1963 filed 79,700 common. **Price**—$6. **Business**—An insurance holding company. **Proceeds**—For investment. **Office**—420 Madison Ave., New York. **Underwriter**—None.

Consolidated Vending Corp.
April 2, 1962 filed 70,000 common. **Price**—$5.75. **Business**—Operation of vending machines. **Proceeds**—For debt repayment, working capital and other corporate purposes. **Office**—129 S. State St., Dover, Del. **Underwriter**—To be named. **Note**—This registration will be withdrawn.

● **Consultant's Mutual Investment, Inc. (5/20-24)**
Dec. 21, 1962 filed 500,000 common. **Price**—$10. (For an initial period the fund will also offer its shares in exchange for acceptable securities on the basis of one share for each $10 market value of securities). **Business**—A new mutual fund. **Proceeds**—For investment. **Office**—211 S. Broad St., Philadelphia. **Underwriter**—Gerstley, Sunstein & Co., Philadelphia.

● **Copenhagen (City of) (5/21)**
April 24, 1963 filed $15,000,000 of sinking fund external loan bonds due May 15, 1978. **Price** — By amendment. **Proceeds**—For additions and improvement to the City's facilities. **Underwriters** — Smith, Barney & Co., Inc.; Kuhn, Loeb & Co., Inc.; Harriman Ripley & Co., Inc., and Lazard Freres & Co., New York.

● **Cosmodyne Corp. (5/21)**
April 1, 1963 filed 150,000 common. **Price**—By amendment (max. $18). **Business**—Design, development and manufacture of equipment used for pumping, storing and transporting super cold liquids. **Proceeds**—For loan repayment, and working capital. **Office**—3232 W. El Segundo Blvd., Hawthorne, Calif. **Underwriter**—Merrill Lynch, Pierce, Fenner & Smith Inc., New York.

Danac Real Estate Investment Corp.
Feb. 1, 1963 filed 150,000 common. **Price**—$10. **Business**—Real estate development and ownership. Company plans to deal primarily in commercial, light industrial and apartment properties. **Proceeds**—For debt repayment, and other corporate purposes. **Office**—1710 Chapman Ave., Rockville, Md. **Underwriter** — Ferris & Co., Washington, D. C. **Offering**—Imminent.

Defenders Insurance Co.
Jan. 30, 1963 filed 100,000 common. **Price**—$12.50. **Business** — Company plans to write automobile insurance. **Proceeds**—For general corporate purposes. **Office**—143 Old Country Rd., Mineola, N. Y. **Underwriter**—None.

Deuterium Corp.
Sept. 28, 1962 filed 120,000 common with attached warrants to purchase an additional 120,000 shares to be offered for subscription by holders of its stock and debentures in units (of one share and one warrant) on the basis of 3 units for each 5% prior preferred share held, 2 units for each 5% preferred A stock held and 40 units for each $1,200 face amount of non-interest bearing subordinated debentures held. At the same time, the company will offer the securities to the public. **Price**—To subscribers, $20; to public, $22.25. **Business**—Company plans to erect a small size production and experimental plant for the limited manufacture of deuterium and deuterium oxide, and to establish and equip a general research laboratory. **Proceeds**—For working capital, construction, equipment and other corporate purposes. **Office**—360 Lexington Ave., N. Y. **Underwriter**—None.

Diversified Collateral Corp.
June 13, 1962 filed 77,050 common. **Price**—By amendment (max. $11.75). **Business**—A real estate investment company. **Proceeds**—For investment. **Office**—8397 N. E. Second Ave., Miami, Fla. **Underwriter**—None.

Diversified Resources, Inc.
Jan. 16, 1963 ("Reg. A") 67,000 common. **Price**—$3. **Business**—Manufacture of a lightweight structural board and sheet insulating material (wallboard). **Proceeds**—For equipment, leasing of working space, advertising, and working capital. **Office**—42 Broadway, N. Y. **Underwriter**—A. J. Gabriel Co., Inc., New York. **Offering**—Imminent.

Continued on page 30

NEW ISSUE CALENDAR

May 17 (Friday)

Pall Corp. — Class A
(Offering to stockholders—underwritten by L. F. Rothschild & Co.) 61,627 shares

May 20 (Monday)

Citadel Life Ins. Co. of New York — Capital Stock
(Offering to stockholders—underwritten by Alex. Brown & Sons) 40,000 shares

Consultant's Mutual Investments, Inc. — Common
(Gerstley, Sunstein & Co.) $5,000,000

Florida Jai Alai, Inc. — Common
(Consolidated Securities Corp.) $1,500,000

Globe Security Systems, Inc. — Common
(Drexel & Co.) 200,000 shares

Pictronics, Inc. — Common
(G. K. Shields & Co.) $300,000

Sternco Industries, Inc. — Class A
(Oppenheimer & Co.) 25,000 shares

Sternco Industries, Inc. — Debentures
(Oppenheimer & Co.) $400,000

United Servomation Corp. — Common
(Hemphill, Noyes & Co.) 215,000 shares

May 21 (Tuesday)

Central Illinois Public Service Co. — Bonds
(Bids 10:30 a.m. CDST) $10,000,000

Copenhagen (City of) — Bonds
(Smith, Barney & Co., Inc.; Kuhn, Loeb & Co., Inc.; Harriman Ripley & Co., Inc., and Lazard Freres & Co.) $15,000,000

Cosmodyne Corp. — Common
(Merrill Lynch, Pierce, Fenner & Smith Inc.) 150,000 shares

Great Northern Ry. — Equip. Trust Ctfs.
(Bids 12 noon EDST) $6,600,000

Hunsaker (S. V.) & Sons — Units
(Bateman, Eichler & Co.) $1,500,000

Southeastern Mortgage Investors Tr. — Ben. Int.
(Fleetwood Securities Corp. of America) $10,000,000

May 22 (Wednesday)

Consolidated Leasing Corp. of America — Debens.
(A. C. Allyn & Co., and Walston & Co.) $2,500,000

Consolidated Leasing Corp. of America — Units
(A. C. Allyn & Co., and Walston & Co.) 75,000 units

Interstate Power Co. — Bonds
(Bids 11 a.m. EDST) $6,000,000

Interstate Power Co. — Common
(Offering to stockholders—bids 11:30 a.m. EDST) 132,294 shares

Maradel Products, Inc. — Common
(Hornblower & Weeks) 150,000 shares

Missouri Fidelity Life Insurance Co. — Common
(A. C. Allyn & Co.) 300,000 shares

National Fidelity Life Insurance Co. — Common
(E. F. Hutton & Co., Inc.) 72,455 shares

Southern California Edison Co. — Bonds
(Bids 8:30 a.m. PDST) $60,000,000

May 23 (Thursday)

New York Central RR. — Equip. Trust Ctfs.
(Bids 12 noon EDST) $2,700,000

May 27 (Monday)

American Biltrite Rubber Co., Inc. — Debens.
(Goldman, Sachs & Co.) $5,000,000

Big G Corp. — Units
(A. J. Davis Co.) 1,000 units

Brown Engineering Co., Inc. — Common
(Goodbody & Co.) 110,000 shares

Edgerton, Germeshausen & Grier, Inc. — Common
(Kidder, Peabody & Co., Inc.) 235,000 shares

Greenwich Gas Co. — Common
(Offering to stockholders—underwritten by F. L. Putnam & Co., Inc.) $499,988.75

Lunar Films, Inc. — Common
(Ingram, Lambert & Stephen, Inc.) $718,750

Mil National Corp. — Common
(Herbert Young & Co., Inc.) $376,000

Parkview Drugs, Inc. — Common
(Scherck, Richter Co.) 14,080 shares

Recreation Industries, Inc. — Common
(Costello, Russotto & Co.) $150,000

Southern Union Gas Co. — Debentures
(A. C. Allyn & Co.) $5,000,000

Southern Union Gas Co. — Preferred
(A. C. Allyn & Co.) 50,000 shares

Underwriters National Assurance Co. — Common
(K. J. Brown & Co., Inc.) $375,000

United Camera Exchange, Inc. — Common
(Ingram, Lambert & Stephen, Inc.) $300,000

May 28 (Tuesday)

Dow Jones & Co., Inc. — Common
(White, Weld & Co., Inc.; Goldman, Sachs & Co.; and Stone & Webster Securities Corp.) 110,000 shares

Freoplex, Inc. — Debentures
(Alessandrini & Co., Inc.) $200,000

Poulsen Insurance Co. of America — Common
(A. C. Allyn & Co.) 100,000 shares

Safran Printing Co. — Common
(White, Weld & Co. and Watling, Lerchen & Co.) 225,720 shares

May 30 (Thursday)

Lord Jim's Service Systems, Inc. — Common
(Keon & Co.) $100,000

June 3 (Monday)

Automatique, Inc. — Common
(Kidder, Peabody & Co., Inc. and Barret, Fitch, North & Co., Inc.) 254,975 shares

Canaveral Hills Enterprises, Inc. — Common
(Willis E. Burnside & Co., Inc.) $500,000

Commonwealth Telephone Co. — Common
(Offering to stockholders—underwritten by Eastman Dillon, Union Securities & Co.) 71,460 shares

Gem International, Inc. — Debentures
(Bosworth, Sullivan & Co., Inc.; Scherck, Richter & Co.; Dempsey-Tegeler & Co., Inc.) $3,750,000

Holiday Mobile Home Resorts, Inc. — Debentures
(Boettcher & Co. and J. R. Williston & Beane) $1,700,000

Investors Trading Co. — Capital Stock
(Nemrava & Co.) 200,000 shares

Life Assurance Co. of Pennsylvania — Capital Stock
(Auchincloss, Parker & Redpath and Arthurs, Lestrange & Co.) 100,000 shares

Mountain States Telephone & Telegraph Co. — Cap.
(Offering to stockholders—no underwriting) 4,037,432 shares

Optech, Inc. — Common
(Stone, Ackerman & Co., Inc. and Heritage Equity Corp.) $420,000

Peterson, Howell & Heather, Inc. — Common
(Alex. Brown & Sons) 33,383 shares

Red Kap, Inc. — Common
(Merrill Lynch, Pierce, Fenner & Smith Inc.) 240,000 shares

Rona Lee Corp. — Common
(Reuben Rose & Co., Inc.) 50,000 shares

Rona Lee Corp. — Debentures
(Reuben Rose & Co., Inc.) $250,000

Stephenson Finance Co., Inc. — Debentures
(Alester G. Furman & Co., Inc.) $1,000,000

June 4 (Tuesday)

Southern Pacific Co. — Equip. Trust Ctfs.
(Bids 12 noon EDST) $8,100,000

June 5 (Wednesday)

Missouri Pacific RR. — Equip. Trust Ctfs.
(Bids 12 noon CDST) $3,540,000

June 10 (Monday)

Chemair Electronics Corp. — Units
(Price Investing Co.) $180,000

Enzyme Corp. of America — Common
(Bristol Securities Inc.) $240,000

First American Israel Mutual Fund — Ben. Int.
(Paine, Webber, Jackson & Curtis) 27,500,000 shares

Key Training Service, Inc. — Common
(Seymour Blauner Co. and Shelton Securities Co.) $308,750

Leeds Shoes, Inc. — Common
(Strathmore Securities, Inc.) $315,000

Maust Coal & Coke Corp. — Common
(Eastman Dillon, Union Securities & Co.) 200,000 shares

Maust Coal & Coke Corp. — Debentures
(Eastman Dillon, Union Securities & Co.) $5,000,000

Orr (J. Herbert) Enterprises, Inc. — Common
(First Alabama Securities, Inc.) $1,050,000

June 11 (Tuesday)

Indiana Bell Telephone Co., Inc. — Debentures
(Bids 11 a.m. EDST) $20,000,000

St. Louis Shipbuilding-Federal Barge, Inc. — Com.
(Reinholdt & Gardner) 150,000 shares

June 12 (Wednesday)

Capital Cities Broadcasting Corp. — Common
(White, Weld & Co.) 250,000 shares

Pacific Northwest Bell Telephone Co. — Common
(Offering to stockholders of Pacific Telephone & Telegraph Co.—No underwriting) 13,013,969 shares

Pennsylvania Power Co. — Bonds
(Bids 11 a.m. EDST) $9,000,000

June 17 (Monday)

Travelers Express Co., Inc. — Common
(Dean Witter & Co.) 267,740 shares

June 18 (Tuesday)

Public Service Electric & Gas Co. — Bonds
(Bids 11 a.m. EDST) $40,000,000

June 24 (Monday)

Norfolk & Western Ry. — Equip. Trust Ctfs.
(Bids 12 noon EDST) $4,300,000

June 25 (Tuesday)

Southern California Gas Co. — Bonds
(Bids to be received) $40,000,000

June 26 (Wednesday)

Union Light, Heat & Power Co. — Bonds
(Bids 11 a.m. EDST) $6,500,000

June 27 (Thursday)

Natural Gas & Oil Producing Co. — Common
(Peter Morgan & Co.) $900,000

July 9 (Tuesday)

Illinois Bell Telephone Co. — Bonds
(Bids to be received) $50,000,000

July 10 (Wednesday)

Northern Illinois Gas Co. — Bonds
(Bids to be received) $20,000,000

July 17 (Wednesday)

Sierra Pacific Power Co. — Common
(Offering to stockholders—no underwriting) 172,340 shares

Sierra Pacific Power Co. — Debentures
(Bids to be received) $8,000,000

August 6 (Tuesday)

Indiana & Michigan Electric Co. — Bonds
(Bids to be received) $45,000,000

October 3 (Thursday)

Columbia Gas System, Inc. — Debentures
(Bids to be received) $25,000,000

October 8 (Tuesday)

Wisconsin Public Service Corp. — Bonds
(Bids to be received) $15,000,000

November 7 (Thursday)

Georgia Power Co. — Bonds
(Bids to be received) $30,000,000

Georgia Power Co. — Preferred
(Bids to be received) $7,000,000

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Dixie Lime & Stone Co.
Sept. 27, 1962 filed 100,000 common. **Price**—By amendment (max. $6.75). **Business**—Mining and processing of crushed granite, lime rock, and agricultural limestone. **Proceeds**—For loan repayment, and working capital. **Office**—11 N. Main St., Ocala, Fla. **Underwriter**—Courts & Co., Atlanta, Ga. **Note** — This registration will be withdrawn.

Doman Helicopters, Inc.
April 19, 1962 filed 418,680 common to be offered for subscription by stockholders on the basis of two new shares for each three held. **Price**—By amendment (max. $1.25). **Business**—Research, development and construction of experimental helicopters. **Proceeds** — To obtain certification of models, train service personnel, repay debt, etc. **Address**—Municipal Airport, Danbury, Conn. **Underwriter**—None. **Note**—The SEC has issued a stop order suspending this registration statement.

Donmoor-Isaacson, Inc.
Feb. 26, 1962 filed 150,000 common, of which 50,000 are to be offered by the company and 100,000 by stockholders. **Price**—By amendment (max. $12). **Business**—Design and manufacture of boys knit shirts, sweaters, and pajamas. **Proceeds**—For working capital. **Office**—1115 Broadway, N. Y. **Underwriter**—Goodbody & Co., New York. **Offering**—Indefinitely postponed.

Dow Jones & Co., Inc. (5/28)
May 1, 1963 filed 110,000 common. **Price**—By amendment (max. $120). **Business**—Publishers of "The Wall Street Journal," "Barron's" and "The National Observer." Co. also operates the "Dow Jones News Service," and the "Canadian Dow Jones News Service." **Proceeds** — For selling stockholders. **Office**—44 Broad St., New York. **Underwriters**—White, Weld & Co., Inc.; Goldman, Sachs & Co., and Stone & Webster Securities Corp., New York.

Duro-Test Corp.
Dec 6, 1962 filed 150,000 common. **Price**—By amendment (max. $9). **Business** — Manufacture of various types of lights for industrial and commercial use. **Proceeds**—For the selling stockholder. **Office** — 2321 Hudson Blvd., North Bergen, N. J. **Underwriter**—Auchincloss, Parker & Redpath, New York. **Offering**—Indefinitely postponed.

Dynapower Systems Corp.
Sept. 28, 1962 filed 750,000 common. **Price**—$1 **Business**—Manufacture of electro-mechanical vehicles and electronic devices for medical and marine purposes. **Proceeds**—For working capital, equipment and debt repayment. **Office**—2222 S. Centinela Ave., Los Angeles. **Underwriter**—None.

Edgerton, Germeshausen & Grier, Inc. (5/27-31)
May 2, 1963 filed 235,000 common. **Price**—By amendment (max. $18). **Business** — Company specializes in measuring, controlling and utilizing high speed electronic and nuclear phenomena. **Proceeds** — For selling stockholders. **Office**—160 Brookline Ave., Boston. **Underwriter**—Kidder, Peabody & Co., Inc., New York.

Electronic Dispenser Corp.
Jan. 29, 1963, filed 50,000 common. **Price**—$2. **Business**—Manufacture of the SAFER Butter Chipping machine, and processing of tray-forming and chip-covering materials. **Proceeds**—For operating expenses, equipment, inventory and advertising. **Office**—118 E. 28th St.. New York. **Underwriter** — L. D. Brown & Co., New York. **Offering**—Indefinite.

Enzyme Corp. of America (6/10-14)
Feb. 21, 1963, filed 120,000 common. **Price**—$2. **Business**—Company plans to market a new drug known as "Clinizyne" to be used for treatment of a variety of tumor related diseases. **Proceeds**—For equipment, sales promotion, research and development, and working capital. **Office**—727 Land Title Bldg., Philadelphia. **Underwriter**—Bristol Securities Inc., New York.

Equality Plastics, Inc.
April 4, 1963 ("Reg. A") 79,995 common. **Price**—$3.75. **Business** — Importing, manufacturing and distributing general merchandise "notions." **Proceeds**—For debt repayment, inventory and working capital. **Office**—286 Fifth Ave., New York. **Underwriter**—J. J. Krieger & Co., Inc., New York.

● **Equity Funding Corp. of America**
March 29, 1962 filed 240,000 common **Price**—By amendment (max $6.50) **Business**—A holding company for firms selling life insurance and mutual funds **Proceeds**—For new sales offices, advances to subsidiaries and working capital. **Office**—5150 Wilshire Blvd., Los Angeles, **Underwriter** Wisconsin-Continental Inc. Milwaukee. **Offering**—Indefinite.

Farmers' Educational & Co-operative Union of America
April 1, 1963 filed $5,500,000 of 5½-6% serial debentures, series E and F, due 1974-83. **Price**—At par. **Business**—A non-profit organization of farmers devoted to the economic and educational betterment of its members. **Proceeds** — For debt repayment, working capital and advances to subsidiaries. **Office**—1575 Sherman St., Denver. **Underwriter**—None.

Fedco Corp.
Oct. 29, 1962 filed 20,000 common, of which 17,500 are to be offered by company and 2,500 by a shareholder **Price**—By amendment (max $15) **Business**—Design and manufacture of tools, dies, molds, beryllium castings and the distribution of plastic, metal and glass products for home use. **Proceeds**—For a recession offer to stockholders and reduction of accounts payable **Office**—3600 W Pratt Ave., Chicago **Underwriter**—None

Fidelity Mining Investments Ltd.
Nov. 30, 1961 filed 800,000 common. **Price**—By amendment. **Business**—Exploration and testing of mining properties. **Proceeds**—For general corporate purposes. **Office**—62 Richmond St., Toronto. **Underwriter**—G. V. Kirby & Associates, Ltd., Toronto.

● **First American Israel Mutual Fund (6/10-14)**
Aug. 15, 1962 filed 2,750,000 shares of beneficial interest. **Price**—$10. **Business**—A mutual fund which plans to invest primarily in equity type securities of Israeli companies. **Proceeds**—For investment. **Office**—141 Milk St., Boston. **Underwriter**—Paine, Webber, Jackson & Curtis, Boston.

Flori Investment Co.
March 27, 1963 filed 400,000 capital shares. **Price**—$1.50. **Business**—A real estate development company. **Proceeds**—For debt repayment, construction, purchase of property, and other corporate purposes. **Office** — 700 West Campbell Ave., Phoenix. **Underwriter**—None.

Florida Jai Alai, Inc. (5/20-24)
June 28, 1962 filed 300,000 common. **Price**—$5. **Business** — Operation of Jai Alai games and pari-mutuel betting. **Proceeds**—For rent, purchase of leased quarters building improvements, working capital **Office**—Fern Park, Fla. **Underwriter**—Consolidated Securities Corp., Pompano Beach, Fla.

Forst (Alex) & Sons, Inc.
March 23, 1962 filed 125,000 common. **Price**—By amendment (max. $15). **Business**—Wholesale distribution of toys and games. **Proceeds**—For selling stockholders. **Office**—2885 Jerome Ave., Bronx, N. Y. **Underwriter**—McDonnell & Co., New York. **Offering**—Indefinite.

● **Freoplex, Inc. (5/28)**
Jan. 2, 1963 ("Reg. A") $200,000 of 7% convertible subordinated debentures due March 1, 1975. **Price**—At par. **Business**—Operation of retail meat supermarkets. **Proceeds**—For debt repayment and working capital. **Address**—Route 18, Tices Lane, East Brunswick, N. J. **Underwriter**—Alessandrini & Co., Inc., New York.

Garden State Small Business Investment Co.
Oct. 27, 1961 filed 330,000 common. **Price**—$3. **Business**—A small business investment company. **Proceeds**—For investment. **Office**—1180 Raymond Blvd., Newark, N. J. **Underwriter**—Godfrey, Hamilton, Taylor & Co., N. Y. **Offering**—Temporarily postponed.

Geiguer Pipe Supply Inc.
Sept. 28, 1962 filed 60,000 class A common, of which 50,000 are to be offered by company and 10,000 by stockholders. **Price**—$9.50. **Business**—Sale of steel pipes valves and fittings. **Proceeds**—For inventory. **Office**—4124 N. Broadway, St. Louis. **Underwriter**—Midland Securities Co., Inc., Kansas City, Mo. **Offering**—Indefinite.

Gem International, Inc. (6/3-7)
May 1, 1963 filed $3,750,000 of subordinated convertible debentures due May 1, 1979. **Price**—At par. **Business**—Company operates a chain of 32 closed-door membership department stores. **Proceeds**—For loan repayment, expansion and working capital. **Office** — 10824 Page Blvd., St. Louis, Mo. **Underwriters**—Bosworth, Sullivan & Co., Inc., Denver; Scherck, Richter Co., and Dempsey-Tegeler & Co., Inc., St. Louis.

General Design Corp.
April 25, 1962 ("Reg. A") 65,000 common. **Price**—$3 **Business**—Design and development of new products for various industries. **Proceeds**—For debt repayment equipment and working capital. **Office**—1252 W. Peachtree St., N. W., Atlanta, Ga. **Underwriter** — Robert M Harris & Co., Inc., Philadelphia. **Note**—The SEC has issued an order temporarily suspending this issue

Global Construction Devices, Inc.
June 29, 1962 filed 100,000 common. **Price**—$10. **Business**—Manufacture, sale and lease of steel supports and beams used in construction. **Proceeds**—For debt repayment, expansion, research, and inventory. **Office**—545 Cedar Lane, Teaneck, N. J. **Underwriters**—Winslow Cohu & Stetson and Laird, Bissell & Meeds, N. Y.

● **Globe Security Systems, Inc. (5/20-24)**
April 17, 1963 filed 200,000 common. **Price**—By amendment (max. $13.75). **Business**—Furnishing of uniformed guards, plant protection and investigatory services. **Proceeds**—For selling stockholders. **Office**—2011 Walnut St., Philadelphia. **Underwriter**—Drexel & Co., Philadelphia.

Great Continental Real Estate Investment Trust
Aug. 3, 1961 filed 300,000 shares of beneficial interest. **Price**—$10. **Business**—Real estate. **Proceeds**—For investment. **Office**—530 St. Paul Pl., Baltimore. **Underwriter**—To be named. **Note**—This firm formerly was known as Continental Real Estate Investment Trust.

Greater Miami Industrial Park, Inc.
Feb. 25, 1963, filed 136,094 common to be offered for subscription by stockholders on the basis of one share for each 4½ shares held. **Price**—$5.50. **Business**—Acquisition and development of real estate. **Proceeds** — For general corporate purposes. **Office**—811 duPont Plaza Center, Miami, Fla. **Underwriter**—None.

Greater Nebraska Corp.
Feb. 20, 1963, filed 3,000,000 common. **Price**—$2. **Business**—Company plans to operate subsidiaries in the fields of banking, insurance, finance, etc. **Proceeds**—For general corporate purposes. **Office**—1107 Federal Securities Building, Lincoln, Neb. **Underwriter**—None.

Greenman Bros., Inc.
April 25, 1962 filed 150,000 common, of which 50,000 are to be offered by company and 100,000 by stockholders **Price**—By amendment (max. $7). **Business**—Wholesale and retail distribution of toys, hobby lines and sporting equipment. **Proceeds**—For debt repayment, inventory and working capital. **Office**—35 Engel St., Hicksville N. Y **Underwriter**—J. R. Williston & Beane, New York **Offering**—Indefinite.

● **Greenwich Gas Co. (5/27-31)**
March 29, 1963 filed 37,735 common, to be offered for subscription by stockholders on the basis of one new share for each 5.6 shares held. **Price**—$13.25. **Business**—Distribution of gas, and gas appliances in Greenwich. **Proceeds**—For loan repayment. **Office**—33 Greenwich Ave., Greenwich, Conn. **Underwriter**—F. L. Putnam & Co., Inc., Boston.

● **Hallandale Rock & Sand Co.**
March 30, 1962 filed $250,000 of 8% subordinated debentures due 1977, 200,000 common and 6-year warrants to purchase 25,000 common at $1 per share to be offered in units consisting of a $10 debenture, 8 common shares and one warrant. **Price**—$18 per unit. **Business**—Extraction, processing and sale of rock and sand. **Proceeds**—For a new plant and other corporate purposes **Address**—Hallandale, Fla. **Underwriter** — To be named. **Note** — This registration was withdrawn.

Hartford Gas Co.
April 5, 1963 filed 80,000 common to be offered for subscription by stockholders on the basis of one new share for each six common or preferred shares held. **Price**—By amendment (max. $30). **Business**—Company supplies natural and manufactured gas in Hartford County, Conn. **Proceeds**—For loan repayment, and construction. **Office**—233 Pearl St., Hartford. **Underwriter**—None.

Heck's Discount Centers, Inc.
June 7, 1962 filed 125,000 common. **Price**—By amendment (max. $5). **Business**—Operation of discount stores. **Proceeds**—For inventory, expansion, debt repayment and working capital. **Office**—6400 MacCorkle Ave., S. W., St. Albans W. Va **Underwriter**—Willard Securities, Inc., New York. **Note** — This registration will be withdrawn.

Hill Street Co.
Oct. 16, 1961 filed 2,265,138 common to be offered for subscription by stockholders of Union Bank of California on a share-for-share basis. **Price**—$3. **Business**—A management investment company. **Proceeds**—For investment. **Office**—760 S. Hill St., Los Angeles. **Underwriter**—None.

● **Holiday Mobile Home Resorts, Inc. (6/3-7)**
March 27, 1963 filed $1,250,000 of 6½% conv. subord. debentures due 1978, and 75,000 common to be offered in units consisting of $50 of debentures and 3 shares. **Price**—$68 per unit. **Business**—Development and operation of mobile home resorts throughout U. S. **Proceeds**—For debt repayment, construction, and other corporate purposes. **Office** — 4344 East Indian School Rd., Phoenix. **Underwriters**—Boettcher & Co., Denver, and J. R. Williston & Beane, New York.

Hollingsworth Solderless Terminal Co.
Feb 27, 1962 ("Reg. A") 75,000 common **Price** — $4. **Business**—Manufacture, sale and development of solderless terminals and other wire terminating products. **Proceeds**—For debt repayment, equipment, advertising and working capital. **Address**—P O. Box 430 Phoenixville, Pa. **Underwriter**—Harrison & Co., Philadelphia. **Offering**—Temporarily postponed

Homestead Packers, Inc.
March 13, 1963 filed 5,000 shares of 6% non-cumulative preferred stock, and 5,000 common, to be offered for sale in units of one common and one preferred share. **Price**—$150 per unit. **Business**—Company plans to construct and operate a beef and pork packing plant. **Proceeds**—For construction, equipment, and working capital. **Address**—Beatrice, Nebr. **Underwriter**—None.

Horace Mann Life Insurance Co.
Feb. 1, 1963 filed 200,000 common, of which 80,000 are to be offered by company and 120,000 by stockholders. **Price** — $12.50. **Business**—Writing of life, accident and health insurance. **Proceeds**—For general corporate purposes. **Office**—216 E. Monroe St., Springfield, Ill. **Underwriter**—Horace Mann Investors Inc. (same address).

● **Hunsaker (S. V.) & Sons (5/21)**
April 19, 1963 refiled $1,500,000 of 6½% convertible subordinated debentures due May 1, 1978, and 150,000 common shares to be offered in units of one $50 debenture and five shares. **Price**—$50 per unit. **Business**—Construction of homes and apartment buildings on land which the company has acquired in Southern California. **Proceeds** — For debt repayment and other corporate purposes. **Office**—15855 Edna Pl., Irwindale, Calif. **Underwriter**—Bateman, Eichler & Co., Los Angeles.

Interstate Equity
March 30, 1962 filed 1,605,100 shares of beneficial interest. **Price**—(max $10). **Business**—A real estate investment company **Proceeds**—For investment. **Office**—450 Seventh Ave. N Y **Underwriter**—Van Alstyne, Noel & Co., N. Y. **Offering**—Indefinite

● **Interstate Power Co. (5/22)**
March 21, 1963 filed 132,294 common to be offered for subscription by stockholders on the basis of one new share for each 26 held of record May 22, 1963. Rights will expire June 7. **Price**—By amendment (max. $24). **Proceeds**—For loan repayment and construction. **Office**—1000 Main St., Dubuque, Iowa. **Underwriters**—(Competitive). Probable bidders: Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Smith Inc.; Ladenburg, Thalmann & Co.; White, Weld & Co. **Bids**—May 22 (11:30 a.m. EDST) at One Chase Manhattan Plaza (24th Floor), New York.

● **Interstate Power Co. (5/22)**
March 21, 1963 filed $6,000,000 of first mortgage bonds due 1993. **Proceeds**—For loan repayment and construction. **Office**—1000 Main St., Dubuque, Iowa. **Underwriters** — (Competitive.) Probable bidders: Merrill Lynch, Pierce, Fenner & Smith Inc.-Kidder, Peabody & Co. (jointly); Halsey, Stuart & Co. Inc.; Salomon Brothers & Hutzler; White, Weld & Co. **Bids**—May 22 (11 a.m. EDST) at One Chase Manhattan Plaza (24th floor), New York.

Investors Realty Trust
May 31, 1962 filed 200,000 shares. **Price** — $10. **Business**—A real estate investment trust. **Proceeds** — For con-

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struction and investment. **Office** — 3315 Connecticut Ave., N. W., Washington, D. C. **Underwriter**—None.

Investors Trading Co. (6/3-7)
Jan. 17, 1963 filed 200,000 capital shares. **Price** — Net asset value (max. $5), plus 8% sales charge. **Business**—A mutual fund. **Proceeds**—For investment. **Office**—460 Denver Club Building, Denver. **Distributor**—Nemrava & Co. (same address).

● **Israel American Diversified Fund, Inc.**
April 22, 1963 filed 550,000 common. **Price**—Net asset value plus 8½%. **Business**—A new mutual fund specializing in Israeli and American securities. **Proceeds**—For investment. **Office**—54 Wall St., New York. **Distributor**—Israel Fund Distributors, Inc. (same address).

Jaap Penraat Associates, Inc.
Jan. 30, 1962 filed 100,000 common. **Price**—$3. **Business**—Industrial designing, the design of teaching machines and the production of teaching programs. **Proceeds**—For expansion, new facilities and working capital. **Office**—315 Central Park W., N. Y. **Underwriter**—R. F. Dowd & Co., Inc., New York. **Offering** — Indefinitely postponed.

Janus Fund, Inc.
April 10, 1963 filed 500,000 capital shares. **Price**—Net asset value plus 8½%. **Business**—A new mutual fund seeking capital appreciation. **Proceeds**—For investment. **Office**—467 Hamilton Ave., Palo Alto, Calif. **Underwriter**—Mutual Fund Distributors, Inc. (same address).

● **Jefferson (Thomas) Insurance Co.**
March 29, 1963 ("Reg. A") 6,840 common. **Price**—By amendment. **Business** — Writing of marine, automobile and fire insurance. **Proceeds**—For selling stockholders. **Office**—457 Starks Bldg., Louisville. **Underwriter**—Stein Bros. & Boyce, Louisville. **Offering**—Imminent.

● **Key Training Service, Inc. (6/10-14)**
March 26, 1963 filed 47,500 common, of which 40,000 are to be offered by company and 7,500 by a stockholder. **Price**—$6.50. **Business** — Publishing of home study courses through franchised dealers. **Proceeds**—For working capital. **Office**—407 Lincoln Rd., Miami Beach. **Underwriters** — Seymour Blauner Co., and Shelton Securities Co., 663 Fifth Ave., New York.

Kraft (John) Sesame Corp.
May 24, 1962 filed $225,000 of 6% conv. subord. debentures, due 1972, and 150,000 common to be offered in units consisting of a $300 debenture and 200 shares. **Price** — $800 per unit. **Business** — Processing and distribution of sesame seed. **Proceeds**—For accounts receivable, inventories, plant expansion and working capital. **Office** — 2301 N. Main St., Paris, Texas. **Underwriter**—John A. Dawson & Co., Chicago.

Kwik-Kold, Inc.
March 29, 1962 ("Reg. A") 100,000 common of which 65,000 will be sold for company and 35,000 for stockholders. **Price** — $3. **Business** — Manufacture of certain patented cooling packages. **Proceeds**—For debt repayment and working capital. **Office**—Jennings Bldg., P. O. Box 638, Moberly, Mo. **Underwriter**—John W. Flynn & Co., Santa Barbara, Calif. **Note**—This letter will be withdrawn.

● **Leeds Shoes, Inc. (6/10-14)**
March 29, 1963 filed 90,000 common. **Price**—$3.50. **Business**—Company operates 25 retail shoe stores in Florida. **Proceeds**—For debt repayment, working capital, and expansion. **Office**—1310 North 22nd St., Tampa, Florida. **Underwriter**—Strathmore Securities, Inc., Pittsburgh.

Liberty Fabrics of New York, Inc.
March 28, 1963 filed 108,676 common being offered for subscription by stockholders on the basis of one new share for each 2½ held of record May 6. Rights will expire May 20. **Price** — $11.75. **Business** — Design and manufacture of woven and knitted laces and nettings. **Proceeds**—For a new plant, loan repayment, and working capital. **Office**—105 Madison Ave., New York. **Underwriter**—Blair & Co., Inc., New York.

● **Life Assurance Co. of Pennsylvania (6/3-7)**
March 28, 1963 filed 100,000 capital shares. **Price**—By amendment (max. $33). **Business**—Writing of life, accident, and health insurance. **Proceeds**—For investment, and expansion. **Office**—2204 Walnut St., Philadelphia. **Underwriters**—Auchincloss, Parker & Redpath, Philadelphia, and Arthurs, Lestrange & Co., Pittsburgh.

Logos Options, Ltd.
April 11, 1962 filed 250,000 capital shares. **Price** — By amendment (max. $10). **Business**—A diversified closed end investment company. **Proceeds**—For investment. **Office**—26 Broadway, N. Y. **Underwriter**—Filor, Bullard & Smyth, N. Y. **Note**—This company formerly was named Logos Financial, Ltd. **Offering**—Indefinite.

Lord Jim's Service Systems, Inc. (5/30)
Jan. 14, 1963 ("Reg. A") 100,000 common. **Price** — $1. **Business**—Operation of drive-in restaurants. **Proceeds**—For leases, equipment and working capital. **Office**—1601 Mandeville Canyon Rd., Los Angeles. **Underwriter**—Keon & Co., Los Angeles.

Lunar Films, Inc. (5/27-31)
Aug. 31, 1961 filed 125,000 common. **Price**—$5.75. **Business**—The production of television films. **Proceeds**—For filming and production and working capital. **Office**—543 Madison Ave., New York. **Underwriter** — Ingram, Lambert & Stephen, Inc., 50 Broad St., New York.

Madway Main Line Homes Inc.
Feb. 19, 1963 filed 100,000 common. **Price**—By amendment (maximum $14). **Business**—Production, sale, erection and financing of manufactured homes. **Proceeds**—To finance future credit sales of homes. **Office**—315 E. Lancaster Ave., Wayne, Pa. **Underwriter**—Drexel & Co., Philadelphia. **Offering**—Postponed.

Management Investment Corp.
Aug. 29, 1962 filed 2,000 common (with attached warrants). **Price**—$500. **Business**—Company plans to furnish equity capital to firms in the atomic, space and missile fields, and provide advisory and management counseling services on a fee basis. **Proceeds**—For repayment of loans, and general corporate purposes. **Office**—130 Fulton Federal Bldg., Atlanta. **Underwriter**—None.

Manhattan Drug Co., Inc.
March 29, 1962 filed 72,000 common, of which 58,000 are to be offered by company and 14,000 by stockholders. **Price**—$3.50. **Business**—Manufacture, packaging and sale of various proprietary drug products. **Proceeds**—For equipment, new products, debt repayment and working capital. **Office**—156 Tillary St., Brooklyn, N. Y. **Underwriter**—To be named. **Note**—This registration will be withdrawn. The company's assets have been sold to another firm.

Maradel Products, Inc. (5/22)
April 1, 1963 filed 150,000 common. **Price**—By amendment (max. $25). **Business**—Manufacture and sale of cosmetics, pharmaceuticals and related products. **Proceeds**—For an acquisition and working capital. **Office**—516 Ave. of the Americas, N. Y. **Underwriter**—Hornblower & Weeks, N. Y.

Marshall Press, Inc.
May 29, 1962 filed 60,000 common. **Price**—$3.75. **Business**—Graphic design and printing. **Proceeds**—For publishing a sales catalogue, developing a national sales staff and working capital. **Office**—812 Greenwich St., N. Y. **Underwriter**—To be named. **Offering**—Indefinitely postponed.

Medic Corp.
Feb. 28, 1963, filed 1,000,000 class B common. **Price**—$1.25. **Business**—A holding company for three life insurance firms. **Proceeds**—For loan repayment, operating expenses, and investment in other insurance concerns. **Address**—714 Medical Arts Bldg., Oklahoma City. **Underwriter**—Lincoln Securities Corp. (same address). **Offering**—Expected in late May.

Medical Industries Fund, Inc.
Oct. 23, 1961 filed 25,000 common. **Price**—$10. **Business**—A closed-end investment company which plans to become open-end. **Proceeds** — For investment in the medical industry and capital growth situations. **Office**—677 Lafayette St., Denver. **Underwriter** — Medical Associates, Inc., Denver.

Medical Video Corp.
Nov. 13, 1961 filed 250,000 common. **Price** — $1. **Business** — Manufacture of medical electronic equipment. **Proceeds** — For general corporate purposes. **Office**—Studio City, Calif. **Underwriter** — Financial Equity Corp., Los Angeles.

Meridian Fund, Inc.
March 4, 1963 filed 500,000 capital shares. **Price**—Net asset value plus 5%. **Business**—A new mutual fund to be offered initially to members of the medical profession. **Proceeds**—For investment. **Office** — 714 Boston Bldg., Denver. **Underwriter**—Centennial Management & Research Corp., (same address).

Midwest Technical Development Corp.
Feb. 26, 1962 filed 561,500 common to be offered for subscription by stockholders on the basis of one share for each two shares held. **Price**—By amendment (max $7). **Business** — A closed-end management investment company. **Proceeds** — For general corporate purposes. **Office** — 2615 First National Bank Bldg., Minneapolis. **Underwriter**—None.

● **Mil National Corp. (5/27-31)**
Jan. 28, 1963 refiled 100,000 common. **Price**—$4. **Business**—Distribution of commercial dry cleaning and laundry equipment. **Proceeds**—For general corporate purposes. **Office**—1101 East Tremont Ave., Bronx, New York. **Underwriter**—Herbert Young & Co., Inc., New York.

Missouri Fidelity Life Insurance Co. (5/22)
March 27, 1963 filed 300,000 common. **Price**—By amendment (max. $8.50). **Business**—A legal reserve life insurance company. **Proceeds**—For expansion. **Office**—2401 South Brentwood Blvd., St. Louis. **Underwriter**—A. C. Allyn & Co., Chicago.

Mobile Home Parks Development Corp.
Jan. 28, 1963 filed 1,250,000 common. **Price**—$2.50. **Business**—Company plans to develop mobile home parks and residential and commercial real estate. **Proceeds**—For general corporate purposes. **Office**—82 Baker St., Atlanta. **Underwriter**—Overseas Investment Service, Seville, Spain.

Mountain States Telephone & Telegraph Co. (6/3)
May 3, 1963 filed 4,037,431 common to be offered for subscription by stockholders of record on June 3, 1963 on the basis of one share for each 10 shares held. Rights will expire June 28. **Price**—By amendment. **Proceeds**—To repay advances from A. T. & T., parent, and for other corporate purposes. **Office**—931 Fourteenth St., Denver. **Underwriter**—None.

Municipal Investment Trust Fund, Series B
April 28, 1961 filed $15,000,000 (15,000 units) of interests. **Price** — To be supplied by amendment. **Business** — The fund will invest in tax-exempt bonds of states, counties, municipalities and territories of the U. S. **Proceeds**—For investment. **Sponsor**—Ira Haupt & Co., 111 Broadway, New York. **Offering**—Indefinite.

Music Royalty Corp.
July 27, 1962 filed 150,000 common. **Price**—$1. **Business**—Company acts as representative of artists, musicians, etc. and plans to engage in the music publishing business. **Proceeds**—For debt repayment, public relations, acquisition of musical properties, and working capital. **Office**—545 Fifth Ave., N. Y. **Underwriter**—Associated Securities Co., 545 Fifth Ave., N. Y.

National Central Life Insurance Co.
Dec. 7 filed 125,000 common. **Price** — By amendment (max. $15). **Business**—Writing of health and accident insurance. **Proceeds**—For general corporate purposes. **Address**—2632 McGee St., Kansas City, Mo. **Underwriter**—To be named.

National Equipment & Plastics Corp.
Sept. 28, 1961 filed 105,000 common. **Price**—$5. **Business**—Operation of a cleaning and pressing plant and affiliated stores. **Proceeds**—For debt repayment, store expansion and working capital. **Address** — Portage, Pa. **Underwriter**—Cortlandt Investing Corp., N. Y. **Note**—This registration will be withdrawn.

National Fence Manufacturing Co., Inc.
Nov. 29, 1962 filed 100,000 common. **Price**—$8.75. **Business** — Manufacture of galvanized chain link fence, welded concrete reinforcing fabric, gates and related products. **Proceeds**—For construction of a plant in Ireland, and working capital. **Office**—4301 46th St., Bladensburg, Md. **Underwriter**—Netherlands Securities Co. Inc., New York. **Offering**— Indefinite.

● **National Fidelity Life Insurance Co. (5/22)**
March 28, 1963 filed 72,455 common, of which 36,227 shares are to be offered by company and 36,228 shares by a stockholder. **Price**—By amendment (max. $35). **Business**—Writing of life, accident, and health insurance. **Proceeds**—For debt repayment, and other corporate purposes. **Office**—1002 Walnut St., Kansas City. **Underwriter**—E. F. Hutton & Co., Inc., New York.

National Memorial Estates
Oct. 11, 1962 filed 4,750,000 common. **Price**—$1. **Business**—Company plans to engage in cemetery development and to establish and operate a life and disability insurance concern. **Proceeds**—For general corporate purposes. **Office**—13 S. Broadway, Red Lodge, Mont. **Underwriter**—Security Brokerage Co., Billings, Mont.

National Mortgage Corp., Inc.
Dec. 28, 1962 refiled $8,000,000 face amount certificates (series 20) and 300,000 common shares. **Price**—For certificates, $762; for stock, $1.15. **Business**—A mortgage loan company. **Proceeds**—For general corporate purposes. **Office**—113 S. Hydraulic, Wichita, Kan. **Underwriter**—National Mortgage Agency, Inc., (same address). **Note**—This offering will be made only in the State of Kansas.

National Uni-Pac, Inc.
July 31, 1962 filed 85,000 common. **Price**—By amendment (max. $4). **Business**—Company plans to sell or lease coin operated vending machines. **Proceeds**—For debt repayment, equipment and working capital. **Office**—15 Peachtree St., Atlanta. **Underwriter**—None. **Note**—This registration will be withdrawn.

Natural Gas & Oil Producing Co. (6/27)
Sept. 7, 1962 filed 180,000 class A common. **Price**—$5. **Business**—Production of natural gas and oil. **Proceeds**—For drilling expenses, working capital and other corporate purposes. **Office**—Tekoil Bldg., Oklahoma City. **Underwriter**—Peter Morgan & Co., N. Y.

New Campbell Island Mines Ltd.
Oct. 13, 1961 filed 475,000 common, of which 400,000 are to be offered by the company and 75,000 by a stockholder. **Price**—50 cents. **Business**—Exploration, development and mining. **Proceeds**—General corporate purposes. **Office**—90 Industry St., Toronto, Canada. **Underwriter**—A. C. McPherson & Co., Toronto.

New Industry Capital Corp.
Feb. 25, 1963, filed 30,500 common. **Price**—$10. **Business**—A small business investment company. **Proceeds**—For investment, and working capital. **Office**—1228 Wantagh Ave., Wantagh, New York. **Underwriter**—None.

New World Fund, Inc.
Feb. 21, 1963, filed 250,000 common. **Price**—Net asset value plus 8½%. **Business**—A new mutual fund. **Proceeds**—For investment. **Office**—4680 Wilshire Blvd., Los Angeles. **Underwriter** — New World Distributing Co. (same address).

North Central Airlines, Inc.
March 29, 1963 filed $1,500,000 of 5½% subordinated convertible debentures due 1978, to be offered to common stockholders of record April 15, 1963, without allocation or limitation. Unsubscribed debentures will be offered for public sale. **Price**—At par. **Business**—Operation of an airline in ten mid-western states and Ontario, Canada. **Proceeds**—For aircraft modification, and working capital. **Office**—6201 Thirty-fourth Ave., South, Minneapolis. **Underwriter**—None.

Northern States Life Insurance Corp.
March 26, 1963 filed 280,000 common to be offered for subscription by stockholders on the basis of one new share for each 1½ held. **Price**—By amendment (max. $2.50). **Business**—Writing of general life insurance. **Proceeds**—For expansion. **Office**—1840 North Farwell Ave., Milwaukee. **Underwriter**—None.

Nuclear Science & Engineering Corp.
March 29, 1962 filed 100,000 common. **Price**—By amendment (max. $15). **Business**—Research and development on contracts using radioactive tracers; precision radioactivity measurement; production of radioactive isotopes and the furnishing of consulting and radiation measurement services. **Proceeds**—For equipment, debt repayment, expansion and working capital. **Address**—P. O. Box 10901, Pittsburgh. **Underwriter**—Johnston, Lemon & Co., Washington, D. C. **Note**—This registration will be withdrawn.

Optech, Inc. (6/3-7)
March 28, 1963 filed 140,000 common. **Price**—$3. **Business**—Research and development of materials used in the "Laser" field, and in related areas of optical electronics. **Proceeds**—For general corporate purposes.

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Office—102 Grand St., Westbury, New York. Underwriters—Stone, Ackerman & Co., Inc., and Heritage Equity Corp., New York.

● Orr (J. Herbert) Enterprises, Inc. (6/10-14)
May 1, 1962 filed 200,000 common. Price—$5.25. Business—The company and its subsidiaries manufacture and distribute cartridge type tape player recorders and programs therefor; sell at retail nationally known audio visual equipment; and manufacture men's and boy's dress trousers. Proceeds — For additional inventory, equipment, research, and working capital. Address—P. O. Box 27, Opelika, Ala. Underwriter—First Alabama Securities, Inc., Montgomery.

Outlet Mining Co., Inc.
Feb. 28, 1962 filed 900,000 common. Price—$1. Business—Mining. Proceeds—For equipment and working capital. Address—Creede. Colo. Underwriter—None.

Ozark Air Lines, Inc.
May 3, 1963 filed $3,000,000 of conv. subord. debentures due 1978. Price— By amendment. Business—Operation of local air transportation between 54 mid-western cities. Proceeds—For debt repayment, equipment, property improvements and working capital. Address—Lambert-St. Louis Municipal Airport, St. Louis. Underwriters—Auchincloss, Parker & Redpath, N. Y., and Yates, Heitner & Woods, St. Louis.

PMA Insurance Fund Inc.
April 8, 1963 filed 200,000 common. Price — Net asset value plus 4%. Business—A new mutual fund specializing in insurance stocks. Proceeds—For investment. Address — Plankington Bldg., Milwaukee. Underwriter—Fund Management Inc. (same address).

● Pall Corp. (5/17)
April 4, 1963 filed 61,627 class A shares to be offered for subscription by stockholders on the basis of one new share for each nine class A and class B shares held of record May 17. Rights will expire June 3, 1963. Price—By amendment (max. $34). Business—Company produces equipment for the dehumidification of compressed gases, control of flow and temperature, detection of gases, and the treatment and pumping of water. Proceeds—For loan repayment, equipment, advances to subsidiaries, and working capital. Office—30 Sea Cliff Ave., Glen Cove, L. I., New York. Underwriter—L. F. Rothschild & Co., New York.

Pan American Beryllium Corp.
Feb. 28, 1962 filed 100,000 common. Price—$5. Business—Company plans to mine for beryl ore in Argentina. Proceeds — For debt repayment, equipment, and other corporate purposes. Office—39 Broadway, N. Y. Underwriter—To be named.

● Parkview Drugs, Inc. (5/27-31)
April 29, 1963 filed 14,080 common. Price—By amendment (max. $20). Business—Company is engaged in the retail drug business. Proceeds—For selling stockholder. Address—6000 Manchester Trafficway Terrace, Kansas City. Underwriter—Scherck, Richter Co., St. Louis.

Parkway Laboratories, Inc.
Dec. 6, 1961 filed 160,000 common. Price—$5. Business—Manufacture of drugs and pharmaceuticals. Proceeds—For an acquisition, research and other corporate purposes. Office — 2301 Pennsylvania Ave., Philadelphia Underwriter—Arnold Malkan & Co., Inc., N. Y. Note—This registration will be withdrawn.

Pension Securities Fund, Inc.
April 24, 1963 filed 500,000 common. Price—$100 initially; thereafter, at net asset value. Business—A new mutual fund designed to provide an investment program for pension trusts. Proceeds—For investment. Address—20 Broad St., New York. Underwriter—None. Adviser—Smith, Barney & Co., New York.

● Peterson, Howell & Heather, Inc. (6/3-7)
March 26, 1963 filed 33,383 class A common. Price—By amendment (max. $35). Business—Furnishing of Automobile fleet management service to firms in the U. S. and Canada. Proceeds—For selling stockholders. Office—2521 N. Charles St., Baltimore. Underwriter — Alex. Brown & Sons, Baltimore.

● Pictronics, Inc. (5/20-24)
Feb. 27, 1963 ("Reg. A") 75,000 common. Price — $4. Business—Production of TV documentary films, and the processing of colored kodachrome film. Proceeds—For equipment, and working capital. Office — 56 Bennett Bldg., Wilkes-Barre, Pa. Underwriter—G. K. Shields & Co., New York.

Polaris Corp.
April 1, 1963 filed 90,122 common to be offered for subscription by common stockholders on the basis of one new share for each seven held. Price — By amendment (max. $17). Business — Company, and subsidiaries are engaged in diverse activities including advertising, building construction, TV and radio, data processing, warehousing, equipment leasing, and river terminal operations. Proceeds—For working capital. Office—111 East Wisconsin Ave., Milwaukee. Underwriter — The Marshall Co. (same address). Offering—Expected in early June.

Potomac Real Estate Investment Trust
July 6, 1962 filed 1,000,000 shares of beneficial interest Price—By amendment (max. $5). Business—A real estate investment trust. Proceeds—For investment. Office—880 Bonifant St., Silver Spring, Md. Underwriter—None.

Poulsen Insurance Co. of America (5/28)
March 29, 1963 filed 100,000 common. Price—By amendment (max. $10). Business—Writing of life, accident, and health insurance. Proceeds—For debt repayment, and other corporate purposes. Address—Executive Plaza, Park Ridge, Ill. Underwriter—A. C. Allyn & Co., Chicago.

Powell Petroleum, Inc.
Sept. 28, 1962 filed 100,000 common. Price—$5. Proceeds—To drill for and operate oil wells. Office—418 Market St., Shreveport, La. Underwriter—None.

Power Cam Corp.
Jan. 28, 1963, filed 200,000 capital shares. Price—$4.75. Business—Company plans to manufacture a new type of brake unit for heavy duty automotive vehicles. Proceeds—For equipment, and working capital. Office — 2604 Leith St., Flint, Mich. Underwriter—Farrell Securities Co., New York.

Prescott-Lancaster Corp.
March 30, 1962 filed 150,000 common. Price—$5. Business—Real estate. Proceeds—For purchase of mortgages, and working capital. Office—18 Lancaster Rd., Union, N. J Underwriter—To be named.

Princeton Research Lands, Inc.
March 28, 1963 filed 40,000 common. Price—$25. Business—Purchase and sale of real property, chiefly unimproved land. Proceeds—For debt repayment, and acquisition of additional properties. Office—195 Nassau St., Princeton, N. J. Underwriter—None.

Professional Men's Association, Inc.
Jan. 8, 1963 filed 40,000 common. Price—$5. Business—Company specializes in financial consulting, and servicing patients' accounts of member hospitals, physicians and dentists. Proceeds—For debt repayment and working capital. Address—100 W. Tenth St., Wilmington, Del. Underwriter—None.

Provident Stock Fund, Inc.
April 11, 1963 filed 1,000,000 common. Price—Net asset value plus 8½%. Business—A new mutual fund. Proceeds—For investment. Office—316 North Fifth St., Bismarck, N. D. Underwriter — Provident Management Co. (same address).

Putnam Income Fund
April 3, 1963 filed 2,000,000 shares of beneficial interest. Price—Net asset value plus 8½%. Business—A new mutual fund seeking maximum income, and long term growth of principal. Proceeds—For investment. Office—60 Congress St., Boston. Underwriter — Putnam Fund Distributors, Inc. (same address).

Realty Equities Corp. of New York
April 3, 1963 filed 117,853 common to be offered for subscription by common stockholders on the basis of one new share for each three held. Price—By amendment (max. $7). Business — Company and subsidiaries are engaged in the purchase and sale, development, management, and holding of real estate properties. Proceeds—For purchase of additional properties and working capital. Address—Time & Life Bldg., New York. Underwriter—None.

● Recreation Industries, Inc. (5/27-31)
Nov. 23, 1962 ("Reg. A") 75,000 common. Price — $2 Business—Sale of travel and entertainment. Proceeds—For capital investment, and working capital. Office—411 W. 7th St., Los Angeles. Underwriter — Costello, Russotto & Co., Beverly Hills, Calif.

● Red Kap, Inc. (6/3-7)
April 23, 1963 filed 240,000 common, of which 100,000 are to be offered by company and 140,000 by stockholders. Price—By amendment (max. $20). Business—Manufacture and distribution of industrial uniforms to industrial rental laundries. Proceeds—For debt repayment and working capital. Address — Sudekum Bldg., Nashville, Tenn. Underwriter — Merrill Lynch, Pierce, Fenner & Smith Inc., New York.

Reliance Life Insurance Co. of Illinois.
March 29, 1963 filed 150,000 common. Price—By amendment (max. $4). Business—Writing of life insurance. Proceeds—For sales promotion, and investment. Office—15 South Northwest Highway, Park Ridge, Ill. Underwriter—None.

Resort Corp. of Missouri
Nov. 27, 1962 filed 125,000 class A common and three-year warrants to purchase 1,250 class A shares to be offered in units consisting of four shares and one warrant. Price — $32 per unit. Business — Company will erect and operate a luxury hotel and resort facilities, and sell 80 acres of land for home sites. Proceeds—For construction. Office—3615 Olive St., St. Louis. Underwriter—R. L. Warren Co., St. Louis. Offering—Indefinite.

Retirement Foundation, Inc.
April 8, 1963 filed 100,000 memberships in the Foundation. Price—$10 per membership. Business — Company will operate retirement centers for the use of rent-free private homes and apartments by members upon their retirement. Proceeds—For working capital, construction and other corporate purposes. Office—235 Lockerman St., Dover, Del. Underwriter—John D. Ferguson, Dover, Del.

Richard Gray & Co., Inc.
June 21, 1962 ("Reg. A") 60,000 common. Price—$5. Business — A securities broker-dealer. Proceeds — For working capital and other corporate purposes. Office—237 W. 51st St., N. Y. Underwriter—Richard Gray Co., New York. Offering—Indefinite.

Richmond Corp.
Dec. 21, 1961 filed 142,858 common. Price—$7. Business—A real estate investment company. Proceeds—For debt repayment and general corporate purposes. Office—220 K St., N. W., Washington, D. C. Underwriter—Hirschel & Co.. Silver Spring, Md. Offering—Indefinite. Note—The SEC has challenged the accuracy and adequacy of this registration statement.

● Rona Lee Corp. (6/3-7)
Sept. 26, 1962 filed $250,000 of 6¾% debentures and 50,000 common. Price—For debentures, by amendment; for stock, $4. Business—Design, manufacture, and distribution of girls' blouses, sportswear, and coordinates. Proceeds—For debt repayment. Office—112 W. 34th St., New York. Underwriter—Reuben Rose & Co., Inc., New York.

Royaltone Photo Corp.
Nov. 29, 1961 filed 300,000 common, of which 100,000 are to be offered by the company and 200,000 by stockholders. Price — By amendment. Business — Develops and prints color, and black and white photographic film. Proceeds — For equipment and working capital. Office—245 7th Ave., N. Y. Underwriter — Federman, Stonehill & Co., N. Y. Note—This registration will be withdrawn.

Russell Mills, Inc.
Sept. 28, 1962 filed 312,500 common. Price—By amendment (max. $12). Business—Manufacture of athletic clothing, knitted underwear, children's sleepwear and cotton cloth. Proceeds—For bond retirement and plant expansion. Address—Alexander City, Ala. Underwriter—Hornblower & Weeks, N. Y. Note — This company formerly was called Russell Manufacturing Co. Offering—Indefinite.

St. Louis Shipbuilding-Federal Barge, Inc. (6/11)
March 28, 1963 filed 150,000 common, of which 50,000 are to be offered by company and 100,000 by H. T. Pott, Chairman. Price—By amendment (max. $10). Business—Operation of a shipyard in St. Louis. Subsidiaries operate water carrier systems, a railroad, a vessel repair and barge construction yard, also dry docks and other related activities. Proceeds—For general corporate purposes. Office—611 East Marceau Street, St. Louis. Underwriter—Reinholdt & Gardner, St. Louis.

Sapawe Gold Mines Ltd.
April 16, 1963 filed 1,000,000 common. Price—By amendment (max. 30c). Business — Company is engaged in exploratory mining for gold. Proceeds — For a mill, equipment, loan repayment, and other corporate purposes. Address—Phoenix Bldg., Toronto, Ontario. Underwriter—None.

● Safran Printing Co. (5/28)
April 29, 1963 filed 225,720 common. Price—By amendment (max. $18). Business — Company specializes in multi-color printing for publishers and commercial clients, and produces business forms for conventional use. Proceeds—For selling stockholders. Office—3939 Bellevue St., Detroit. Underwriters—White, Weld & Co., Inc., New York, and Watling, Lerchen & Co., Detroit.

Scully Recording Instruments Corp.
Apr. 23, 1963 ("Reg. A") $240,000 of 8% subord. conv. debentures due 1973. Price—At par plus accrued interest. Business—Manufacture of a master disc recording machine. Proceeds—For debt repayment, sales promotion, working capital and other corporate purposes. Office—62 Walter St., Bridgeport, Conn. Underwriter—Moran & Co., Newark, N. J.

Selective Financial Corp.
Feb. 28, 1962 filed 500,000 common, of which 405,000 are to be offered for subscription by holders of the A, B and C stock of Selective Life Insurance Co., an affiliate, on the basis of 4 company shares for each class A or B share and two-thirds share for each class C share of Selective Life held. Remaining 94,822 and any unsubscribed shares will be offered publicly. Price—To public, $6; to stockholders, $5. Business—Company plans to engage in the consumer finance, mortgage, general finance and related businesses. Proceeds — For general corporate purposes. Office—830 N. Central Ave., Phoenix. Underwriter—None.

Shaker Properties
Oct. 19, 1962 filed 215,000 shares of beneficial interest. Price—$15. Business — A real estate investment trust. Proceeds—For investment and working capital. Office—1956 Union Commerce Bldg., Cleveland, Ohio. Underwriter — McDonald & Co., Cleveland. Offering — Indefinite.

Signalite Inc.
Jan. 29, 1962 filed 126,000 common. Price—$4.50. Business—Manufacture, sale and development of glow lamps for use as indicators and circuit components. Proceeds—For debt repayment, equipment and working capital. Office—1933 Heck Ave., Neptune, N. J. Underwriter—Milton D. Blauner & Co., New York. Note—This registration will be withdrawn.

● Southeastern Mortgage Investors Trust (5/21)
Feb. 15, 1963 filed 1,000,000 shares of beneficial interest. Price—$10. Business—A real estate investment trust. Proceeds—For investment. Office—500 E. Morehead St., Charlotte, N. C. Underwriter—Fleetwood Securities Corp. of America, N. Y.

Southern California Edison Co. (5/22)
April 22, 1963 filed $60,000,000 of first and refunding mortgage bonds, series Q, due May 15, 1988. Proceeds—To refund $32,400,000 of outstanding 3% bonds due 1965, and for debt repayment. Office—601 West Fifth St., Los Angeles. Underwriters — (Competitive). Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp.-Dean Witter & Co. (jointly); Blyth & Co.-Lehman Brothers-Merrill Lynch, Pierce, Fenner & Smith Inc.-Salomon Brothers & Hutzler (jointly). Bids—May 22 (8:30 a.m. PDST) at above address.

● Southern Union Gas Co. (5/27-31)
April 22, 1963 filed $5,000,000 of sinking fund debentures due 1983, also 50,000 cumulative preferred shares (par $100). Price—By amendment. Business—A public utility rendering natural gas service in Texas, New Mexico, Arizona and Colorado. Proceeds—For debt repayment. Address—Fidelity Union Tower, Dallas. Underwriter—A. C. Allyn & Co., Chicago.

Stephenson Finance Co., Inc. (6/3-7)
April 12, 1963 filed $1,000,000 of 6% sinking fund subord. debentures due Nov. 1, 1978. Price—At par and accrued interest. Business—A consumer finance company which

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is also engaged in the sale of automobile and life insurance. **Proceeds**—For debt repayment and other corporate purposes. **Office**—518 S. Irby St., Florence, S. C. **Underwriter**—Alester G. Furman Co., Inc., Greenville, South Carolina.

Sterling Copper Corp.
Aug. 2, 1962 filed 850,000 common. **Price**—$1. **Business**—Company plans to operate a non-ferrous rod and tube mill. **Proceeds**—For plant and equipment, working capital and other corporate purposes. **Office**—300 Horn Rd., Pinconning, Mich. **Underwriter**—None.

● **Sternco Industries, Inc.** (5/20)
March 28, 1963 filed $400,000 of 6% conv. subord. debentures due 1977, and 25,000 class A common. **Price**—For debentures, $1,000; for stock, by amendment (max. $12). **Business**—Distribution of tropical fish, goldfish, turtles, animals, and acquarium supplies. **Proceeds**—For additional equipment, inventories, and new product lines. **Office**—53 Cottage Place, Allendale, New Jersey. **Underwriter**—Oppenheimer & Co., New York.

Stone Mountain Scenic Railroad, Inc.
Jan. 22, 1963 filed 105,000 common to be offered for subscription by stockholders on the basis of one share for each three shares held. Unsubscribed shares will be sold to the public. **Price**—To stockholders, $5.50; to public, $6.50. **Business**—Operation of a scenic railroad. **Proceeds**—For construction, debt repayment and other corporate purposes. **Address**—Stone Mountain, Ga. **Underwriter**—None.

Superior Benefit Life Insurance Co.
March 27, 1963 filed 600,000 common. **Price**—$2.50. **Business**—Sale of life insurance. **Proceeds**—For general corporate purposes. **Office**—211 Anderson Bldg., Lincoln, Neb. **Underwriter**—Capital Investment Co., Lincoln, Neb.

Sutro Mortgage Investment Trust
Feb. 1, 1963 filed 30,000 shares of beneficial interest. **Price**—$100. **Business** — A real estate investment trust. **Proceeds**—For investment. **Office**—4900 Wilshire Blvd., Los Angeles. **Underwriter**—None.

Teaching Machines, Inc.
April 1, 1963 filed 165,000 common, of which 120,000 are to be offered by company, and 45,000 by stockholders. **Price**—By amendment (max. $9). **Business**—Company develops and sells teaching machines exclusively for Grolier Inc. **Proceeds**—For debt repayment and other corporate purposes. **Office**—221 San Pedro, N. E., Albuquerque. **Underwriter**—To be named.

Tecumseh Investment Co., Inc.
Jan. 21, 1963 filed 48,500 common. **Price**—$100. **Business**—A holding company which plans to organize a life insurance company. **Proceeds**—For investment in U. S. Government Bonds and in new subsidiary. **Office**—801 Lafayette Life Bldg., Lafayette, Ind. **Underwriter**—Amosand Inc., (same address).

● **Ten-Tex, Inc.**
Dec. 31, 1962 ("Reg. A") 3,000 units each consisting of one 6½% 10-year debenture, 25 common shares and purchase warrants for 100 common shares to be offered for subscription by stockholders of Ten-Tex Corp., parent, of record Feb. 1, 1963 on the basis of one unit for each 150 common shares held. **Price**—$100. **Business**—Sale and lease of machinery for production of tufted textile products. **Proceeds** — For debt repayment and working capital. **Office**—3814 Tennessee Ave., Chatsworth, Ga. **Underwriter**—Irving J. Rice & Co., Inc., St. Paul. **Note**—This letter was withdrawn.

Texas Plastics, Inc.
July 27, 1962 filed 313,108 common. **Price**—$3.50. **Business**—Operation of a plant producing plastic film and packaging products. **Proceeds**—For working capital. **Address**—Elsa, Texas. **Underwriter**—To be named. **Offering**—Indefinite.

Textile Distributors, Inc.
March 22, 1963 ("Reg. A") 60,000 class A common. **Price**—$5. **Business**—Operation of department stores. **Proceeds**—For inventory, debt repayment and expansion. **Office**—819 Broadway, Kansas City, Mo. **Underwriter**—Midland Securities Co., Inc., Kansas City, Mo.

Top Dollar Stores, Inc.
May 1, 1962 filed 200,000 common, of which 100,000 are to be offered by company and 100,000 by stockholders **Price**—$5. **Business**—Operation of a chain of self-service retail stores selling clothing, housewares, etc. **Proceeds**—For expansion, equipment and working capital **Office**—2220 Florida Ave., Jasper, Ala. **Underwriter**—Philips, Appel & Walden, 115 Broadway, N. Y. **Offering**—Temporarily postponed.

Tourist Industry Development Corp., Ltd.
March 29, 1963 filed $5,000,000 of 7% senior debentures due 1983. **Price**—At par. **Business**—Financing of tourist enterprises in Israel. **Proceeds** — For general corporate purposes. **Address** — Jerusalem, Israel. **Undrewriter**—American-Israel Basic Economy Corp., New York. **Offering**—Expected in late June.

Transarizona Resources, Inc.
May 28, 1962 filed 500,000 capital shares. **Price**—$1.50 **Business**—Exploration, development and production of the Lake Shore copper deposit near Casa Grande, Ariz **Proceeds**—For equipment, exploration and working capital. **Office**—201 E. 4th St., Casa Grande, Ariz. **Underwriter**—None

Travelers Express Co., Inc. (6/17-21)
May 3, 1963 filed 267,740 common, of which 70,000 are to be offered by company and 197,740 by stockholders. **Price**—By amendment (max. $15.50). **Business**—Sale of money orders on a nation-wide basis through retail merchants. **Proceeds**—For debt repayment, and working capital. **Address**—Northwestern Bank Bldg., Minneapolis. **Underwriter**—Dean Witter & Co., Chicago.

Tri-Nite Mining Co.
April 26, 1963 filed 800,000 common. **Price**—40c. **Business**—Company plans to engage in exploratory mining for zinc ore. **Proceeds**—For advance royalties, payment of balance due on a mill, and construction. **Address**—405 Fidelity Bldg., Spokane, Wash. **Underwriter** — Mutual Funds Co., Inc., Spokane.

Ultrasonic Laboratories, Inc.
Nov. 29, 1962 filed 67,200 common. **Price**—$3.50. **Business**—Design, engineering and manufacture of specialized products primarily in the field of contamination control. Company also acts as sales agents and distributors of allied equipment in the fields of contamination control and ultrasonics. **Proceeds**—For debt repayment, equipment, advertising and other corporate purposes. **Office**—1695 Elizabeth Ave., Rahway, N. J. **Underwriter**—None.

● **Underwriters National Assurance Co.** (5/27)
Feb. 21, 1963, filed 50,000 common, of which 31,176 shares are to be offered by company and 18,824 by a selling stockholder. **Price**—$7.50. **Business** — Writing of health insurance. **Proceeds**—To increase capital and surplus and for expansion. **Office** — 1939 N. Meridian St., Indianapolis. **Underwriter** — K. J. Brown & Co., Inc., Muncie, Ind.

United Saran & Plastic Corp. Ltd.
Feb. 25, 1963, filed $330,000 of 7% convertible debentures due 1975 and 16,500 shares of 8% preferred ordinary "B" shares to be offered in units consisting of two $100 debentures and 10 shares. **Price** — $305 per unit. **Business** — Manufacture of light household and office furniture. **Proceeds** — For general corporate purposes. **Address**—Rehovoth, Israel. **Underwriter**—Brager & Co., New York. **Offering**—Indefinite.

United Servomation Corp. (5/20-24)
April 19, 1963 filed 215,000 common. **Price**—By amendment (max. $22). **Business**—Sale of various food and tobacco products through automatic vending machines. **Proceeds**—Foro selling stockholders. **Office**—410 Park Ave., New York. **Underwriter**—Hemphill, Noyes & Co., New York.

United Variable Annuities Fund, Inc.
April 11, 1961 filed 2,500,000 shares of stock. **Price**—$10 per share. **Business**—A new mutual fund. **Proceeds**—For investment. **Office**—20 W. 9th Street, Kansas City, Mo. **Underwriter**—Waddell & Reed, Inc., Kansas City, Mo.

Universal Finance Corp.
March 29, 1963 filed $1,026,000 of 7% junior subordinated convertible capital notes (series A) due 1978; also 12,329 common to be sold for stockholders. **Price**—For debentures, at par; for stock, by amendment. **Business**—Company and 30 active subsidiaries are engaged in the consumer finance business. **Proceeds**—For debt repayment, and expansion. **Address** — 700 Gibraltar Bldg., Dallas. **Underwriters**—Midland Securities Co., Inc., Kansas City, and Texas National Corp., San Antonio.

Urethane of Texas, Inc.
Feb. 14, 1962 filed 250,000 class A and 250,000 common to be offered in units of one share of each class. **Price**—$5.05 per unit. **Business**—Manufacture of urethane foams. **Proceeds**—For equipment, working capital leasehold expenses and other corporate purposes. **Office**—2300 Republic National Bank Bldg., Dallas. **Underwriter** — First Nebraska Securities Corp., Lincoln, Neb **Offering**—Temporarily postponed.

Valley Investors, Inc.
Jan. 23, 1963, filed 328,858 common. **Price**—$1. **Business**—A new mutual fund. **Proceeds**—For investment. **Address**—Sidney, Montana. **Underwriter**—To be named.

● **Vend-Mart Inc.**
Jan. 22, 1963 filed 60,000 common. **Price**—$4. **Business**—Operation of coin-operated automatic ice cube vending machines and clothes washing and drying machines. **Proceeds** — For debt repayment, equipment, expansion and working capital. **Office**—565 Fifth Ave., New York. **Underwriter**—M. G. Davis & Co., Inc., New York. **Offering**—Expected in mid-June.

Waterman Steamship Corp.
Aug. 29, 1961 filed 1,743,000 common. **Price**—By amendment. **Business**—The carrying of liner-type cargoes **Proceeds**—For the purchase of vessels, and working capital. **Office**—71 Saint Joseph St., Mobile, Ala. **Underwriter**—Shields & Co., Inc., N. Y. **Note**—This registration will be withdrawn.

Western Steel, Inc.
Jan. 17, 1963 ("Reg. A") 245,000 common. **Price** — $1. **Business**—Company plans to erect a mill to produce certain types of iron by the new "Taylor Process." **Proceeds**—For plant construction and general corporate purposes. **Address**—Suite 412-413 Hynds Bldg., Cheyenne, Wyo. **Underwriter**—C. B. Hoke Agency, Cheyenne, Wyo. **Note**—The SEC has issued an order temporarily suspending this issue.

Western Union International, Inc.
March 29, 1963 filed $4,000,000 of 6¼% subordinated debentures due 1983, and 400,000 common. **Price**—For debentures, at par; for stock $3.50. **Business**—Company will take over and operate Western Union Telegraph's international telegraph operations. **Proceeds**—For selling stockholder, Western Union Telegraph Co., parent. **Office**—60 Hudson St., New York. **Underwriters**—American Securities Corp., and Glore, Forgan & Co., New York. **Offering**—Expected in late July.

Widman (L. F.), Inc.
Oct. 27, 1961 filed 162,000 common, of which 102,000 are to be offered by the company and 60,000 by stockholders. **Price**—$3. **Business**—Operates a chain of retail drug stores. **Proceeds**—Expansion, equipment and working capital. **Office**—738 Bellefonte Ave., Lock Haven, Pa **Underwriter**—Godfrey, Hamilton, Taylor & Co., N. Y.

Wiener Shoes Inc.
April 2, 1962 filed 80,000 common. **Price** — By amendment (max. $11). **Business**—Operation of a chain of shoe stores. **Proceeds**—For debt repayment, expansion and working capital. **Office** — 808 Dakin St., New Orleans. **Underwriter** — Howard, Weil, Labouisse, Friedrichs & Co., New Orleans. **Note**—This registration will be withdrawn.

William Penn Racing Association
March 8, 1963 filed $1,000,000 of 6½% sinking fund debentures due 1978 and 100,000 class A non-voting common shares to be offered in units of one $100 debenture and 10 shares. **Price**—$220 per unit. **Business**—Company has been licensed to conduct harness racing with parimutual betting. **Proceeds** — For debt repayment and working capital. **Office**—3 Penn Center Plaza, Philadelphia. **Underwriter**—Stroud & Co., Inc., Philadelphia. **Offering**—Indefinite.

Winslow Electronics, Inc.
Dec. 28, 1961 filed 125,000 common. **Price**—$4. **Business**—Design and manufacture of precision electrical and electronic measuring devices and test equipment. **Proceeds**—For debt repayment and other corporate purposes. **Office**—1005 First Ave., Asbury Park, N. J. **Underwriter**—To be named.

Wolf Corp.
Jan. 26, 1962 filed $4,500,000 of 6.5% convertible subordinated debentures due 1977 (with attached warrants) to be offered for subscription by stockholders of class A stock on the basis of $500 debentures for each 100 class A shares held. **Price**—$500 per unit. **Business**—Real estate. **Proceeds**—For debt repayment and realty acquisitions. **Office**—10 East 40th St., N. Y. **Underwriter**—S. E. Securities, Inc., 10 East 40th Street, New York. **Note**—This registration will be withdrawn.

Woman's Life Insurance Co. of America, Inc.
March 28, 1963 filed 150,000 common. **Price**—$7.50. **Business**—Company writes life insurance for women. **Proceeds**—For investment, and expansion. **Office**—7940 Wisconsin Ave., Bethesda, Maryland. **Underwriter**—None.

Issues Filed With SEC This Week

★ **Archean Exploration Corp.**
May 8, 1963 ("Reg. A") 500,000 common. **Price**—25 cents. **Business** — Exploration and development of iron ores. **Proceeds**—For mining operations. **Office**—2019 Santa Rita Drive, Las Vegas, Nev. **Underwriter**—None.

★ **Barger (Harry), Inc.**
April 30, 1963 ("Reg. A") 4,900 common. **Price** — $10. **Business**—Manufacture of wrought iron furniture, and the sale of carpeting, appliances, TV sets and related items. **Proceeds**—For inventory, advertising and expansion. **Office**—1319 N. W. Eastman Ave., Gresham, Ore. **Underwriter**—None.

★ **Bristol Silver Mines Co.**
April 26, 1963 ("Reg. A") 1,000,000 series A convertible preferred to be offered for subscription by stockholders of record April 10, 1963, on the basis of one preferred share for each five common shares held. Rights expire May 31, 1963. **Price**—25 cents. **Business**—Exploration for copper, silver, lead and zinc ores. **Proceeds** — For mining operations. **Address** — Pioche, Nev. **Underwriter**—None.

★ **Brown (John) Distilling Co., Inc.**
April 29, 1963 ("Reg. A") 10,000 common. **Price** — $6. **Business** — Manufacture and wholesale distribution of London Dry Gin & Vodka. **Proceeds**—For a plant, equipment, licenses and working capital. **Address**—Harpers Ferry, W. Va. **Underwriter**—None.

★ **Capital Cities Broadcasting Corp.** (6/12)
May 9, 1963 filed 250,000 common. **Price**—By amendment (max. $23.37). **Business**—Company owns and operates four TV stations and six radio stations; it also owns a 40% interest in Subways Advertising Co., Inc., which sells advertising space in the New York City subways. **Proceeds**—For selling stockholders. **Office**—24 East 51st St., New York. **Underwriter**—White, Weld & Co., New York.

★ **Charmingfare Associates, Inc.**
May 3, 1963 ("Reg. A") 600 common. **Price**—$100. **Business**—Operation of a public golf course at Candia, N. H. **Proceeds** — For construction and promotion of the golf course. **Address**—South Road, Box 361, R. F. D. No. 1, Manchester, N. H. **Underwriter**—None.

★ **Coastal States Gas Producing Co.**
May 15, 1963 filed $50,000,000 first mortgage bonds series A due 1983. **Business** — Acquisition, development and operation of gas gathering systems, and the production and sale of natural gas, crude oil and condensate. **Proceeds**—For loan repayment, and working capital. **Address**—Petroleum Tower, Corpus Christi, Tex. **Underwriters** — Kuhn, Loeb & Co., First Boston Corp., and Paine, Webber, Jackson & Curtis, Boston.

★ **Commonwealth Telephone Co.** (6/3)
May 8, 1963 filed 71,460 common to be offered for subscription by common stockholders on the basis of one new share for each 10 held of record June 3, 1963. Rights will expire June 18, 1963. **Price**—By amendment (max.

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$29). **Business** — An independent telephone company serving portions of eastern Pennsylvania. **Proceeds**—For loan repayment. **Office**—100 Lake St., Dallas, Pa. **Underwriter** — Eastman Dillon, Union Securities & Co., Philadelphia and New York.

★ Continental Reserve Corp.
May 13, 1963 filed 45,000 class B common. **Price** — $40. **Business** — Company plans to acquire, organize, and manage life, accident and health insurance concerns. **Proceeds** — For investment in subsidiaries. **Office**—114 East 40th St., New York. **Underwriter**—None.

★ Crystal Mountain, Inc.
May 1, 1963 ("Reg. A") 5,960 class A common to be offered for subscription by stockholders and bondholders on a pro rata basis. **Price**—$50. **Business**—Operation of a ski resort near Mt. Ranier, Wash. **Underwriter**—None.

★ Family Life Insurance Co.
May 8, 1963 ("Reg. A") 810 $8 dividend preferred and 486 class A common. **Price** — For preferred, $130; for common, $400. **Business**—Sale of credit, life, accident and sickness insurance. **Proceeds** — For paid-in capital stock account, and working capital. **Address**—Republic Bldg., Seattle. **Underwriter** — Pacific Northwest Co., Seattle.

★ H. W. I. Building Corp.
April 29, 1963 ("Reg. A") $270,000 of 6% series E bonds due June 15, 1981 to be offered for subscription by stockholders of Hardware Wholesalers, Inc. **Price**—$500 each. **Business**—A real estate holding company. **Proceeds**—For debt repayment, equipment and expansion. **Address**—Nelson Rd. (P. O. Box 868) Fort Wayne, Ind. **Underwriter**—None.

★ Haverhill Gas Co.
May 2, 1963 ("Reg. A") 8,137 capital shares to be offered for subscription by stockholders on the basis of one new share for each 19 shares held of record May 29. **Price**—$33.50. **Business**—Purchase, distribution and sale of natural gas for consumption in northeastern Massachusetts. **Proceeds**—For loan repayment. **Address**—Haverhill, Mass. **Underwriter**—None.

★ Independent Shoe Discounters Association, Inc.
May 8, 1963 filed 325,000 common. **Price**—$1. **Business**—Company plans to distribute shoes and related items to franchised discount shoe stores. **Proceeds**—For working capital. **Office**—519 West California Ave., Oklahoma City. **Underwriter**—Parker, Bishop & Hart, Inc., Oklahoma City.

★ Interstate Securities Co. (6/4)
May 13, 1963 filed 173,433 common to be offered for subscription by common stockholders on the basis of one new share for each four held of record about June 4, with rights to expire June 26. **Price**—By amendment. **Business**—Company is engaged in consumer and commercial financing; writing credit life, health and accident insurance, and automobile physical damage insurance. **Proceeds**—For loan repayment, advances to subsidiaries, and working capital. **Office**—3430 Broadway, Kansas City, Mo. **Underwriter**—A. G. Becker & Co., Inc., Chicago.

★ Livestock Financial Corp.
May 14, 1963 refiled 200,000 common. **Price**—$5. **Business**—An insurance holding company whose subsidiaries insure the lives of all types of animals. **Proceeds** — To form new subsidiaries. **Office**—26 Platt St., New York. **Underwriter**—Charles Plohn & Co., New York. **Offering**—Expected in early June.

★ Maust Coal & Coke Corp. (6/10-14)
May 14, 1963 filed $5,000,000 of convertible subordinated debentures due 1983; also 200,000 common to be sold by J. R. Maust, Chairman. **Price**—By amendment (max. for stock $17). **Business**—Mining, processing and marketing of bituminous coal. **Proceeds** — For new plants and equipment. **Office**—530 Fifth Ave., New York. **Underwriter**—Eastman Dillon, Union Securities & Co., N. Y.

★ Metetelic Corp.
May 6, 1963 ("Reg. A") 75,000 common. **Price**—$1. **Business**—Manufacture of electrical indicating instruments for measuring and indicating D. C. electricity. **Proceeds**—For working capital, equipment and other corporate purposes. **Office**—83 Erna Ave., Milford, Conn. **Underwriter**—None.

★ Midwestern Industries Corp.
April 30, 1963 ("Reg. A") 29,500 common. **Price**—$10. **Business**—Manufacture and sale of pleasure boats. **Proceeds**—For debt repayment, equipment, product development and working capital. **Address**—Harlan, Ind. **Underwriter**—None.

★ Pacific Northwest Bell Telephone Co. (6/12)
May 8, 1963 filed 13,013,969 common to be offered for subscription by preferred and common stockholders of Pacific Telephone & Telegraph Co., former parent, on the basis of 7 Northwest common for each 8 P. T. & T. preferred or one Northwest common for each 8 P. T. & T. common held of record June 4, 1963. Rights will expire July 3, 1963. **Price**—By amendment. **Proceeds**—For selling stockholders, P. T. & T. **Office**—1200 Third Ave., Seattle, Wash. **Underwriter**—None.

★ Pennsylvania Power Co. (6/12)
May 13, 1963 filed $9,000,000 of first mortgage bonds due 1993. **Proceeds**—For construction. **Office**—19 E. Washington St., New Castle, Pa. **Underwriters**—(Competitive). Probable bidders: Kidder, Peabody & Co.-White, Weld & Co.- Equitable Securities Corp.-Shields & Co. (jointly); Harriman Ripley & Co.; Lehman Brothers - Eastman Dillon, Union Securities & Co.-Ladenburg, Thalmann & Co.-Salomon Brothers & Hutzler (jointly); Halsey, Stuart & Co.; Merrill Lynch, Pierce, Fenner & Smith Inc.-Dean Witter & Co. (jointly); First Boston Corp.-Blyth & Co. (jointly). **Bids**—Expected June 12 (11 a.m. EDST) at 300 Park Ave., New York. **Information Meeting**—June 10 (3:45 p.m. EDST) at 15 William St., N. Y.

★ Saturn Airways, Inc.
April 26, 1963 ("Reg. A") 30,000 common. **Price**—$10. **Business**—Air transportation of freight and passengers. **Proceeds**—For cash deposits on aircraft, operating expenses and working capital. **Office**—215 International City Bldg., Miami Springs, Fla. **Underwriter**—None.

★ Union Light, Heat & Power Co. (6/26)
May 10, 1963 filed $6,500,000 of first mortgage bonds due 1993. **Proceeds**—For construction and other corporate purposes. **Address**—Fourth & Main Sts., Cincinnati. **Underwriters**—(Competitive). Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co. Inc.-First Boston Corp. (jointly); Merrill Lynch, Pierce, Fenner & Smith Inc.-Kidder, Peabody & Co. (jointly); Equitable Securities Corp.; White, Weld & Co. **Bids**—Expected June 26 (11 a.m. EDST). **Information Meeting**—June 19 (11 a.m. EDST) at One Wall St. (47th floor), New York.

★ Western Fund
May 3, 1963 ("Reg. A") 114,800 common to be offered for subscription by stockholders. **Price**—$2.50. **Business**—A real estate investment company. **Proceeds**—For development and sale of trailer park sites. **Office**—111 W. Washington St., Tucson, Ariz. **Underwriter**—None.

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.
$16,000,000 of 4⅜% first mortgage bonds due 1993 offered at 100.08% to yield 4.37% by Lehman Brothers and Salomon Brothers & Hutzler, New York.

Alabama Power Co.
50,000 shares of 4.52% cumulative preferred stock offered at $101.80 per share, plus accrued dividends from April 1, to yield 4.42%, by Kidder, Peabody & Co., New York.

Berns Air King Corp.
100,000 class A common offered at $7.50 per share by McCormick & Co., and H. M. Byllesby & Co., Chicago.

Chicago Union Station Co.
$10,000,000 of 3⅞% debentures, series A, due June 1, 1964-68 and $10,000,000 of 4⅜% debentures, series B, due June 1, 1969-73 priced to yield from 3.60% to 4.50%, offered by Halsey, Stuart & Co. Inc., Chicago.

Chicago Union Station Co.
$29,000,000 of 4⅝% first mortgage bonds due 1988 offered at 99½% to yield 4.66% by Kidder, Peabody & Co., Inc., New York.

Ekco Products Co.
80,000 common offered at $28.75 per share by Lehman Brothers, New York.

Halo Lighting, Inc.
150,000 common offered at $9 per share by A. G. Becker & Co., Inc., Chicago.

Holiday Inns of America, Inc.
420,047 common offered at $18.25 per share by Equitable Securities Corp., Nashville.

Home Entertainment Co. of America, Inc.
300,000 common offered at $10 per share by Bernard M. Kahn & Co., Inc., New York.

Laboratory Procedures, Inc.
225,000 common offered at $1 per share by Charles Plohn & Co., and B. W. Pizzini & Co., Inc., New York.

Manchester Insurance Management & Investment Corp.
272,941 common offered at $3.50 per share by Troster, Singer & Co., New York.

Mortgage Guaranty Insurance Corp.
200,000 common offered at $27 per share by Hornblower & Weeks, Chicago and Robert W. Baird & Co., Inc.

Nuveen Tax-Exempt Bond Fund, Series 4
120,000 units offered initially at $107.34 and accrued interest to yield about 3.73% by John Nuveen & Co., New York.

Virgina Electric & Power Co.
$30,000,000 of 4⅜% first and refunding mortgage bonds, series R, due May 1, 1993 offered at 100.625% and accrued interest to yield 4.34% by Halsey, Stuart & Co. Inc., New York.

ATTENTION UNDERWRITERS!
Do you have an issue you're planning to register? Our Corporation News Department would like to know about it so that we can prepare an item similar to those you'll find hereunder.
Would you telephone us at REctor 2-9570 or write us at 25 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 stockholders the right to subscribe for an additional 82,500 capital shares on the basis of one new share for each two held of record May 8. Rights will expire May 31. **Price**—$32. **Proceeds**—To increase capital and surplus. **Office**—64 Sutter St., San Francisco. **Underwriter**—None.

Bethlehem Steel Co.
Feb. 26, 1963, Arthur B. Homer, Chairman, announced that the company will embark on a $750,000,000 capital improvements program to be completed by 1965. He said that approximately two-thirds of the financing 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. **Office** — 25 Broadway, New York. **Underwriters**—To be named. The last public sale of securities in May, 1955, was handled by Kuhn, Loeb & Co., and Smith, Barney & Co., New York.

● Columbia Gas System, Inc. (10/3)
May 6, 1963 the company stated that it plans to sell $25,000,000 of debentures in October to raise money for construction. **Office** — 120 East 41st Street, New York. **Underwriters** — (Competitive). Probable bidders: Morgan Stanley & Co.-First Boston Corp. (jointly); Merrill Lynch, Pierce, Fenner & Smith Inc.-White, Weld & Co. (jointly); Halsey, Stuart & Co. Inc.; Blyth & Co.-Lehman Brothers-Salomon Brothers & Hutzler. **Bids**—Expected Oct. 3.

Communications Satellite Corp.
Feb. 20, 1963 it was reported that papers of incorporation have been filed for this company, in Washington, D. C. Company's common voting shares, without par value, will be divided into two series. Series I will be issued to the public, firms that produce space exploration equipment and other non-communications concerns. Series II will be issued to FCC-approved communications common carriers, with the provision that no more than half the company's total shares can be held by these carriers, and no individual or group may hold over 10% of the remaining 50%. **Price**—Maximum of $100 per share. **Business**—Congress has authorized the company to provide satellites and ground facilities for the international transmission of telephone, telegraph, television and other communications. **Office**—3029 Klingle Rd., N. W., Washington, D. C. **Underwriters**—To be named.

Community Public Service Co.
Jan. 16, 1963 it was reported that this company plans to sell $8,000,000 of first mortgage bonds in June 1963. **Office**—408 W. 7th Street, Fort Worth, Tex. **Underwriters**—(Competitive). Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Brothers & Hutzler; Stone & Webster Securities Corp.

Connecticut Light & Power Co.
Dec. 10, 1962 it was reported that the company is considering the issuance of about $22,500,000 of bonds in 1963 or 1964. **Proceeds**—For construction. **Address**—Selden St., Berlin, Conn. **Underwriters**—To be named. The last public offering of bonds on Jan. 20, 1960 was handled by Morgan Stanley & Co.-Putnam & Co.-Chas. W. Scranton & Co.-Estabrook & Co. (jointly).

Connecticut Yankee Atomic Power Co.
April 23, 1963 it was reported that the 12 utilities which jointly own this new firm, have petitioned the SEC for exemption from the Public Utility Holding Company Act to permit the negotiated sale of $55,000,000 of the firm's bonds. The request has been opposed by a major underwriter who wants the bonds to be sold at competitive bidding. **Business**—Company was formed in December, 1962, to own and operate a 500,000 kw. atomic power plant at Haddam Neck, Conn. **Proceeds**—For construction of the $70-$80,000,000 plant. **Office**—441 Stuart St., Boston. **Underwriters**—To be named.

● Consolidated Edison Co. of New York, Inc.
Feb. 26, 1963 the company stated that it will have to raise approximately $690,000,000 through the sale of securities, to finance its five-year construction program. **Office**—4 Irving Place, New York. **Underwriters**—To be named. The last public bond issue, in December, 1962, was won at competitive bidding by Halsey, Stuart & Co. Inc. Other bidders were Morgan Stanley & Co., and First Boston Corp.

Consumers Power Co.
April 24, 1963 it was reported that the company plans to sell $20,000,000 of straight debentures in the second half of 1963. **Office**—212 W. Michigan Ave., Jackson, Mich. **Underwriters**—(Competitive). Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.-Shields & Co. (jointly); Harriman Ripley & Co. Inc.-First Boston Corp. (jointly); Morgan Stanley & Co., Salomon Brothers & Hutzler-Blyth & Co.-Lehman Brothers-Merrill Lynch, Pierce, Fenner & Smith Inc. (jointly).

Duke Power Co.
April 22, 1963 it was reported that the company has tentative plans to issue $50,000,000 of first mortgage bonds in the first quarter of 1964. **Office**—30 Rockefeller Plaza,

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New York. **Underwriters**—(Competitive). Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp.; Morgan Stanley & Co.; Stone & Webster Securities Corp.

Eastern Freight Ways, Inc.
Oct. 9, 1962 the ICC authorized the company to issue 100,000 common. **Price**—By amendment (min. $5). **Business**—A motor vehicle common carrier operating in nine eastern states from Vermont to Virginia. **Proceeds**—For working capital, debt repayment and advances to subsidiaries. **Office** — Moonachie Ave., Carlstadt, N. J **Underwriter**—Allen & Co., New York.

Florida Power Corp.
March 12, 1963 the company announced plans to offer stockholders, sometime in 1963, the right to subscribe for about 457,265 additional common shares on a 1-for-20 basis. **Proceeds**—For loan repayment. **Office**—101 Fifth St., South, St. Petersburg, Fla. **Underwriters**—To be named. The last rights offering in May 1959 was underwritten by Kidder, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Smith, Inc., New York

Food Fair Properties, Inc.
May 11, 1962 stockholders authorized the company to issue 756,000 shares of a new convertible preferred stock which will be offered to stockholders through subscription rights on a 1-for-10 basis. **Price**—By amendment **Business**—Development and operation of shopping centers. **Proceeds**—To retire outstanding 6% preferred stock and purchase up to $6,000,000 convertible debentures of Major Realty Corp., an affiliate. **Office**—223 East Allegheny Ave., Philadelphia. **Underwriter**—To be named The last rights offering in December 1957 was underwritten by Eastman Dillon, Union Securities & Co., New York. **Offering**—Indefinitely postponed.

General Aniline & Film Corp.
April 3, 1963 Attorney General Robert F. Kennedy announced that the Justice Department had reached an out-of-court agreement with Interhandel, a Swiss holding company, designed to settle the 20-year old dispute over control of the 540,894 class A and 2,050,000 class B shares of General Aniline seized by the U. S. Government in 1942 as a German asset. The stock represents 98% of the voting control of the company. Mr. Kennedy said that if General Aniline should be sold for $200 million, the Government would receive about $140 million and Interhandel about $60 million. The settlement terms, recently approved by Interhandel stockholders, also must be approved by the U. S. District Court at Washington, D. C. **Business**—Company is a leading domestic producer of dyestuffs, chemicals and photographic materials. **Office**—111 W. 50th St., New York. **Underwriters**—(Competitive). Probable bidders: Blyth & Co.-First Boston Corp. (jointly); Lehman Brothers-Kuhn, Loeb & Co.-Glore, Forgan & Co. (jointly); Bache & Co.

Georgia Power Co. (11/7)
Jan. 22, 1963 it was reported that this subsidiary of The Southern Co., plans to sell $30,000,000 of first mortgage bonds and $7,000,000 of preferred stock in November. **Proceeds**—For construction. **Office**—270 Peachtree Bldg., Atlanta. **Underwriters** — (Competitive). Probable bidders: (Bonds): Equitable Securities Corp.-Eastman Dillon, Union Securities & Co. (jointly); Blyth & Co.-Kidder, Peabody & Co.-Shields & Co. (jointly); Halsey, Stuart & Co. Inc.; First Boston Corp.; Harriman Ripley & Co.; Morgan Stanley & Co.; Lehman Brothers. (Preferred): First Boston Corp.; Lehman Brothers; Blyth & Co.; Eastman Dillon, Union Securities & Co.-Equitable Securities Corp. (jointly); Morgan Stanley & Co. **Bids**—Expected Nov. 7, 1963.

Great Northern Ry. (5/21)
March 2, 1963 it was reported that the company plans to sell $6,600,000 of equipment trust certificates. **Office**—39 Broadway, New York. **Underwriters** — (Competitive.) Probable bidders: Salomon Brothers & Hutzler; Halsey, Stuart & Co. Inc. **Bids**—Expected May 21 (12 noon EDST) at above address.

Gulf States Utilities Co.
Jan. 29, 1963 the company announced plans to sell 100,000 shares of preferred stock (par $100) in the second half of 1963. **Office**—285 Liberty Ave., Beaumont, Tex. **Underwriters**—(Competitive). Probable bidders: Stone & Webster Securities Corp.; Lehman Brothers-Equitable Securities Corp. (jointly); Glore, Forgan & Co.-W. C. Langley & Co. (jointly); Lee Higginson Corp.

Hartford Electric Light Co.
April 30, 1963 the company announced plans to sell $15,-$20,000,000 of securities in 1964 to help finance its $26,000,000 construction program. **Office**—176 Cumberland Ave., Wethersfield, Conn. **Underwriters** — First Boston Corp., New York; Putnam & Co., Hartford; Chas. W. Scranton & Co., New Haven.

Hawaiian Electric Co., Ltd.
March 5, 1963 it was reported that this company plans to sell about $14,000,000 of first mortgage bonds in the third quarter. **Office**—900 Richards St., Honolulu. **Underwriters** — Dillon, Read & Co. Inc., New York and Dean Witter & Co., San Francisco.

Hawaiian Telephone Co.
March 25, 1963, the company announced plans to sell about $9,000,000 of common stock late in the third quarter. Details have not been decided upon. However, it is expected that the common will be offered on a rights basis to stockholders. **Office**—1130 Alakea St., Honolulu. **Underwriter**—Kidder, Peabody & Co., New York.

Hitachi, Ltd.
April 10, 1963 it was reported that this Japanese firm plans to raise between $10-$20,000,000 in the U. S. by the sale of A. D. R's in the third quarter of 1963. **Business**—Company is Japan's largest manufacturer of electrical equipment and appliances turning out over 10,000 different products ranging from locomotives to transistor radios. **Proceeds** — For expansion. **Address** — Tokyo, Japan. **Underwriter**—Dillon, Read & Co., Inc., New York.

Illinois Bell Telephone Co. (7/9)
April 30, 1963 it was reported that the company plans to offer $50,000,000 of first mortgage bonds due 2003. **Proceeds**—To repay advances from A. T. & T., parent. **Office**—212 W. Washington St., Chicago. **Underwriters**—(Competitive). Probable bidders: Halsey, Stuart & Co.; Glore, Forgan & Co.-Eastman Dillon, Union Securities & Co.; Morgan Stanley & Co.; Blyth & Co.-Lehman Brothers-Merrill Lynch, Pierce, Fenner & Smith Inc.-Salomon Brothers & Hutzler. **Bids** — Expected July 9 at 195 Broadway, New York.

Indiana Bell Telephone Co., Inc. (6/11)
March 4, 1963 it was reported that this A. T. & T. subsidiary plans to sell $20,000,000 of debentures in June, marking its first sale of debt securities. **Office**—240 No. Meridian St., Indianapolis. **Underwriters**—(Competitive). Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; First Boston Corp.; White, Weld & Co.; Eastman Dillon, Union Securities & Co.-Kidder, Peabody & Co. (jointly); Blyth & Co.-Lehman Brothers-Merrill Lynch, Pierce, Fenner & Smith Inc.-Salomon Brothers & Hutzler (jointly). **Bids**—Expected June 11 (11 a.m. EDST) at 195 Broadway, New York. **Information Meeting**—June 6 (2:30 p.m. EDST) at same address.

Indiana & Michigan Electric Co. (8/6)
March 12, 1963 it was reported that this subsidiary of American Electric Power Co., Inc., plans to sell $45,000,000 of first mortgage bonds due 1993. **Office**—2101 Spy Run Ave., Fort Wayne, Ind. **Underwriters**—(Competitive). Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co.; Harriman Ripley & Co. Inc.; First Boston Corp.; Merrill Lynch, Pierce, Fenner & Smith Inc.-Blyth & Co.-Lehman Brothers-Salomon Brothers & Hutzler (jointly). **Bids**—Expected Aug. 6 at American Electric Power Co., 2 Broadway, New York.

Iowa Power & Light Co.
Jan. 16, 1963 it was reported that the company plans to sell $10,000,000 of bonds in late 1963 or early 1964. **Office**—823 Walnut St., Des Moines. **Underwriters**—(Competitive). Probable bidders: First Boston Corp.; White, Weld & Co.; Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Kidder, Peabody & Co.; Eastman Dillon, Union Securities & Co.; Lehman Brothers; Blyth & Co.

Iowa Public Service Co.
May 6, 1963 it was reported that the company plans to offer $12,000,000 of first mortgage bonds in September. **Address**—Orpheum-Electric Bldg., Sioux City, Iowa. **Underwriters**—(Competitive). Probable bidders: Kidder, Peabody & Co.-Blyth & Co. Inc. (jointly); Eastman Dillon, Union Securities & Co.; Equitable Securities Corp. White, Weld & Co.; First Boston Corp.; Merrill Lynch, Pierce, Fenner & Smith Inc.

Japan (Government of)
May 1, 1963 it was reported that the Government plans to sell an additional $35,000,000 of external loan bonds in the U. S. during the fiscal year ending March 31, 1964. It is expected that the majority would be sold by Dec. 31, 1963. **Underwriter**—First Boston Corp., New York.

Japan Fund, Inc.
April 18, 1963 it was reported that directors of the Fund had authorized the officers to investigate the possibility of a rights offering of common stock to stockholders. **Business**—A closed-end diversified investment company seeking capital appreciation through investments primarily in common stocks of Japanese firms. **Office**—25 Broad St., New York. **Underwriters**—Bache & Co.; Paine, Webber, Jackson & Curtis, and The Nikko Securities Co., Ltd., New York.

Jersey Central Power & Light Co.
March 12, 1963 it was reported that this subsidiary of General Public Utilities Corp., plans to sell $10,000,000 of 30-year bonds and $9,000,000 of 25-year debentures in the fall. **Address**—Madison Ave., at Punch Bowl Rd., Morristown, N. J. **Underwriters**—(Competitive). Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; First Boston Corp.; Eastman Dillon, Union Securities & Co.-Salomon Brothers & Hutzler-Merrill Lynch, Pierce, Fenner & Smith Inc. (jointly); Kidder Peabody & Co.; Harriman Ripley & Co.

Louisiana Power & Light Co.
Feb. 20, 1963 it was reported that this subsidiary of Middle South Utilities, Inc., may issue $25-$30,000,000 of bonds early in 1964. **Proceeds**—For construction. **Office**—142 Delaronde St., New Orleans. **Underwriters**—(Competitive.) Probable bidders: Merrill Lynch, Pierce, Fenner & Smith Inc.- Kidder, Peabody & Co.-Harriman Ripley & Co., Inc. (jointly); White, Weld & Co.-Blyth & Co., Inc.- Shields & Co. (jointly); Halsey, Stuart & Co. Inc.; First Boston Corp.-Glore, Forgan & Co. (jointly); Salomon Brothers & Hutzler-Eastman Dillon, Union Securities & Co.-Equitable Securities Corp (jointly).

Massachusetts Electric Co.
Jan. 16, 1963 it was reported that this company plans to sell $10,000,000 of bonds in the fourth quarter. **Office**—441 Stuart St., Boston. **Underwriters** — (Competitive) Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp.; Merrill Lynch, Pierce, Fenner & Smith Inc.; Eastman Dillon, Union Securities & Co.; Kidder, Peabody & Co.; Blyth & Co.-White, Weld & Co. (jointly)

Mexico (Government of)
April 5, 1963 it was reported that the Mexican Congress had authorized the sale of $100,000,000 of bonds in other countries. It is expected that the majority of them would be sold in the U. S. Details as to terms, timing, etc., have not been decided upon. **Proceeds**—For economic development. **Underwriter**—Kuhn, Loeb & Co., New York

Michigan Wisconsin Pipe Line Co.
March 12, 1963 the company stated that it is considering the issuance of about $25,000,000 of bonds in the third quarter, to refund a like amount of outstanding 6¼% first pipe line bonds due June 15, 1977. Action is contingent upon successful completion of its rate case now pending with the FPC. **Office**—500 Griswold St., Detroit. **Underwriters**—(Competitive). Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp.; Blyth & Co.

Missouri Pacific RR. (6/5)
May 6, 1963 it was reported that this road plans the sale of $3,540,000 of equipment trust certificates in June. This will be the second installment of a total $9,000,000 issue. **Address**—Missouri Pacific Bldg., St. Louis 3, Mo. **Underwriters**—(Competitive). Probable bidders: Salomon Brothers & Hutzler; Halsey, Stuart & Co. Inc. **Bids**—June 5 (12 noon CDST) at above address.

National Uni-Pac, Inc.
March 27, 1963 it was reported that the company plans to file a registration statement covering 150,000 common. **Price**—$4. **Business**—The sale or lease of coin operated vending machines. **Proceeds** — To redeem outstanding debentures, and for other corporate purposes. **Office**—15 Peachtree St., N. W. Atlanta, Ga. **Underwriter**—To be named.

Nevada Power Co.
April 16, 1963 the company announced plans to sell about $10,000,000 of first mortgage bonds in Sept. **Address**—Fourth and Stewart Avenue, Las Vegas. **Underwriters**—(Competitive): White, Weld & Co.; Eastman Dillon, Union Securities & Co.-Kidder, Peabody & Co. (jointly); Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Smith Inc.

Nevada Power Co.
April 16, 1963 the company announced plans to sell about $4,000,000 of common stock in September. Transaction is subject to approval by State and Federal regulatory authorities. **Address** — Fourth and Stewart Ave., Las Vegas. **Underwriter**—White, Weld & Co., New York.

New England Power Co.
Jan. 16, 1963 it was reported that this utility plans to sell $10,000,000 of bonds and $10,000,000 of preferred stock in the fourth quarter. **Office**—441 Stuart St., Boston. **Underwriters** — (Competitive). Probable bidders: (Bonds) Halsey, Stuart & Co. Inc.; Lehman Brothers-Equitable Securities Corp. (jointly); Kuhn, Loeb & Co.; Merrill Lynch, Pierce, Fenner & Smith Inc.-Kidder, Peabody & Co.-White, Weld & Co. (jointly); First Boston Corp. (Preferred) First Boston Corp.; Dean Witter & Co.-Smith, Barney & Co.-Wertheim & Co. (jointly); Equitable Securities Corp.-Kidder, Peabody & Co.-Lee Higginson Corp.-White, Weld & Co. (jointly); Lehman Brothers; Merrill Lynch, Pierce, Fenner & Smith, Inc.

New York Central RR (5/23)
April 23, 1963 the company announced plans to sell $2,700,000 of equipment trust certificates in May. **Office**—466 Lexington Ave., New York. **Underwriters**—(Competitive). Probable bidders: Salomon Brothers & Hutzler; Halsey, Stuart & Co. Inc. **Bids**—May 23 (12 noon EDST) at above address.

New York State Electric & Gas Corp.
April 3, 1963 it was reported that the company plans to sell $20,000,000 of debt securities to finance its construction program for 1964 and 1965. **Office**—108 East Green St., Ithaca, New York. **Underwriters** — (Competitive). Probable bidders: Kidder, Peabody & Co. - Salomon Brothers & Hutzler (jointly); First Boston Corp.-Glore, Forgan & Co. (jointly); Halsey, Stuart & Co.; Harriman Ripley & Co.; Blyth & Co.

Nippon Telegraph & Telephone Pubilc Corp.
April 16, 1963 it was reported that the company plans to sell $20,000,000 of bonds in the United States in the third quarter of 1963. **Business** — Nippon Telegraph, wholly-owned by the Japanese Government, furnishes domestic telephone and telegraph services, without competition, in Japan. **Proceeds**—For expansion. **Office**—Tokyo, Japan. **Underwriters**—Dillon, Read & Co.; First Boston Corp., and Smith, Barney & Co., New York.

Norfolk & Western Ry. (6/24)
April 8, 1963 it was reported that this road plans to sell about $4,300,000 of 1-15 year equipment trust certificates in June. **Office**—8 North Jefferson St., Roanoke, Va. **Underwriters**—(Competitive). Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Brothers & Hutzler. **Bids**—June 24 (12 noon EDST).

Northern Illinois Gas Co. (7/10)
April 9, 1963 the company reported that it plans to sell $20,000,000 of first mortgage bonds due 1988. **Proceeds**—For construction. **Office**—615 Eastern Ave., Bellwood, Ill. **Underwriters** — (Competitive). Probable bidders: First Boston Corp.; Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.-Equitable Securities Corp.; Glore, Forgan & Co. **Bids**—Expected July 10.

Northern Natural Gas Co.
Jan. 16, 1963 it was reported that this company plans to sell $30,000,000 of debt securities sometime in 1963 or 1964. **Office**—2223 Dodge St., Omaha, Neb. **Underwriter**—To be named. The last sale of debentures on Nov. 16, 1960 was handled on a negotiated basis by Blyth & Co., Inc., N. Y.

★ **Northern States Power Co (Minn)**
May 14, 1963 it was reported that the company plans to offer about 771,110 additional shares to stockholders on a 1-for-20 basis in 1964, to raise an estimated $25,000,000. **Office**—15 South Fifth St., Minneapolis. **Underwriter**—To be named. The last rights offering in July 1959 was underwritten by Merrill Lynch, Pierce, Fenner & Smith Inc., New York.

● **Northern States Power Co. (Minn.)**
May 14, 1963, it was reported that this company plans to sell $15,000,000 of first mortgage bonds due 1993 in the last half of the year. **Proceeds** — For construction. **Office**—15 South Fifth St., Minneapolis. **Underwriters**—(Competitive): Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp.-Blyth & Co. (jointly); Merrill

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Lynch, Pierce, Fenner & Smith Inc.-Kidder, Peabody & Co.-White, Weld & Co. (jointly); Equitable Securities Corp.-Eastman Dillon, Union Securities & Co. (jointly); Lehman Brothers-Riter & Co. (jointly).

Otter Tail Power Co.

Jan. 16, 1963 it was reported that this company plans to sell $10,000,000 of bonds in the fourth quarter. **Office**—215 South Cascade St., Fergus Falls, Minn. **Underwriters**—(Competitive). Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co. Inc.; Glore, Forgan & Co.-Kalman & Co. (jointly); White, Weld & Co.

Pacific Power & Light Co.

Nov. 28, 1962 it was reported that the company plans to issue $30,000,000 of first mortgage bonds in June 1963. **Proceeds**—To repay outstanding loans. **Office**—920 S. W. Sixth Ave., Portland, Ore. **Underwriters**—(Competitive). Probable bidders: Lehman Brothers-Bear, Stearns & Co.-Salomon Brothers & Hutzler (jointly); Halsey, Stuart & Co. Inc.; Blyth & Co.-White, Weld & Co. (jointly); Eastman Dillon, Union Securities & Co.-Kidder, Peabody & Co. (jointly).

Pennsylvania Power & Light Co.

March 18, 1963 the company stated that it expects to sell $75,000,000 of bonds in the period 1963 through 1967. **Proceeds** — For construction and the retirement of $8,000,000 of maturing bonds. **Office**—9th and Hamilton Sts., Allentown, Pa. **Underwriters**—To be named. The last sale of bonds on Nov. 29, 1961 was won at competitive bidding by White, Weld & Co., and Kidder, Peabody & Co. Other bidders were Halsey, Stuart & Co. Inc.; First Boston Corp.-Drexel & Co. (jointly).

Philadelphia Electric Co.

March 5, 1963 the company reported that it plans to spend $478,000,000 for construction during the five-year period 1963-67. It added that about half the money required will be generated internally, and the balance obtained by bank loans to be converted into permanent financing, from time to time, through the sale of bonds and common stock. **Office**—1000 Chestnut St., Philadelphia. **Underwriters**—To be named. The last sale of bonds on Oct. 15, 1959 was handled by Morgan Stanley & Co. and Drexel & Co. Other bidders were: Halsey, Stuart & Co. Inc.; First Boston Corp.; White, Weld & Co. The last sale of common was a rights offering on June 2, 1959, underwritten by Drexel & Co., and Morgan Stanley & Co.

★ **Potomac Edison Co.**

May 14, 1963 it was reported that this subsidiary of Allegheny Power System, Inc., plans to raise $12,000,000 in 1964, but has not determined the type of security to be sold. **Office**—200 East Patrick St., Frederick, Md. **Underwriter**—To be named. The last sale of bonds on May 8, 1957 was to a group headed by W. C. Langley & Co., and First Boston Corp. Other bidders were: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; White, Weld & Co.-Shields & Co. (jointly); Lehman Brothers-Eastman Dillon, Union Securities & Co.-Harriman Ripley & Co.-Merrill Lynch, Pierce, Fenner & Smith, Inc. (jointly).

Public Service Electric & Gas Co. (6/18)

March 4, 1963 it was reported that this company plans to sell $40,000,000 of first mortgage bonds due 1993. **Proceeds** — For construction. **Office** — 80 Park Place, Newark, N. J. **Underwriters** — (Competitive). Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp.; White, Weld & Co.-Blyth & Co.-Goldman, Sachs & Co.-Harriman Ripley & Co. (jointly); Lehman Brothers-Merrill Lynch, Pierce, Fenner & Smith Inc.-Salomon Brothers & Hutzler (jointly). **Bids** — Expected June 18 (11 a.m. EDST) at above address. **Information Meeting**—June 13 (2 p.m. EDST) at One Chase Manhattan Plaza, New York.

Rochester Telephone Co.

May 7, 1963 the company announced plans to sell $16,000,000 of debentures in the first quarter of 1964, but may do so earlier if market conditions are favorable. **Proceeds** — For construction. **Office** — 10 Franklin St., Rochester, N. Y. **Underwriters**—(Competitive). Probable bidders: First Boston Corp.; Eastman Dillon, Union Securities & Co.-Kidder, Peabody & Co. (jointly); Kuhn, Loeb & Co.; Halsey, Stuart & Co. Inc.

Sears, Roebuck & Co.

Feb. 19, 1963, Allstate Enterprises, Inc., subsidiary, announced that it had delayed its plans to form a new mutual fund until it received clarification of an SEC ruling which "has been construed by some to mean that registered investment companies could not purchase Sears' stock or would be required to divest themselves of it, if Sears' itself owned a mutual fund." Earlier, Allstate said that the fund would be in operation late in 1963 on a "very small scale," and would be started on a state-by-state basis as approval was granted. **Office**—925 So. Homan Ave., Chicago. **Distributor**—Allstate Enterprises, Inc., Chicago.

Security National Bank of Long Island

April 16, 1963 it was reported that the bank plans to offer stockholders the right to subscribe for an additional 141,519 common shares on a 1-for-9 basis. The proposal will be voted on by stockholders in mid-June and the date of the meeting would also be the record date for the rights offering. **Address**—Huntington, N. Y. **Underwriter**—M. A. Schapiro & Co., New York.

Sierra Pacific Power Co. (7/17)

May 6, 1963 it was reported that this company plans to sell $8,000,000 of debentures. **Proceeds** — To refund $3,340,000 of outstanding 5⅝% debentures due July 1, 1985, and for construction. **Office**—220 South Virginia St., Reno, Nev. **Underwriters**—(Competitive). Probable bidders: Kidder, Peabody & Co.-White, Weld & Co. (jointly); Stone & Webster Securities Corp.-Dean Witter & Co. (jointly); Halsey, Stuart & Co. Inc.; Salomon Brothers & Hutzler. **Bids**—Expected July 17, 1963. **Information Meeting**—July 12 at 90 Broad St., (19th floor), New York.

Sierra Pacific Power Co. (7/17)

May 6, 1963 it was reported that the company plans to offer stockholders the right to subscribe for about 172,340 additional common shares on the basis of one new share for each 10 held. **Office**—220 South Virginia St., Reno, Nev. **Underwriter**—None.

● **Southern California Gas Co. (6/25)**

April 22, 1963 it was reported that this subsidiary of Pacific Lighting Corp., plans to sell $40,000,000 of first mortgage bonds. **Proceeds**—To refund outstanding 5⅛% bonds due July 1, 1983, and for construction. **Office**—810 South Flower St., Los Angeles. **Underwriters**—(Competitive). Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.-Eastman Dillon, Union Securities & Co.; Blyth & Co.-Merrill Lynch, Pierce, Fenner & Smith Inc. (jointly). **Bids**—Expected June 25.

Southern Counties Gas Co. of Calif.

Jan. 2, 1963 it was reported that this subsidiary of Pacific Lighting Corp., plans to sell $27,000,000 of first mortgage bonds in the fourth quarter. **Address**—P. O. Box 2736, Terminal Annex, Los Angeles 54, Calif. **Underwriters**—(Competitive) Probable bidders: White, Weld & Co.; Blyth & Co. Inc.; Merrill Lynch, Pierce, Fenner & Smith Inc.; Halsey, Stuart & Co. Inc.; First Boston Corp.

Southern Pacific Co. (6/4)

April 24, 1963 it was reported that this company plans to sell $8,100,000 of equipment trust certificates. **Office**—165 Broadway, New York. **Underwriters**—(Competitive). Probable bidders: Solomon Brothers & Hutzler; Halsey, Stuart & Co. Inc. **Bids**—June 4 (12 noon EDST) at above address.

Southern Railway Co.

Jan. 15, 1963 stockholders authorized the company to issue $50,000,000 of general mortgage bonds. **Proceeds**—To acquire stock of Central of Georgia Ry.; retire first mortgage 3¾% bonds of Atlanta & Charlotte Air Line RR.; reimburse the treasury for capital expenditures and provide for additional capital expenditures. **Offices**—14th and Canal St., Richmond, Va., and 70 Pine St., New York. **Underwriters** — (Competitive). Probable bidders: First Boston Corp.; Eastman Dillon, Union Securities & Co.-Salomon Brothers & Hutzler (jointly); Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.-White, Weld & Co. (jointly).

● **Sumitomo Bank of California (San Francisco)**

May 15, 1963 it was reported that the bank is offering stockholders the right to subscribe for an additional 77,500 shares on the basis of one new share for each two held of record May 10. Rights will expire June 21. **Price**—$32. **Proceeds**—To increase capital and surplus. **Office**—365 California St., San Francisco. **Underwriter**—None.

★ **Tennessee Gas Transmission Co.**

May 15, 1963 it was reported that the company is planning to issue debentures by mid-summer. Earlier, the company stated that it had filed an application with the FPC for authority to construct additional pipe line facilities estimated to cost $56,000,000. **Address**—Tennessee Bldg., Houston, Texas. **Underwriters**—Stone & Webster Securities Corp.; White, Weld & Co.; Halsey, Stuart & Co. Inc.

Tokyo (City of)

May 1, 1963 it was reported that the Diet had authorized the sale of $20,000,000 City of Tokyo bonds in the U. S. during the fiscal year ending March 31, 1964. **Underwriter**—To be named. The last issue of Tokyo bonds in March, 1927, was handled by Kuhn, Loeb & Co. **Offering**—Indefinite.

Transcontinental Gas Pipe Line Co.

May 6, 1963 it was reported that the company plans to issue $30,000,000 of debt securities in September. **Proceeds**—For expansion. **Office**—3100 Travis St., Houston. **Underwriters**—White, Weld & Co., and Stone & Webster Securities Corp., New York.

Union Electric Co.

March 19, 1963 the company stated that it plans to issue $20,000,000 of preferred stock and $40,000,000 of bonds by the end of 1964. **Office**—315 N. 12th Blvd., St. Louis. **Underwriters**—(Competitive). Probable bidders: (Preferred): First Boston Corp.; Dillon, Read & Co., Inc.; Lehman Brothers; White, Weld & Co.; Blyth & Co., Inc. (Bonds): Halsey, Stuart & Co. Inc.; Lehman Brothers-Blyth & Co., Inc. (jointly); White, Weld & Co.-Shields & Co. (jointly); First Boston Corp.

Washington Gas Light Co.

Aug. 1, 1962 it was reported that this company plans to sell $12,000,000 of 25-year bonds, in the second quarter of 1963. **Office**—1100 H. St., N. W., Washington, D. C. **Underwriters**—(Competitive): Probable bidders: Eastman Dillon, Union Securities & Co.; Equitable Securities Corp., Kidder, Peabody & Co.; First Boston Corp.; Halsey, Stuart & Co. Inc.

Western Transmission Corp.

April 17, 1963 it was reported that this newly-formed natural gas pipeline company plans to file a registration statement covering an undetermined number of common shares to be offered initially to stockholders of U. S. Natural Gas Corp. **Address**—9601 Wilshire Blvd., Beverly Hills, Calif. **Underwriter**—None.

Western Union Telegraph Co.

March 6, 1963 the company announced that it had arranged to borrow a total of $100,000,000 by sale of notes maturing serially, one-third at the end of each of the years 1964, 1965 and 1966. It plans to refinance the serial notes by issuance of long-term debt securities, but has not determined the terms or timing of the action. **Office**—60 Hudson St., New York. **Underwriters**—Kuhn, Loeb & Co., Inc., and Lehman Brothers, New York.

● **Wisconsin Public Service Corp. (10/8)**

March 19, 1963 it was reported that this company plans to sell $15,000,000 of bonds later this year. **Office**—1029 North Marshall St., Milwaukee. **Underwriters**—(Competitive). Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Smith Inc.; Eastman Dillon, Union Securities & Co.-Salomon Brothers & Hutzler (jointly); First Boston Corp.: White, Weld & Co.; Kidder, Peabody & Co. **Bids**—Expected Oct. 8.

★ **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 regard to arranging for long-term financing. **Business**—A holding company for subsidiaries engaged in motor vehicle freight transportation, nationwide freight forwarding, truck leasing, etc. **Office**—460 12th Ave., New York. **Underwriter**—To be named.

Dealer-Broker Recommendations And Literature

Continued from page 8

York 38, N. Y. Also available is a memorandum on **Pullman**.

Moore Corporation Limited—Analysis—Greenshields Incorporated, 507 Place d'Armes, Montreal, Que., Canada.

Morrison Knudsen Company Inc.—Bulletin—De Witt Conklin Organization, Inc., 120 Broadway, New York 5, N. Y.

Olin Mathieson Chemical Corporation—Analysis—Reuben Rose & Co., 115 Broadway, New York 6, N. Y. Also available is an analysis of **Celanese Corp.**

Racine Hydraulics and Machinery Inc.—Report—Splaine & Frederick, Inc., 800 North Marshall, Milwaukee 2, Wis.

Redwing Carriers, Inc.—Report—A. M. Kidder & Co., Inc., 1 Wall Street, New York 5, N. Y.

Rolland Paper Company Ltd.—Analysis—Annett & Company Limited, 220 Bay Street, Toronto, Ont., Canada.

St. Regis Paper Co.—Review—Fahnestock & Co., 65 Broadway, New York 6, N. Y. Also available is a review of **Deere & Co.**

Science Capital Corporation and **Small Business Investment Companies**—Study—Gerstley, Sunstein & Co., 211 South Broad Street, Philadelphia 7, Pa.

Sears Roebuck & Co.—Study with emphasis on **Allstate Insurance Company**—The Illinois Company Incorporated, 231 South La Salle Street, Chicago 4, Ill.

States General Life Insurance Co.—Memorandum—Parker, Ford & Company, Inc., Vaughn Building, Dallas 1, Texas.

Transamerica Corporation—Review—D. H. Blair & Company, 5 Hanover Square, New York 4, N. Y. Also available are reviews of **Lincoln National Life Insurance Company** and **United States Life Insurance Company.**

United Pacific Corporation—Analysis—Hinton Jones Granat Incorporated, 1411 Fourth Avenue Building, Seattle 1, Wash.

F. W. Woolworth Co.—Memorandum—Ross & Hirsch, 120 Broadway, New York 5, N. Y.

Auerbach With W. E. Hutton & Co.

W. E. Hutton & Co., 14 Wall Street, New York City, members of the New York Stock Exchange, have announced the association with them of John Hone Auerbach, Jr. as Manager of the foreign relations divisions.

Reinholdt & Gardner Kansas City Branch

KANSAS CITY, Mo.—Reinholdt & Gardner, members of the New York Stock Exchange, have opened a branch office at 912 Baltimore Avenue under the management of William Leon Evans. Mr. Evans was formerly Resident Manager for Bache & Co.

New Bioren Branch

ALLENTOWN, Pa.—Bioren & Co., Philadelphia and New York, members New York Stock Exchange has announced the opening of a new office at Liberty at 17th Streets.

Raymond S. Stevenson has been appointed Resident Manager. He was for 20 years President of the Farmers National Bank, Pennsburg, Pa. and for over 10 years was active in the investment field.

Holmes S. Gangewer also joins the 98-year-old investment firm in the Allentown Office; he has been actively engaged in the investment profession for over 40 years.

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Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the week or month ended on that date, or, in cases of quotations, are as of that date: latest week or month available. Dates shown in first column are either for the

	Date	Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Steel ingots and castings (net tons)	May 11	2,548,000	2,544,000	2,464,000	1,765,000
Index of production based on average weekly production for 1957-1959	May 11	136.8	136.6	132.3	94.7
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	May 3	7,460,360	7,492,610	7,484,010	7,358,710
Crude runs to stills—daily average (bbls.)	May 3	8,096,000	8,148,000	8,553,000	8,094,000
Gasoline output (bbls.)	May 3	28,430,000	28,344,000	28,775,000	28,511,000
Kerosene output (bbls.)	May 3	2,965,000	2,954,000	3,474,000	2,456,000
Distillate fuel oil output (bbls.)	May 3	12,656,000	12,920,000	13,857,000	12,177,000
Residual fuel oil output (bbls.)	May 3	4,741,000	5,352,000	5,687,000	5,075,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished gasoline (bbls.) at	May 3	202,684,000	205,408,000	209,786,000	197,867,000
Kerosene (bbls.) at	May 3	26,542,000	26,403,000	23,553,000	24,502,000
Distillate fuel oil (bbls.) at	May 3	88,454,000	87,204,000	82,102,000	89,494,000
Residual fuel oil (bbls.) at	May 3	43,778,000	44,320,000	42,919,000	39,358,000
Unfinished oils (bbls.) at	May 3	83,806,000	*84,516,000	83,330,000	84,503,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	May 4	590,981	576,839	546,065	587,413
Revenue freight received from connections (no. of cars)	May 4	532,415	521,408	519,882	522,578
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	May 4	8,900,000	*9,065,000	7,615,000	8,233,000
Pennsylvania anthracite (tons)	May 4	365,000	347,000	308,000	310,000
CONSTRUCTION ADVANCE PLANNING — ENGINEERING NEWS-RECORD—NEW SERIES (000's omitted):					
Total advance planning by ownership	May 9	$428,900	$528,000	$563,900	$286,800
Private	May 9	302,000	371,900	345,000	148,100
Public	May 9	126,900	156,100	218,900	138,700
State and Municipal	May 9	117,500	145,500	147,400	133,900
Federal	May 9	9,400	10,600	71,500	4,800
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1957-59 AVERAGE=100	May 4	112	113	120	116
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	May 11	16,529,000	16,279,000	16,325,000	15,445,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	May 7	322	306	360	310
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	May 6	6.279c	6.279c	6.196c	6.196c
Pig iron (per gross ton)	May 6	$63.33	$63.33	$63.33	$66.44
Scrap steel (per gross ton)	May 6	$29.17	$28.83	$28.17	$27.17
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	May 10	30.600c	30.600c	30.600c	30.600c
Export refinery at	May 10	28.475c	28.425c	28.425c	28.550c
Lead (New York) at	May 10	10.500c	10.500c	10.500c	9.500c
Lead (St. Louis) at	May 10	10.300c	10.300c	10.300c	9.300c
‡Zinc (delivered at)	May 10	12.000c	12.000c	12.000c	12.000c
Zinc (East St. Louis) at	May 10	11.500c	11.500c	11.500c	11.500c
Aluminum (primary pig, 99.5%) at	May 10	22.500c	22.500c	22.500c	24.000c
Straits tin (New York) at	May 10	116.375c	116.875c	112.125c	116.875c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	May 14	89.89	90.02	89.63	89.98
Average corporate	May 14	89.23	89.09	89.23	87.72
Aaa	May 14	92.93	92.64	92.93	91.91
Aa	May 14	90.77	90.77	91.05	89.78
A	May 14	89.37	89.37	89.37	87.18
Baa	May 14	84.04	84.04	84.04	82.40
Railroad Group	May 14	87.05	87.05	87.05	84.55
Public Utilities Group	May 14	90.34	90.20	90.34	88.95
Industrials Group	May 14	90.20	90.06	90.34	89.92
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	May 14	3.79	3.77	3.81	3.67
Average corporate	May 14	4.47	4.48	4.47	4.58
Aaa	May 14	4.21	4.23	4.21	4.28
Aa	May 14	4.36	4.36	4.34	4.43
A	May 14	4.46	4.46	4.46	4.62
Baa	May 14	4.86	4.86	4.86	4.99
Railroad Group	May 14	4.63	4.63	4.63	4.82
Public Utilities Group	May 14	4.39	4.40	4.39	4.49
Industrials Group	May 14	4.40	4.41	4.39	4.42
MOODY'S COMMODITY INDEX	May 14	383.9	379.6	373.2	365.0
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	May 4	396,753	360,281	383,608	399,118
Production (tons)	May 4	358,223	363,604	367,605	366,982
Percentage of activity	May 4	93	95	97	98
Unfilled orders (tons) at end of period	May 4	528,098	482,871	499,869	504,111
OIL, PAINT AND DRUG REPORTER PRICE INDEX— 1949 AVERAGE=100	May 10	111.96	*111.95	111.78	111.79
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS					
Transactions of specialists in stocks in which registered—					
Total purchases	Apr. 19	3,342,140	2,886,420	2,106,720	1,827,990
Short sales	Apr. 19	896,670	667,290	405,780	422,260
Other sales	Apr. 19	2,496,410	2,262,030	1,715,910	1,562,310
Total sales	Apr. 19	3,393,080	2,929,320	2,121,690	1,984,570
Other transactions initiated off the floor—					
Total purchases	Apr. 19	750,460	548,220	463,110	224,430
Short sales	Apr. 19	89,300	48,900	44,910	35,800
Other sales	Apr. 19	669,720	549,160	441,890	188,940
Total sales	Apr. 19	759,020	598,060	486,800	224,740
Other transactions initiated on the floor—					
Total purchases	Apr. 19	1,326,672	997,391	850,838	642,748
Short sales	Apr. 19	168,820	124,988	110,610	102,710
Other sales	Apr. 19	1,187,220	1,068,620	759,987	691,358
Total sales	Apr. 19	1,356,040	1,193,608	870,597	794,068
Total round-lot transactions for account of members—					
Total purchases	Apr. 19	5,419,272	4,412,031	3,420,668	2,695,168
Short sales	Apr. 19	1,154,790	841,178	561,300	560,770
Other sales	Apr. 19	4,353,350	3,879,810	2,917,787	2,442,608
Total sales	Apr. 19	5,508,140	4,720,988	3,479,087	3,003,378
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION					
Odd-lot sales by dealers (customers' purchases)—†					
Number of shares	Apr. 19	1,840,540	1,527,530	1,192,545	1,347,860
Dollar value	Apr. 19	$89,641,931	$80,362,651	$55,784,129	$71,157,663
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—customers' total sales	Apr. 19	2,268,811	1,891,995	1,522,335	1,208,106
Customers' short sales	Apr. 19	12,903	15,732	20,244	13,531
Customers' other sales	Apr. 19	2,255,908	1,876,263	1,502,091	1,194,575
Dollar value	Apr. 19	$104,853,701	$95,107,378	$69,621,719	$61,593,823
Round-lot sales by dealers—					
Number of shares—Total sales	Apr. 19	868,100	737,150	605,030	335,360
Short sales	Apr. 19	------	------	------	------
Other sales	Apr. 19	868,100	737,150	605,030	335,360
Round-lot purchases by dealers—Number of shares	Apr. 19	445,430	378,670	286,790	474,640
TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total round-lot sales—					
Short sales	Apr. 19	1,384,250	1,061,830	858,140	715,650
Other sales	Apr. 19	25,475,700	21,618,940	17,041,110	12,165,000
Total sales	Apr. 19	26,859,950	22,680,770	17,899,250	12,880,730
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR—(1957-59=100):					
Commodity Group—					
All commodities	May 7	99.9	99.9	99.9	100.4
Farm products	May 7	94.8	95.0	95.8	96.8
Processed foods	May 7	99.9	100.0	99.2	99.9
Meats	May 7	88.2	88.5	87.6	93.6
All commodities other than farm and foods	May 7	100.6	100.5	100.5	100.9

*Revised figure. †Number of orders not reported since introduction of Monthly Investment Plan. ‡Prime Western Zinc sold on delivered basis at centers where freight from East St. Louis exceeds one-half cent a pound.

	Latest Month	Previous Month	Year Ago
ALUMINUM (BUREAU OF MINES)—			
Production of primary aluminum in the U. S. (in short tons)—Month of March	181,590	162,977	177.425
Stocks of aluminum (short tons) end of Mar.	119,554	139,020	170,736
AMERICAN TRUCKING ASSOCIATION, INC.— Month of February:			
Intercity general freight transport by 358 carriers (in tons)	5,946,516	6,309,561	5,820,294
AMERICAN ZINC INSTITUTE, INC.—Month of April:			
Slab zinc smelter output all grades (tons of 2,000 pounds)	76,334	80 080	83.833
Shipments (tons of 2,000 pounds)	89,774	80,613	77,019
Stocks at end of period (tons)	140,718	154,158	144,600
BUSINESS INCORPORATIONS (NEW) IN THE UNITED STATES—DUN & BRADSTREET, INC.—Month of March	15,474	15,398	15,727
CASH DIVIDENDS — PUBLICLY REPORTED BY U. S. CORPORATIONS—U. S. DEPT. OF COMMERCE—Month of March (000's omitted)	$2,164,100	$520,100	$2,074,400
CIVIL ENGINEERING ADVANCE PLANNING, NEW SERIES—ENGINEERING NEWS RECORD—Month of April (000's omitted):			
Total U. S. construction	$2,036,700	$3,250 500	$1 358 309
Private construction	1,383,400	2,485.900	480 600
Public construction	653,300	764.600	877.700
State and municipal	557,500	693,900	678 900
Federal	95,800	70,700	198.800
COKE (BUREAU OF MINES)—Month of Mar.:			
Production (net tons)	4,691,231	*4,019.966	5,251,516
Oven coke (net tons)	4,626,802	*3 951,749	5,155 326
Beehive coke (net tons)	64,429	*65 217	96 190
Oven coke stocks at end of month (net tons)	3,318,913	*3,496,450	3,637,304
CONSUMER CREDIT OUTSTANDING—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—REVISED SERIES—Estimated short and intermediate term credit in millions as of March 31:			
Total consumer credit	$62.276	$62,219	$56 275
Instalment credit	48,190	48.025	43 211
Automobile	19,720	19.503	17 343
Other consumer credit	12,396	12.511	11.407
Repairs and modernization loans	3,210	3 221	3 113
Personal loans	12,864	12,790	11 343
Noninstalment credit	14,086	14,194	13 064
Single payment loans	5,593	5 545	[illegible]
Charge accounts	4,340	4.496	4 074
Service credit	4,153	4,153	[illegible]
COTTON GINNING (DEPT. OF COMMERCE):			
Final report, running bales	14,864,180	------	14 324 508
COTTON SEED AND COTTON SEED PRODUCTS—DEPT. OF COMMERCE—Month of March:			
Cotton Seed—			
Received at mills (tons)	39,700	*97 200	47 100
Crushed (tons)	541,700	*621.200	538 900
Stocks (tons) March 31	1,109,700	*1,611,700	1,244,600
Cake and Meal—			
Stocks (tons) March 31	148,800	*122,600	123,400
Produced (tons)	254,700	*292,100	242.500
Shipped (tons)	228,500	*274,800	232,700
Hulls—			
Stocks (tons) March 31	61,600	*57,200	138 200
Produced (tons)	127,200	*146,500	132,500
Shipped (tons)	122,800	*143,800	130,800
Linters—			
Stocks (bales) March 31	290,700	*298,000	150,400
Produced (bales)	150,000	*171,000	156,500
Shipped (bales)	157,300	*142,700	170,300
MOODY'S WEIGHTED AVERAGE YIELD—100 COMMON STOCKS—Month of April:			
Industrials (125)	3.12	3.29	3.23
Railroads (25)	4.39	4.73	5.17
Utilities (not incl. Amer. Tel & Tel.) (24)	3.07	3.06	3.02
Banks (15)	3.15	3.19	3.26
Insurance (10)	2.42	2.45	2.28
Average (200)	3.11	3.25	3.20
MOTOR VEHICLE FACTORY SALES FROM PLANTS IN U. S. AUTOMOBILE MANUFACTURERS' ASSN.—Month of April:			
Total number of vehicles	819,206	773,714	723,744
Number of passenger cars	691,838	648,143	617,707
Number of trucks and motor coaches	127,368	125,571	106,037
REAL ESTATE FINANCING IN NONFARM AREAS OF U. S. — HOME LOAN BANK BOARD—Month of Feb. (000's omitted):			
Savings and loan associations	$1,086,393	$1,143,401	$971,185
Insurance companies	88,472	100,392	78,887
Banks and trust companies	408,383	456,871	374,297
Mutual savings banks	123,174	140,945	114,467
Individuals	255,366	288,529	263,646
Miscellaneous lending institutions	462,435	527,834	435,571
Total	$2,424,223	$2,657,972	$2,238,053
TIN—CONSUMPTION OF PRIMARY AND SECONDARY TIN IN THE UNITED STATES BUREAU OF MINES—Month of February (in long tons):			
Stocks in beginning of period	27,580	30,680	30,876
Receipts	7,470	3,180	3,224
Supply	35,050	33,860	34,100
Stocks at end of period	28,705	27,420	27,580
Total processed	6,345	6,440	6,520
Intercompany scrap transactions	110	155	155
Consumed in manufacturing	6,235	6,285	6,365
Primary	4,485	4,355	4,415
Secondary	1,750	1,930	1,950
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of April:			
Net sales	------	------	------
Net purchases	$32,274,500	$293,522,000	$18,203,500
U. S. GOVT. STATUTORY DEBT LIMITATION As of April 30 (000's omitted):			
Total face amount that may be outstanding at any time	$305,000,000	$308,000,000	$300,000,000
Outstanding—			
Total gross public debt	303,165,743	302,992,959	296,951,858
Guaranteed obligations not owned by the Treasury	562,377	548,424	405,424
Total gross public debt & guaranteed obligations	$303,728,121	$303,541,384	$297,357,283
Deduct—Other outstanding public debt obligations not subject to debt limitation	368,740	369,509	434,992
Grand total outstanding	$303,359,381	$303,171,874	$296,922,290
Balance face amount of obligations issuable under above authority	1,640,618	4,828,125	3,077,709
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of April 30	$303,728,121	$303,541,384	$297,357,283
General funds balance	6,579,356	8,251,604	5,995,139
Net debt	$297,148,765	$295,289,780	$291,362,144
Computed annual average	3.338%	3.332%	3.219%

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Modest Devaluation Would Cure Our Payments Gap

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yet reached their full impact. This cumulatively growing economic development should be taken as an urgent signal for us to do something about our payments deficit in good time.

In spite of Dr. Hallstein's assertions that he favored the division of labor in the free world, the Common Market appears determined to reduce American imports of the type produced most efficiently, namely, our agricultural surplus, and this in spite of rapidly rising food prices in Europe.

The root of the decline in United States international competitiveness (chiefly in industrial goods) can be traced back to 1949 when the exchange rate of the dollar relative to other international key currencies was increased by 43% (equal to the 30% devaluation of the pound and other currencies). In other words, our exports then became 43% more expensive abroad while costs of our imports were cheapened. Moreover, the weakness of international raw material prices continues and thus contributes to the growth of our imports.

Advocates Modest Devaluation

Under these conditions that appear more or less permanent and irreversible, a modest devaluation of the dollar by 5% to 10% appears as the only sensible remedy to re-balance our international financial disequilibrium. While this should be applied as a final adjustment, it should not be feared that it might be insufficient to achieve the desired objective. Germany up-valued its currency by only 5% in 1961 and promptly experienced a strong pull toward equilibrium from her excessive surplus position. The reduction in the cost of the dollar would favor underdeveloped countries in particular by cheapening for them imports needed from the United States.

This small readjustment of the exchange value of the dollar cannot by the widest stretch of the imagination be labeled as a threat to our foreign financial position and the quality of the dollar. The proposed change in the exchange rate must be taken as a sequel to the world-wide devaluation elsewhere in 1949. We cannot wait for the disappearance of the deficit from faster rising foreign wages and costs until they will "catch up" with our own and close the gap. In fact, they never will and such equality would not be in our interest, either. We should not wait to correct a situation until we are forced to apply undesirable measures, such as the limitation of commitments or the imposition of exchange controls to cope with a deteriorating state of affairs. Experience has revealed, to quote from the "Radcliffe Report" (paragraph 716) that "no other instrument is as powerful as devaluation that can be used to restore competitive power. In conditions in which the failure of exports to make headway is plainly restricting the level of domestic activity and other countries are not experiencing similar difficulties, it offers a way that cannot be excluded." We in the United States in 1963 face this type of situation. The absence of a strong surge of exports not only interferes with the financing of our commitments, our role as world banker and principal world importer, but also depresses the rates of our internal economic growth. The palliative of the Trade Expansion Act might turn out to be ineffectual to cope with the situation. The devaluation, on the other hand, would strengthen our bargaining position in case the Common Market should be unwilling to reduce outer tariffs sufficiently, and also would enhance the importance of our own tariff reductions for foreigners who now would need harder selling in the American market.

Conclusion

We have reached a situation that implies a threat to the acceptance of the dollar as international reserve and key currency of the free world. Without sufficient gold reserves, the dollar is bound to lose international attractiveness but the continuation of our deficit makes further gold losses inevitable. If the growth of foreign dollar holdings were only the external symbol of the supreme role of the United States as world banker, we should encourage this growth as a sign of the financial strength and integration of the free world. In the present situation, foreign-owned dollars are used as a weapon by the very foreign central banks that should cooperate, to make forays on our gold stock. Whatever the reasons for these moves (to increase their own gold stock; fear of U. S. devaluation; a declining importance of the dollar as reserve currency, etc.), we cannot afford to sit idly by.

The lowering of the exchange value of the dollar cannot be interpreted as a "betrayal" of the trust put in our currency. According to the statutes of the International Monetary Fund, we as a member are not only authorized, but have the duty to correct a basic disequilibrium in the proposed manner, as we cannot achieve adjustment in any other way without far more serious consequences. In connection with the devaluation, we should offer every foreign central bank these alternatives: either they can maintain the right to withdraw dollars freely in gold and consequently bear the loss from the devaluation, or they could conclude non-convertibility agreements.[3] By agreeing to keep their dollar assets, they would receive a non-convertibility bonus. This compensation equal to the rate of exchange losses should become available pro rata of dollars converted into other currencies whenever needed to finance imports or investments outside the dollar area. The Treasury could use the devaluation profits (amounting to between $800 million and $1.6 billion, dependent on the amount of devaluation) to finance this expense.

The honest dollar adjustment proposed herewith not only would free us from the "terror" of further gold losses, but also would achieve the return to an equilibrium in our payments balance without sacrifice in defense spending or unreasonable pay-part-of-defense pressure that might alienate our Allies. We also would strengthen our ability to pursue liberalization of trade, finance capital exports and increase our assistance to underdeveloped areas. Our economic world leadership would be greatly strengthened if we were to offer simultaneously a unilateral tariff cut, say by 10%, as token of our good will to expand world trade. Steps should be taken, too, to stabilize export prices of raw materials to improve the international purchasing power of underdeveloped nations. Naturally, this modest devaluation would have to be implemented by a greater export effort, domestic wages and price discipline, a curtailment of defense spending in dollar surplus countries and the control of capital exports of a speculative nature.

Without an international monetary system capable of preventing gold losses either according to the Triffin Plan or other plans that would restore the dollar to its autonomous strength without regard to payments deficits or gold reserves, we have no choice left but the proposed devaluation.[4] The advantages from the devaluation accruing to exporters should be used by them to strengthen their foreign marketing ability and distribution efforts instead of realizing temporary short-term gains in sales by lowering prices.[5]

There should be no doubt that the proposed devaluation, small as it appears, would permit the closing of the deficit and at the same time the continuation of financial policies to expand world trade. As concomitant of the devaluation, the price of gold per ounce would have to be raised to $36.75 or $38.50. While this increase would have a stimulating impact on the Union of South Africa, it certainly should not be assumed that the Soviet Union, as the other major gold producer, would derive a far-reaching advantage from this change. Should other countries follow suit and devalue likewise, it could not be said that we were responsible for having put in motion a kind of competitive devaluation. The deficit of the United States has now lasted a dozen years, indicating that we have a problem requiring correction, while all other leading countries in world trade have either built up balance surpluses or have held their own.

In a final word on the domestic impact from the devaluation, we should expect only benefits for merchandise exports and domestic and foreign investments, but no unfavorable side effects. Instead of being afraid of inflationary consequences, we should realize that for our economic situation at present there hardly exists a more efficient and less costly device to achieve faster economic growth. Unless we improve our ability to export, our trade will suffer not only in Europe, but in other markets in view of the rapidly rising export power of the Common Market benefiting from its faster economic growth and the rise of mass production and mass markets. Without the self-imposed adjustment as suggested, we will be forced into the correction of the dollar imbalance by artificial measures that not only would deflate world trade, but also would be taken as a visible sign of the economic and political decline of the United States.

3 It is inconceivable that we would face a run on our gold stock as a reaction to devaluation dealing with the central banks themsevles. However, we could cope with such a situation by a temporary gold embargo. In any case, a good portion of foreign-owned dollar balances is needed to finance foreign trade and payments and, therefore, could never be presented for payment in gold.

4 Export subsidies would not provide a broad enough spectrum to achieve the balance, violate Gatt principles and encourage retaliation.

5 Many American-made consumer goods would be bought by the European public if properly marketed. Again and again, enthusiasm abroad can be observed as Europeans get our products which are considered cheaper, better-styled, more attractive and of superior quality. In spite of these advantages, we show little interest in hard selling in this category. On the other hand, we push sales of less competitive industrial products and agricultural surpluses which face regulatory restrictions.

Opportunities for Municipal Industry in Federal Loans

Continued from page 7

gram. The program is financed from a revolving fund with cumulative authorizations totaling $2.275 billion through June 30, 1963. This authorization will increase $300 million during each of the ensuing two fiscal years. A few statistics tell the story of what this program is accomplishing, based on funds encumbered as of March 31, 1963.

- Accommodations for over $500,000 students, student nurses, interns, and faculty members
- 260 college unions
- $2.2 billion in net fund reservations
- $2 billion in net loan approvals
- $1.5 billion in our portfolio of bonds purchased

Congress has wisely viewed College Housing Loans as a program of national urgency. Without it, many of our institutions of higher education would have been unable to keep up with the housing demand resulting from increased enrollments. It would have meant serious restrictions on admissions. Our human resources as a nation would have been impaired. Obviously, we would be shortsighted to consider education solely as a dollar commodity.

This program has emphasized the human and social objectives without sacrificing good business judgment. Our loans are good loans. Not one college has defaulted on interest or principal. The spread of only ¼ of 1% between what we pay the Treasury and what we charge our borrowers will soon cover all cumulative administrative expenses.

The program enjoys a remarkable breadth of support—particularly among educators. For it is the professional educators and educational administrators who recognize so readily that we have not permitted our bureaucratic fingers to meddle in their educational affairs. There is no pattern to college housing directed from an ivory tower in Washington. This too results from deliberate policy, thoughtfully conceived and carefully maintained.

In administering the College Housing Loan program, it has been our basic policy to develop sound loans. Our requirements as to debt service coverage, maintenance of specified reserves and flow of funds—all are designed to encourage good debt management and to enhance the marketability of the bonds.

Our financial requirements have been developed in terms of the standards and conventions of the capital market, particularly the municipal bond sector. Thus we require each borrower to advertise its offering in a publication such as the *Bond Buyer*, and to prepare an Official Notice of Sale and Statement of Essential Facts for distribution to interested dealers and investors. The CFA staff took the initiative in working with the investment rating services to induce them to rate college housing bonds.

Over 40 issues have been rated by Standard and Poor's Corporation beginning in 1959 — with more than 95% rated A or AA. In our judgment, substantially over 100 additional issues of more than 30 institutions—all seasoned issues with demonstrated experience—could be rated A or better if placed on the market and rated by Standard and Poor's today.

This record speaks for itself.

CFA Buys Rejected Longer Maturities

Since market interest rates for the early maturities of a long-term bond issue often are lower than our lending rate—which applies uniformly to all maturities —CFA has required college borrowers to solicit bids on the basis of the first 10-year block of maturities and thereafter for each 5-year block of maturities, as well as on the entire issue. Thus we purchase only the later maturities where private bids for the earlier maturities are equal to or better than our lending rate.

These policies have contributed toward developing an increasing market for tax-exempt college housing bond issues of public institutions. In 1962 this culminated in the sale of over $166 million of revenue bonds to private investors. This total exceeds by $54 million the tax-exempt college housing bonds sold to the Housing Agency during the same period.

This is another record that speaks for itself.

In compiling this record we take pride in developing sound loans. At the same time, we are willing to take a secondary position to the private market. The apparent contradiction is what distinguishes us from private lenders. We serve as bankers only incidentally to carrying out the public purpose stated in our enabling legislation — "To assist educational institutions in providing housing. . . ."

Since we operate with a Revolving Fund, every million dollars that is provided from private sources for college housing means another million to meet what is still a growing and insatiable need for college housing facilities. The $166 million in bonds sold privately in 1962 means accomodations for more than 40,000 students.

We have used $112 million in government loans for public institutions to help create private loans of $166 million for the same purpose. This accomplishment is a public service twist on the leverage principle used by private entrepreneurs. This we believe is good public policy.

Looking ahead, there are several trends that will have a considerable impact on the problems we

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face and on the opportunities facing investment bankers.

$4 Billion Needed Just for 1970's College Housing

Total college enrollment increased from 1.3 million in 1939 to 4.2 million in 1962.

By 1970 total enrollment should be approximately 7 million.

In 1949 private schools enrolled 50% of the total.

In 1962 the private school proportion had dropped to 38%.

By 1985 only 20% of the total enrollment is expected to be in private schools.

Assuming that by 1970 housing accommodations need be provided for only one-third of the increased enrollment,

$4 billion additional must be made available by 1970.

$3 billion of this amount will be borrowed funds.

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

And these estimates exclude existing backlog of unmet housing needs. The total dollars required could not be provided from Federal funds at the present level of $300 million per year. But the higher proportion of tax-exempt issues bodes well for financing an increasing amount of college housing bonds in the private market at interest rates the colleges can afford to pay.

The combination of private and public credit which we have nurtured can meet the need. We know from experience that such loans made on the standards which we have developed are good loans. By encouraging private lenders to bid for the earlier maturities, while we stand ready to take the later maturities, the leverage of each Federal dollar should provide 1-2 private dollars for bonds of public institutions.

If I were a dealer in municipals who had stayed away from college housing revenue bonds up to now, I would take another look. Perhaps the dealer would become convinced as we are:

(1) That America's increasing investment in higher education is an irreversible trend which assures solid security for college housing bonds.

(2) That the trend to tri-mester and quarterly academic terms will mean greater use of housing facilities, increased revenues, 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 about to make a formal sales announcement. Many know that the President's budget for fiscal year 1964 sets a goal of $50 million in College Housing bond sales from our portfolio. 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 Federal budget.

(2) As the bonds of more institutions get wider distribution, we believe that private investors will show an increasing interest in college housing bonds. This in turn will ease the demand for public funds in the future.

Depending upon market conditions, we plan to advertise for bids within the next month or two, and probably will be in the market on more than one occasion.

Each 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 AA rating, or will be of equivalent quality, with excellent debt service coverage.

Each issue offered will be seasoned, or will be from borrowers with proven experience on comparable issues.

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 successive 5-year maturities beyond the first 10-year block.

Bids that will take up the largest number of bonds will get the award.

Coupon rates will range from 3½% to 3%, with perhaps some shorter maturities at 2⅞% and 2¾%.

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

A comprehensive brochure on college housing bonds and offering circulars for each issue will be available for distribution in the near future.

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

*From a talk by Mr. Woolner before the Investment Bankers Association, White Sulphur Springs, West Virginia, May 8, 1963.

Common Stock Offered for Pay TV System

Public offering of 300,000 common shares of Home Entertainment Co. of America, Inc., at $10 per share is being made by Bernard M. Kahn & Co., Inc., New York. Net proceeds to the company, will be used to install and operate a pay television system in Santa Monica, Calif.

Headquartered at 19th and Broadway, Santa Monica, the company, through its wholly-owned subsidiary, Home Entertainment Co., Inc., of Los Angeles, plans to install pay television in Santa Monica, and later in other parts of Los Angeles and other communities in the United States.

Pforzheimer Co. To Admit Partner

Carl H. Pforzheimer & Co., 25 Broad Street, New York City, members of the New York Stock Exchange, on May 23 will admit Edward T. Hourigan to partnership. Mr. Hourigan will also become a member of the New York Stock Exchange.

Named Director

A. T. Brod of A. T. Brod & Co., members of the New York Stock Exchange, has been elected to the Board of Directors of Fotochrome Inc. The company, headquartered in Long Island City, N. Y., operates a nationwide photo processing service and distributes amateur photographic products, photocopy machines, and their own trademarked sensitized materials, such as film and paper.

TAX-EXEMPT BOND MARKET

Continued from page 6

dicate managed by Harriman Ripley & Co., and Blyth & Co.

Other major members of the winning account are C. J. Devine & Co., Bear, Stearns & Co., Shields & Co., Carl M. Loeb, Rhoades & Co., Hornblower & Weeks, John Nuveen & Co., Weeden & Co., Hallgarten & Co., Barr Brothers & Co., A. C. Allyn & Co., Inc., Hayden, Stone & Co., American Securities Corp., Roosevelt & Cross, William E. Pollock & Co., Tripp & Co., Tucker, Anthony & R. L. Day Co., Fahnestock & Co., Kean, Taylor & Co. and J. A. Hogle & Co.

The securities due May 1, 1994 are priced at 100½ for a 3⅜% coupon, to yield approximately 3.35%. Initial investor demand has been moderate, with the present balance in account totaling $20,436,000.

On Tuesday, the syndicate led by the *First National City Bank* bought $9,628,000 State of Delaware various purpose (1964-1983) bonds on a bid of 100.319 for 2¾s. Second best bid for the bonds, 100.4599 for a 2.80% coupon, was made by the First Boston Corp. account.

Other major members of the winning syndicate include F. S. Smithers & Co., Industrial National Bank of Rhode Island, Fahnestock & Co., The National Bank of Commerce, Seattle, Roosevelt & Cross and Shelby Cullom Davis & Co.

The securities are offered at prices to yield from 1.60% to 3.00% and initial investor demand has been disappointing, with the present balance in syndicate totaling $6,660,000.

The Chicago Park District, Illinois awarded $6,000,000 improvement (1965-1983) bonds to the *First National City Bank* group at a net interest cost of 2.8851%. This winning bid compared very favorably with the second bid, a 2.8858% net interest cost, which was made by the Morgan Guaranty Trust Co. account.

Other members of the successful group are Smith, Barney & Co., Kidder, Peabody & Co., R. W. Pressprich & Co., Salomon Bros. & Hutzler, Paine, Webber, Jaskson & Curtis, F. S. Moseley & Co., Hornblower & Weeks, Chas. E. Weigold & Co. and James A. Andrews & Co.

Scaled to yield from 1.80% to 3.10% for a 2.90% coupon, the present balance is $4,780,000.

Also on Tuesday, *Halsey, Stuart & Co., Inc.* and associates was the high bidder for $4,780,000 City of Tacoma, Washington general obligation (1965-1983) bonds at a net interest cost of 2.940%. Once again bidding was very close, with the second bid a 2.941% net interest cost and the third bid a 2.942% net interest cost.

Associated with Halsey, Stuart & Co., Inc. in this underwriting are Merrill Lynch, Pierce, Fenner & Smith, Stone & Webster Securities Corp., B. J. Van Ingen & Co., Reynolds & Co., R. D. White & Co., Seattle Trust & Savings Bank and William P. Harper & Son & Co.

Reoffered to yield from 1.85% to 3.10%, the close bidding has not influenced many buyers as yet and the present balance totals $3,875,000.

Tuesday's final sale of note was $4,155,000 Wichita, Kansas various purpose (1964-1983) bonds which were awarded to the account headed by the *Continental Illinois National Bank and Trust* Co. at a net interest cost of 2.5866%. The second bid, a 2.60% net interest cost, came from the Bankers Trust Co. syndicate and there were ten additional groups which bid for this issue.

Other members of the winning account include Marine Trust Co. of Western New York, Weeden & Co., Dempsey-Tegeler & Co., Hayden, Miller & Co., Halle & Stieglitz and the Stockyards National Bank of Wichita.

The bonds were offered to yield from 1.65% to 3.10% and as we go to press a balance of $3,275,000 remains in account.

Week's Major Sale

Wednesday (5/15) was another busy day with three issues of note selling at competitive sale. This week's largest issue $48,755,000 New York State Housing general obligation (1965-2013) bonds attracted two bidding groups and the merged syndicate headed by the *First National City Bank* and *Lehman Brothers* was the high bidder at a 3.0421% net interest cost, beating out the Chase Manhattan Bank group which bid a 3.0774% net interest cost.

Major members of the winning syndicate on the *City Bank* side are Bankers Trust Co., Morgan Guaranty Trust Co., Smith, Barney & Co., Harriman Ripley & Co., Halsey, Stuart & Co., Inc., First National Bank of Chicago, Continental Illinois National Bank and Trust Co., Bank of America N. T. & S. A., Lazard Freres & Co., Goldman, Sachs & Co., Eastman Dillon, Union Securities & Co., Drexel & Co., Wood, Struthers & Co., Roosevelt & Cross, Inc., F. S. Smithers & Co., Dominick & Dominick, Hayden, Stone & Co., Shearson, Hammill & Co. and Industrial National Bank of Rhode Island.

Major members on the *Lehman Brothers* side are Phelps, Fenn & Co., Merrill Lynch, Pierce, Fenner & Smith, First National Bank of Oregon, Bacon, Stevenson & Co., The Boatman's National Bank of St. Louis, Ira Haupt & Co., William E. Pollock & Co., National State Bank of Newark, New Jersey and Walston & Co., Inc.

The bonds were reoffered to yield from 2.20% in 1969 to 2.60% in 1977 and from 3.00% in 1985 to 3.20% in 2003. The 1965 to 1968 maturities; the 1978 to 1984 maturities and the 2004 to 2013 maturities, totaling $20,895,000 of bonds, were sold pre-sale. Late yesterday afternoon it was estimated that the balance in syndicate would total about $15,000,000.

Infrequent Borrower

The City of Augusta, Georgia, an infrequent borrower and the golf capitol of the world, sold $6,000,000 Water and Sewer revenue (1965-1993) bonds to the account headed jointly by the *First Boston Corp., Drexel & Co., Dominick & Dominick* and *William Blair & Co.* at a net interest cost of 3.35612%. The second bid, a 3.39% net interest cost, was made by Halsey, Stuart & Co., Inc. and associates.

Other members of the winning account include King, Quirk & Co., Stern Brothers & Co., Folger, Nolan, Fleming & Co. and John C. Legg & Co.

The bonds were reoffered to yield from 2.00% in 1965 to 3.50% in 1992 and initial orders have amounted to $2,550,000. The 1993 maturity carried a 1% coupon and was reoffered at a 4.10% yield.

This week's final sale of note consisted of $7,000,000 Gainesville, Florida Water and Electric revenue (1966-1998) bonds. The high bid, a 3.252% net interest cost, was made by the group headed jointly by *Kidder, Peabody & Co.* and *Equitable Securities Corp.* and the runner-up bid, a 3.2761% net interest cost, came from Halsey, Stuart & Co., Inc. and associates.

Other members of the winning group include R. W. Pressprich & Co., Ira Haupt & Co. and Bache & Co.

The securities are reoffered to yield from 2.10% in 1966 to 3.40% in 1997 and after initial orders had been tabulated, a balance of $4,390,000 remains in group. The 1997 maturity carried a one-tenth of 1% coupon and was reoffered at a 4.30% yield.

"Skyways" Provide All the "Action" in Dollar Issues

The toll road, toll bridge, public utility, public authority and other long-term revenue bond issues were about unchanged over the past week as averaged in our 23 bond Index. The *Chronicle's* revenue bond Index stands at 3.415% on May 15 against last week's average yield of 3.413%. Among the issues utilized there were no price changes exceeding one-half of a point.

There were two issues, however, falling in this category, that were subject to a rather violent market change. The Chicago Columet Skyway 3⅜s and 4⅜s had recently been depressed to new lows for 1963. The former were quoted 66-69 and the latter 80-84 early in this week. As we go to press, these issues are quoted 71-73 and 85-88 respectively. The fluctuations here seem to reflect individual differences of opinion concerning the July 1 interest payment. The Skyway is currently not covering interest requirements but there are symptoms which indicate that the July 1 coupon might be paid.

Miller to Address Fin. Execs. Inst.

Charles W. Miller, partner in D. H. Blair & Co., New York, will report on "New Short Term Investment Patterns for Corporate Consideration" at the 1963 Eastern Area Conference of the Financial Executives Institute. The gathering, which is sponsored by the organization's New York City Chapter, will take place June 13-15 in the Monmouth Hotel, Spring Lake, N. J. It will be devoted to various aspects of corporate cash management.

Other speakers will deal with such problems as cash planning, cash flow, commercial financing and relationships between companies and banks.

Bond Club of Phila. to Hear Etherington

PHILADELPHIA, Pa.—Edwin D. Etherington, President of the American Stock Exchange, will be guest speaker at a luncheon meeting of The Bond Club of Philadelphia to be held on Wednesday, May 22, at The Barclay Hotel.

Albert A. R. Wenzel of Francis I. duPont & Co., is in charge of arrangements.

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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 renomination and election as Vice-President of the United States.

Prior to the 1960 Democratic National Convention, Mr. Johnson vehemently maintained that he would not take a second place on the Democratic ticket. Perhaps he meant it, but he changed his mind like many seasoned politicians do.

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

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 acumen.

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 visitor at the White House. When he is in the city he meets with Democratic Congressional leaders who have breakfast with the President each Tuesday.

Not Interested in Returning to the Senate

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

For 24 years, Mr. Johnson served 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; on June 8 he will address the graduating class at the U. S. Naval Academy; three days later he will make the 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.

Wooing 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 apparently has the Vice-Presidential renomination well in hand, his position will be strongly enhanced if an enthusiastic delegation for Johnson is sent to the next Democratic convention.

He 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 tocket in 1964 will be the same as it was in 1960.

Republicans May Choose Miami Beach as Convention Site

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, is a leading contender for the Republican pow-wow.

Numerous higherups in the Republican party agree it would be a great thing psychologically for the Republican party to hold its shindig in Dixie.

There is no doubt that the South is the fastest growing area for Republicanism in this country. It might very well be that some of the supporters of Governor Nelson A. Rockefeller of New York might prefer to hold the next presidential convention in Atlantic City or Chicago or somewhere else in preference to Miami Beach, and the South.

Goldwater's Status

For a couple of years the boom for Senator Barry 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 in 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 longtime 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.

Wirt Yerger, a young Jackson, Miss., businessman, and Chairman of the Mississippi Republican organization, who 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 GOP in that 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 scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.]

"What do you mean YOU'D like the same?—YOU only work 30 hours out of 40 now!"

COMING EVENTS

IN INVESTMENT FIELD

May 16-17, 1963 (Cincinnati, 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.

May 16-17, 1963 (Nashville, Tenn.) Security Dealers of Nashville annual Spring party—cocktails and dinner May 16 at the Hillwood Country Club; field day, May 17 at the Belle Meade Country Club.

May 17, 1963 (Baltimore, Md.) Baltimore Security Traders Association 28th annual spring outing at the Country Club of Maryland.

May 17, 1963 (Philadelphia, Pa.) Investment Association of Philadelphia annual outing at the Gulf Mills Golf Club, Gulph Mills, Pa.

May 23, 1963 (New York City) Association of Customers Brokers Annual Meeting and Dinner at the Americana Hotel.

May 23, 1963 (Omaha, Neb.) Nebraska Investment Bankers Association annual field day at the Omaha Country Club (preceded May 22nd by cocktails and a dinner.)

June 6, 1963 (Boston, Mass.) Boston Securities Traders Association 44th Annual Summer Outing at the Woodland Country Club.

June 7, 1963 (New York City.) Bond Club of New York 29th Annual Field Day at Sleepy Hollow Country Club, Scarborough, N. Y.

CHRONICLE's Special Pictorial Section June 13.

June 7, 1963 (New York City.) Municipal Bond Club of New York 30th Annual Field Day at the Westchester Country Club, Rye, N. Y.

June 13-14, 1963 (Kansas City, Mo.) Kansas City Security Traders Association Annual Summer Party —June 13 at Hilton Inn; June 14 at Meadowbrook County Club.

June 14, 1963 (Pittsburgh, Pa.) Bond Club of Pittsburgh Annual Spring Outing at the Pittsburgh Field Club.

June 14, 1963 (Philadelphia, Pa.) Philadelphia Securities Association Annual Outing at the Aronomink Golf Club, Newtown Square, Pa.

June 19-21, 1963 (Chicago, Ill.) Investment Bankers Association Municipal Conference at the Pick-Congress Hotel.

CHRONICLE's Special Pictorial Supplement July 11, 1963.

June 20-23, 1963 (Canada) Investment Dealers Association of Canada Annual Meeting at Jasper Park Lodge.

June 21, 1963 (New York City) Investment Association of New York Annual Outing at Sleepy Hollow Country Club.

June 21, 1963 (Philadelphia, Pa.) Investment Traders Association of Philadelphia annual summer outing and golf tournament at the Whitemarsh Country Club, Whitemarsh, Pa.

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

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

Attention Brokers and Dealers

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