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EDITORIAL — As We See It

The "labor movement" in this country has been so successful in recent years that it must be described as a failure. This paradoxical conclusion was brought forcefully to the attention of thoughtful observers the other day by the announcement from Washington that weekly earnings of factory workers have now passed the predicted $100 per week—an announcement accompanied by a reminder of the extent of unemployment and a warning of even greater want of employment as the labor force increases, and of the consequences of the high degree of worklessness among the less skilled. Certainly on the surface the current figures seem to give a glowing account of the progress of the wage earner during the past decade or two, and for the members of many, if not all of the unions, the picture is more or less as presented.

As late as 1949, the year before Korea, factory workers were averaging less than $55 a week. Their average hourly earnings stood at slightly less than $1.47. This, of course, was a year of not altogether booming business, but the figures cited do not differ very much from the years immediately preceding. In May of this year, just before the period for which the Washington authorities are now rather boastfully handing out record figures, factory workers were earning almost $100 per week, and had reached the exceptional figure of $2.45 per hour. Employment has about kept pace with the rise in the labor force. Unemployment in May stood at about 4.3 million as compared with 3.7 million in 1949. In any event, unemployment probably had not—and has not now—greatly affected members of the larger and well entrenched unions. But he would be naive indeed, whether a union member or just a (Continued on page 17)

A Questioning Glance at Some Municipal Bond Financing Trends

By Alan K. Browne, Vice-President, Bank of America N. T. & S. A., San Francisco, Calif.*

Leading municipal financing expert who represents one of the largest investors and investment bankers in municipals apprises state and local officials of significant pitfalls in tax-exempt financing, including advance refunding. Discussion first notes record growth and accompanying financing problems, and conjectures on future borrowing costs. Current developments probed range from trend toward revenue bonds with a warning not to repeat past's errors, to current threats to tax-immunity and to tax-debt limits.

Rather than tackle such a general and complex subject as city finances, it is my intention to deal with recent trends in municipal finance—trends that are of vital concern to the executive officers of local government — trends that are depicted in the bond market where the financing of long term public improvements is consummated through the sale of municipal bonds. This is the primary source of funds necessary in carrying out the decisions of the units of government charged with the responsibility of scheduling bond sales as prescribed by law.

Alan K. Browne

My position is somewhat unique in that I represent a substantial investor in municipal bonds and also am responsible for the investment banking functions of my institution. This calls for judgment as to credit quality and bond market appraisal as an investor. As an investment banker credit quality and bond market appraisal must be combined with an analysis of the competition for a given bond issue as well as first-hand knowledge of potential investor interest other than that of my institution. I hope that my remarks will be interpreted as being objective as they are based on an active daily participation in the financing of local government.

In sympathy with some of the remarks of President Lee contained in his Annual Report, I would also like to emphasize that the pressing responsibilities placed on our state and local governments as against their fiscal capacities constitute one of the most important problems of our times. The demands on these governmental units stem from basic changes in the very foundations of our society—the growth in total population and particularly in the number of school children and older persons, the different rates of growth in various sections of the country, the rapid growth of our metropolitan areas, with urgent problems created alike for the central city and their surrounding suburban area, the complex and multiplying demands from mass ownership and usage of houses and automobiles, and necessary emphasis on health and sanitation.

There is no doubt as to the continuing pressures and expanded responsibilities placed on our state and local governments. Likewise, there is no doubt as to the strains which these demands have placed on the fiscal capacities — tax revenues and debt positions — of these governmental units and the burden on their taxpayers. Thus, President Eisenhower stated in the Economic Report of the President transmitted to the Congress, Jan. 18, 1961, regarding the role of state and local units within the area of public action: "The expected increase in the demand for public (Continued on page 20)

SECURITIES NOW IN REGISTRATION—Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 24.

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

RIC Group Inc.—Paul Heischuber, Research Dept., D. J. Singer & Co., New York City. (Page 2)

Colgate - Palmolive—Walter Rizzuti, Security Analyst, Shields & Co., New York City. (Page 2)

PAUL HEISCHUBER
Research Dept., D. J. Singer & Co., New York City
Members New York Stock Exchange

RIC Group Incorporated

Since the advent of a new management team in the middle of 1962, RIC Group Incorporated (formerly Reinvestment Insurance Corporation), has shown substantial progress.

Insurance in force of RIC has increased from $192 million in 1961 to $416 million in 1962, an increase of $224 million. Earnings of its subsidiaries have shown the effects of the excellent management team RIC provides. RIC's investments of approximately $6,690,000 in its subsidiaries has risen to a market value in excess of $20,000,000.

With results such as those cited above after less than one year of new management tenure, RIC seems headed for another year of favorable growth in 1963. Insurance in force should reach three-quarters of a billion dollars, and the operational segment of RIC's organization should be in the black for the first time. In addition, the company's aggressive acquisition policies should bring more than just a small increase to its net worth.

Despite a certain amount of investment risk that exists in this relatively young organization, its impressive results lead us to view the stock as an attractive speculation for future growth and appreciation.

The RIC Group is an operating management and holding company with extensive interests in the life insurance field. Its primary policy objective is a unique one in the insurance industry: to consolidate under a single corporate structure groups of small, aggressive and potentially profitable life companies and provide them with top-level management, big-company administrative, accounting and informational facilities and the access to heavy volumes of immediate business at low-level acquisition costs.

RIC was incorporated in 1956 under the name Reinsurance Investment Corporation. Originally conceived of as purely a holding company, the corporation has expanded its horizons in the past year under new management to include a variety of operational functions required to service the total needs of the small life company. RIC's primary holdings include:

Hamilton Life Insurance Company (50.1% owned), dealing mainly in ordinary life, term and group life insurance. In the period Dec. 31, 1961 to Dec. 31, 1962, under RIC management, the company increased its life insurance in force from $46.2 million to $102.5 million.

Loyal American Life Insurance Company (51.4% owned), licensed in six southern states and specializing in ordinary life, wholesale term and accident and health, Loyal, with its subsidiary Sovereign States Insurance, is currently listed among the countries 200 largest life companies. Loyal American increased its life insurance in force from $78.5 million to $226.2 million in the 12 month period Dec. 31, 1961 to Dec. 31, 1962.

Servicing these insurance affiliates as well as a number of outside accounts is Data Processing Bureau, Inc., a wholly owned subsidiary. Data Processing provides centralized machine accounting and billing services for the RIC Group Life companies, and furnishes similar services to outside organizations, as well. In 1962, Data Processing contributed $40,000 in net earnings after taxes to the RIC Group.

RIC Planning Corp. (100% owned), functions as a source of high volume life isurance business for Hamilton, as a training ground for agents and as a testing area for new sales ideas. In 1963, its first full year of operation, RIC Planning is expected to net about $100,000.

The RIC Group believes in the writing of low cost insurance for its affiliates with the results of increasing business without causing a drain on surplus. It is a recognized fact that it takes six to seven years of consistently high volume business plus belt-tight administration to put even the most aggressive new company into the black.

Under RIC, lead time for profitability has been cut from six to seven years to two or three years, as witness the case of Loyal American, which converted a net loss of $49,429 to a net gain of $200,386 in one year, and Hamilton Life, which in the same period reduced a net loss of $253,000 to $29,000 and is certain to go into the black in calendar 1963.

In addition to these above functions, RIC has been following an active acquisition policy, concentrating on the smaller life companies that inherently have faced problems such as lack of required capital and surplus, and the absence of top-drawer management that a young company must have if it is to succeed over the long haul in a highly competitive market. For companies in this position, organizations such as the RIC Group provide a fiscally and administratively sound solution. RIC provides such advantages as capital for expansion, centralized accounting and billing procedures, an open door to volume business without the penalty of high priced staffing and training or the subsidization of agents, inter-company reinsurance that tends to retain the majority of premiums within the group, a strong national agency organization, a more competitive line of insurance coverage, top management knowledge and techniques and the opportunity for talented young insurance executives to join a proven management team.

With reference to the valuation of RIC, the character of the organization is so unique that it defies traditional approaches to valuation. While RIC's investments include life insurance companies, RIC is not itself a life insurance company. Nor, however, is it precisely a holding company, since it operates and manages its life insurance holdings.

Notwithstanding these various factors, one valid approach would appear to be to take the per RIC share value of the company's capital and surplus, and add thereto RIC's proportion of the life insurance in force in its underlying companies. In setting up this formula for valuation, we take RIC's equity in its life insurance company holdings at cost rather than at market value.

As of May 31, 1963, RIC's net capital and surplus was $5,913,907, taking its insurance company holdings at cost. Based on 2,659,515 shares outstanding, this would give the company an intrinsic book value per share of $2.24.

If we add to this figure the value of life insurance in force in the RIC companies, ascribing to RIC only that proportion of the life insurance which represents RIC's percentage of holdings, the adjusted value of the company per RIC share is increased to $3.60.

Applying to this adjusted book value the standard ratios and proportions that suggest that a young insurance company would be conservatively selling at from three to four times its adjusted book value, a market price of between $11 and $14 would appear to be justified. Over the last two months RIC has been selling in the market within this range.

It should be pointed out, however, that this valuation tends to be static, and gives no consideration to the substantial growth rate of the life insurance in force nor to the active acquisitions policy pursued by the company.

WALTER RIZZUTI
Security Analyst, Shields & Co., New York City

Colgate-Palmolive

Colgate is attractive for the following reasons:

(1) Here is a company that this year will do over $700 million in sales, divided about evenly between domestic and foreign operations. Colgate began exploiting foreign markets long before most other American corporations and it is firmly entrenched in every country in the free world. Its brand names are known to millions of consumers and its principal products, detergents and toilet articles, have enjoyed excellent growth and are usually sold at excellent profit margins.

(2) But Colgate's 10-year record is surprisingly disappointing. Overseas the record has been very good—1962 foreign sales were almost two-and-one-half times what they were in 1953 and foreign earnings have kept pace, totalling over $20 million in 1962. At home, however there has been negligible sales growth and earnings have trended downward. Ten years ago Colgate did $257 million in domestic business and earned $8.5 million. Last year the company earned only $2.4 million

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

What Is a Sound Dollar?

By Felix Edgar Wormser, Consulting Mining Engineer, New York City; Former Assistant Secretary of the Interior; Director, U. S. Chamber of Commerce; Former Vice-President, St. Joseph Lead Company; Consultant to Economists' National Committee on Monetary Policy, New York City*

A former mining executive finds it almost too incredulous that despite the passage of 30 years so many more rather than less who should know better are uninformed and/or apathetic about basic monetary fundamentals, and the reasons and cure for the dollar's growing predicament. In examining fallacious and correct concept of what constitutes a sound dollar, and its importance, Mr. Wormser raises and answers such questions as whether Federal Reserve notes since 1933 have been better than those prior to that year, and what has happened to our more managed dollar's purchasing power, gold reserve ratio, pace and extent of Federal spending and powers, and Franklin D. Roosevelt's "sound dollar" goal. The writer disagrees with Federal Reserve Chairman Martin's statement that the dollar is a good store of value and with the CED's recent proposal to end statutory gold reserves, and urges adoption of swift steps to restore a sound dollar for ourselves and future generations.

Recently, I asked the Chairman of the Board of one of our greatest and largest banks what he meant by the term "sound dollar." He had used the expression in an excellent speech attacking a commonly prevalent notion that government deficits are virtuous, and ending on the note that the nation must have a sound dollar, but he neglected to define the term. He wrote me that he thought of a sound dollar as one in which the value is maintained through stable prices, and which is so supported by fiscal and other government policies that individuals and foreign governments everywhere have full confidence in it. I can find little difference in that banker's conception of a sound dollar and the declaration of President Franklin Delano Roosevelt some 30 years ago that the objective of government policy was to give the people a dollar whose value in terms of purchasing power would be stable, that you could invest in government bonds, savings accounts and insurance policies and be sure that, as time went on, the purchasing power of the dollar would not be impaired and the value of your investments would not be injured by a depreciated dollar.

Felix Edgar Wormser

Well, as Al Smith used to say: "Let's look at the record." Is it anything to shout about? The tragic fact is that the purchasing power of the dollar has been eroded drastically until today the dollar's purchasing power is only 41% of what it was in 1934 (as measured by the index or wholesale prices). Life insurance holders, pensioners and savers are acutely aware of the damage which has been done to thrifty persons. But even worse, in some respects, is the appalling lack of confidence in the dollar abroad of which I shall refer to in a moment. It has brought us to a serious crisis.

I wonder how many gullible people actually thought that the vast power of the Federal Government could be used to give us a stable purchasing power of the dollar? Did they anticipate that the Government would merely use monetary manipulation, regardless of the constant political pressure on Washington, for more welfare spending, or price controls, perhaps? At any rate, the policy implied an enormous increase of government intervention in our national and local economy. I did not think it could succeed then, nor can it now. But, as one distinguished banker said when we destroyed the right of any citizen to own a gold coin, "haven't you any confidence in your monetary managers?" Incidentally a period of stable prices can be devilishly deceptive in cloaking fundamental imbalances or disturbances in our economy that ultimately should be corrected in the market place. Everything may look alright on the surface. Do you recall the period 1923-1929 when we had an exceptionally stable price level and seemingly unbounded prosperity? You know what happened in 1929. I hope the current great prosperity is not concealing defects that may cause much eventual hardship in our nation, if not corrected promptly.

Defines Sound Dollar

My definition of a sound dollar is simple. It is a paper dollar which can be taken to the local bank and converted to gold coin whenever desired. It was a right we had before the New Deal came to power but we no longer possess. Much water has gone over the dam since that property right was taken away from us during a period of depression emergency, especially the development of the "new?" or Keynesian economics classifying gold as a "barbarous

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Farewell to Firemen

By Dr. Ira U. Cobleigh, *Economist*

A topical comment on railway operations, earnings and prospects in light of correction of outmoded work rules, and a political and legislative climate favorable to mergers and minimum rate legislation.

We're going to miss the railroad fireman. Over a century ago he was very busy stoking wood logs to fire crinoline-age locomotives. Occasionally a stray spark would fly out of inverted cone shaped engine smoke stack of those days, sometimes starting a fire in hayfields or wood lots alongside the track. Later, and for decades, the locomotive fireman was kept busy stoking soft coal, nurturing the while, a burning ambition to become an engineer. Still later came the automatic stoker, and the fireman's task became more supervisory; and today with diesels, his job is mythical. He is the victim of technology and the "choo-choo" named expire!

This nostalgic introduction will serve to point up the acute railway problem of the day—what to do with some 37,000 firemen no longer needed, and how to correct outmoded work rules that are costing the railroads some $600 million a year in needless expenses. As this was written a strike, originally scheduled for July 29, seems to have been averted by the Administration's latest proposal to place the problem in the lap of the ICC for ultimate solution. Obviously, it was a little silly for the earlier fact finding group to be invoked when the clear cut requirements are a "phasing out" of needless jobs and the elimination of "featherbedding."

In fact the railway labor problem has been a continuous and unremitting one. As fast as railroads have improved operating efficiency by dieselization in post war years, centralized traffic controls, welded tracks and automated freight yards, the increased price of labor has managed to absorb the savings. So a definitive removal of arbitrary costs which have in many instances made railroads non-competitive, seems not only desirable, but inevitable; and the King Canute attitude of railway labor unions, however understandable, can no longer be tolerated.

Competitive Problems

Since the end of World War II the railroad slice of the freight transportation business has faded steadily from two-thirds to two-fifths. The growth in total freight volume, which has been quite impressive during this period, has been captured by private carriers and, in largest part, by unregulated truck and barge lines offering usually lower rates and greater shipping and service conveniences.

To offset this erosive competition the effective railway managements have come forward with unit trains which have reduced dramatically the costs of coal hauling, special cars for special purposes, faster schedules and piggy-back trains for truck trailers, designed to recapture over-the-road trucking tonnage.

Further, the railway industry has sought permission to make its rates more flexible, and in particular to recover and attract bulk tonnage. Freeing the roads from minimum rate regulation is one solution. Also needful is overall treatment of the commuter problem. The railroads should not be asked to take the total burden of commuter traffic and some sort of subsidy, direct or indirect, seems appropriate.

Mergers

Finally a significant recovery of railway earning power seems possible if a number of projected mergers are, in due course, approved and not impeded by wooly legal or labor arguments against the logic of economic necessity. In particular, we are impressed by the gains already recorded by the merger of Norfolk and Western and the Virginian; and by the indicated operating and financial advantages inherent in the Chesapeake and Ohio and the Baltimore and Ohio.

The merger of Atlantic Coast Line and Seaboard might well double, within five years, reported ICC earnings for 1962, namely $5.40 and $3.21, respectively. This merger is certainly sensible as it eliminates a lot of duplicated service and trackage and, by cost reductions achieved, should make possible extremely competitive long haul rates.

The big one, of course, is the much discussed marriage of Pennsylvania and New York Central. These roads (Pennsylvania the nation's largest) share many of the same problems — lethal passenger traffic losses, costly and light trafficked branch mileage, competition for East-West trucks lines, and from water carriers, the St. Lawrence Seaway in particular. There is further a massive duplication of facilities, and some definite needs for tighter and more cost conscious management. Along these lines the recent appointment of Mr. Saunders, former President of Norfolk and Western, as President of Pennsylvania is most significant. Mr. Saunders is a talented railroad operator with a brilliant record for maintenance and development of earning power at N and W and his competence in and zeal for, mergers are well known and highly respected. If indeed the Pennsy and "Central" are on their way to a marriage, the "best man" seems well qualified! This merger might create savings of over $75 million a year or $3.50 a share on Pennsylvania common.

Southern Pacific is another road whose fortune and common stockholders should benefit from merger. Addition of Western Pacific and Rock Island could do much for the well rounded SP with its trucking pipelines, land and mineral holdings Southern Pacific might well increase its $1.20 dividend this year, and be able to make expanded regular payments in future years, if these mergers "jell"!

We'd like to also say a few kind words about the Southern Railway and the optimistic viewpoint of its President, Mr. D. W. Brosnan. He has a very simple theory, that if railroads cut costs and lower rates they can raise business volume and make higher profits. So he's an exponent of bigger cars and unitized trains. The first unitized coal trains began running on the Southern three years ago, and they've recovered a lot of lost tonnage, attracted new volume and made money. In May of this year, Southern introduced a 60% cut in grain rates in five car lots, using Southern's new 100 ton hopper cars called "Big Johns." Southern's new big ton high capacity cars are, many of them made of light weight aluminum, easy to haul, and easy to maintain.

Mr. Brosnan believes that railroads used aggressive merchandising as well as efficient rolling stock operation, and his line has gone after new business with "vigor." Earnings on Southern (now a 10,391 mile system serving all Southern States East of the Mississippi except West Virginia) should exceed the $4.78 per share reported last year and set the stage for possibly a larger dividend than the present $2.80.

In railway language a yellow light is a qualified "go ahead" and green is a clear signal. Today we might view some of the more progressive lines at least in a "yellow" light. Railway shares, respected principally in recent years for their dividend yields, may in certain instances now take on growth characteristics particularly if "featherbedding" is stopped, mergers achieved, and managements are less defensive.

With Maxwell, Franklin

Maxwell, Franklin & Co., Inc., 45 Wall Street, New York City, members of the New York and American Stock Exchanges has announced that Thomas S. Darnall, Jr., is now associated with them in their Institutional Department. Mr. Darnall was formerly associated with Tucker, Anthony & R. L. Day.

FROM WASHINGTON ... Ahead of the News

BY CARLISLE BARGERON

Governor Rockefeller's latest effort to drive a cleavage between the John Birch Society and Senator Goldwater has not caused the slightest ripple in the Goldwater camp. These attacks upon the Birch Society are designed in reality to weaken Republican strength as it is a conservative group, too conservative from the viewpoint of the liberal Republicans and Democrats. That Senator Goldwater will not repudiate them gets under their skin.

Senator Goldwater is of the opinion that there is no more reason for repudiating them than there is to repudiate the Americans for Democratic Action, a radical and far more effective Democratic group than the Birch Society. This group is given far more attention than it deserves. In the newspapers it is treated with importance as a long established political party.

The Goldwater supporters while not amused are not alarmed. They do not believe that the Rockefeller tirade — his attempt to make it appear that the John Birch Society is about to take over the Republican Party—has made any dent in the Goldwater strength, which, with considerable reason, they say is far-flung across the country. They have not been stampeded into making harsh charges against the New York Governor in retaliation. Nor do they intend to do so. Their silence may be more ominous for the Rockefeller campaign for the Presidential nomination.

One point they do make: that no such tirade would have come from Governor Rockefeller had it not been apparent that Senator Goldwater was way out in front in the 1963 summer book on the race for the GOP 1964 Presidential nomination. Any candidate who shows running power and seems in the lead for such a nomination is the man who must be stopped. Hence Gov. Rockefeller's rocks.

In two of Senator Goldwater's recent speeches the Arizonian has directed his fire at the liberals who have taken over the government of the United States. He did not include Gov. Rockefeller in his charges, although the New Yorker is widely advertised as the leader of the Republican liberal wing of the party. The Goldwater charges, and they were bitter, were aimed entirely at the Kennedy Administration, at the Democratic leaders in that administration who close their eyes and do business with the corrupt big city political machines, at the liberals for their dedicated efforts to build a bigger and bigger bureaucratic Federal Government, at their irresponsible handling of the Government's finances and the country's economy.

The Democrats are chuckling with appreciation at the Rockefeller attack on the champion of Republican conservatives. Why shouldn't they? And the whole Rockefeller maneuver is hailed as the first step in a war to the death between the conservative and liberal wings of the Republican Party. The Democrats see the Republican Governor of a great state undermining and berating the most severe critic of the Kennedy Administration—the critic with the most cutting tongue. President Kennedy is getting help from the Republican liberals, represented by Gov. Rockefeller, in the polical picture, just as the President says he needs such aid now to get some of his New Frontier measures through Congress.

In his attack on Senator Goldwater, Gov. Rockefeller also undertook to picture himself as a conservative—but a good kind of conservative. A conservative who believes in sound financial conduct of government, who believes in the free enterprise system, and of freedom of individual initiative "without which men cannot be really free or equal." No one doubts that Senator Goldwater is a firm believer in these elemental principles. But Gov. Rockefeller, in his statement, leaned heavily on the growing danger to these very same principles "through subversion from the radical right" —the radical right which he said is about to take over the conservative wing of the party, and that has been supporting the Arizona Senator.

The Governor's blast at Senator Goldwater—although he did not mention him by name — is just the first step, it is reported, in the Rockefeller strategy to regain a strong position to win the Presidential nomination next year. Other steps included his effort, aborted by his Democratic counterparts, to put the Governors Conference on record on civil rights with the conference as a forum from which to gain wide publicity—and his entry into the Presidential primaries next year, probably beginning with the earliest in New Hampshire. As it stands today, Gov. Rockefeller appears stronger in the States of the East than in those of the West and the South.

Mohr V.-P. of Supervised Inv.

CHICAGO, Ill.—Clarence A. Mohr has been elected Vice-President in charge of administration for Supervised Investors Services, Inc., 120 South La Salle St., investment management firm serving Television-Electronics Fund, Inc.

Clarence A. Mohr

John Hawkinson, President of Supervised Investors Services, Inc., said Mr. Mohr will have direct responsibility for personnel, office administration, and shareholder relations.

Mr. Mohr has been administrative director of the firm, which was formerly known as Television Shares Management Corporation, since March, 1960. Prior to that time he served for 26 years in various managerial capacities with Montgomery Ward & Co.

OBSERVATIONS...

BY A. WILFRED MAY

CONSTRUCTIVE ATTITUDE TOWARD REFORM

The early reactions to the newly released sections of the Special Study of Securities Markets have been giving a false and unwarranted impression of the basic attitude of the SEC. The Commission, *as represented in many scare headlines*, has allegedly brought in an indictment of the securities industry and supposedly has accused it of all-over abuse and fraud. Furthermore, concern is being voiced over the fact that the Commission can legally effectuate most of its conclusions and recommendations through its own rules-making power without Congressional action.

Actually, it is difficult to see how the Study Group in its accompanying statements could have done more toward forestalling such illusions — assuming that it carries no responsibility for scare head-line writers. Certainly eminently fair is the following statement in the Study Group's letter of transmittal to the Commission, particularly in the context of the 2100 pages of supporting data contained in the 12 pounds of accompanying five volumes. "The faults and defects disclosed in the Study do not call for public alarm as to the basic integrity of the securities markets but neither do they permit of complacency." It then goes on to broach the propriety of seeking alternative ways of treating needed remedies, following with the endeared claim of the Exchanges investment community: "If our market institutions are to achieve and maintain a quality commensurate with *their importance to the American economy and the American public*." [Emphasis Added.]

Fear as to arbitrary action to be taken under the Commission's rule-making powers are also largely unwarranted. The Chairman has formally promised hearings for and discussion with those parties to be affected by any proposals.

Mr. Cary spells this out in his letters of Tuesday (July 23) to Chairman Harris of the House Committee and Chairman Robertson of the Senate Banking and Currency Committee, as follows: "The second installment of the Report contains recommendations designed to be carried out by the Commission under its rule making power and by the self-regulatory agencies. Accordingly, it is inappropriate for us to speak definitively on various of the questions presented which involve substantive changes in our rules and the rules of the self-regulatory agencies. In most cases we are required to solicit and consider the views of interested persons before making any final decisions. Moreover, we believe that the responsible course of action calls for discussions with the securities industry before definitive actions are taken. In the second place, we note that the problems disclosed in the Report are subtle and complex; many are just emerging and many call for further study."

The House Committee's Comment

And it is quite inconceivable that the House Interstate Commerce Committee, at whose direction the Study was initiated and carried out, and to whom it is delivered in the first instance, will be foresworn from interest in and the right to review the Commission's implementations, for both omission and commission.

Although, it is not yet clear how Chairman Harris and his House Committee are going to get into the act, beyond the holding of hearings after receipt of the complete report, it is surely inconceivable that they will walk away from the project, and leave its implementation and disposition entirely in the Commission's hands.

Confidence and Market Performance

Chairman Cary in his letter in behalf of the Commission's transmittal of the four additional chapters to the Congress, stated: "As stated in our first letter of transmittal this report should impair public confidence in the securities market, but should strengthen it as suggestions for raising standards are put into practice."

This constructive expectation is throughly justified by major precedents following the enactment of the New Deal's reform legislation, stemming from the sensational damning abuses revealed by the Pecora Investigation, via the Securities Exchange Act with the establishment of the SEC in 1934. Thereafter the stock market advanced by 80% over the next two years (its 1934 base was already double that of the 1932 low).

The Fullbright Hearings in March, 1955, with their airing of preceeding market "excesses," were followed by a 40% market rise over the next 18 months.

FUNDAMENTALS GLOSSED-OVER

Officialdom's current bow to the economic importance of the Stock Exchanges once again highlights another basic area in which the Commission has glossed over a fundamental question. Surely there is grave doubt whether the super-liquid trading markets in stocks which are outstanding—not to speak of the high proportion of the proceeds of new issues which go to buying-out existing holders — indispensably enhance the supply of new capital needs of industry. It surely is highly questionable whether the trading of outstanding certificates representing ownership in existing enterprises in a secondary market, no matter how liquid, is providing the economy with capital investment.

Treatment of Remuneration

Likewise in its voluminous and ramified handling of the Street's *remuneration* process, does the Report overlook the real basic problem. On the entire routine of commission rates—the fees paid to a member of an exchange for effecting transactions—the Study has come up with a wealth of observations and conclusions.

It delves into the schedules for non-member and member commission rates on the N. Y. Stock Exchange, and the American and regional exchanges; the statutory and business background for commission rate regulations; reciprocal business arrangements; special services arrangements; odd-lot commission rates; determination on the level of rates; and the Commission's evolving role.

The staff's report as subsequently endorsed by the Commission holds that the advantages and disadvantages of associate memberships and special non-member commission rates should be jointly studied by the Commission and the Exchanges, with special reference to competition and reciprocity.

It cites the question of a volume discount, recommending, with Commission approval, further study, with consideration of its current absence on the mutual funds.

It holds that the determination of "reasonable" rates of commission is an extremely complex matter and that objective standards should be more clearly enunciated by the Commission.

Adjustment for Ancillary Services

Fortunately, the Report brings out into the open the existing rigidity of the commission payment without allowance for services performed, as research, beyond the mere mechanical execution of the order, no matter how originated and otherwise handled. The logical recommendation is made to establish a *separate* schedule of rates for the basic brokerage function (order execution) and for ancillary services additionally performed (or alternatively, a schedule of maximum rates, or minimum-maximum rates to cover all services). The Agency approves further study of this proposal.

The Neglected Problem

Now this treatment of the remuneration situation is fine as far as it goes. But it fails to come to grips with the underlying abuse; the conflict of interest between the professional order solicitor-adviser and the lay cilent—arising from "no order, no pay." Should the proper decision be a negative one regarding a potential transaction, the advising broker gets penalized with commission-loss for his integrity.

Furthermore, in an industry-wide scope, the order remuneration system leads to inordinate business-pressuring down the line.

Helpful to remedying such conflict of interest would be the incurrence of a fee for advice whether or not it leads to a order (investment counsel technique), with the commission billed separately, and perhaps the commission being charged against the counselling fee.

In any event surely, this context of the commission system should be brought to cognizance for action by the SEC and self-preservation by the investing community.

It is to be hoped, at least, that this situation will be importantly included with the broader commission questions which are to be explored at some future time in other areas of the SEC.

* * *

Nomenclature and the Tax on Foreign Investment

We feel constrained to add to the controversy raging over President Kennedy's plan to tax investment in foreign securities by pointing out the fallacy involved in its official name, "Interest Equalization Tax."

While this may adequately describe its technique of adjusting the tax to yields to maturity of bonds, it surely does not apply to tax acquisition *of equities*, which incurs a flat 15% tax.

Incidentally, as this column has frequently shown,* common stocks abroad do not sell at a higher yield basis than here.

*cf., for example "Valuing Common Stocks Here and Abroad," *Observations*, Nov. 2, 1961.

N. Y. Appellate Div. Tax Case Decision

On July 15, 1963, the Appellate Division of the New York Supreme Court, Third Department, rendered its decision in the test case brought at the instance of the Exchange by Shearson, Hammill & Co. and one of its non-resident partners, Farwell Winston. The case was brought to determine the applicability of the New York State unincorporated business tax and, in the case of the nonresident partner, the income tax, to income from and capital gains on securities in partners' individual accounts which have been subordinated pursuant to the requirements of Rule 325 and to such income and capital gains in capital accounts where the income and gains on the securities had been reserved to the individual partners.

The State Tax Commission has for a number of years been seeking to tax such income and gains to member firms and to non-resident partners who have not reported gains and income realized in their individual accounts as connected with their New York business. The Appellate Division's decision was unanimously in favor of the taxpayers and reversed determinations of the Tax Commissions for the years 1952-1954. It is not known at this time whether the Tax Commission will seek to appeal the decision to the New York Court of Appeals.

Child Named V.-P. Of Granbery Co.

Richard W. Child has become associated with Granbery, Marache & Co., Incorporated, 67 Wall Street, New York City, members of the New York Stock Exchange, as Vice-President and Director of Research.

Tax-Exempt Bond Market

BY DONALD D. MACKEY

Notwithstanding a cleavage of opinion within the Federal Reserve Board, as was brought out in testimony before the House Banking Committee, the Board's action in increasing the rediscount rate from 3% to 3½% and raising the maximum interest rate that member banks may pay on time deposits and certificates with maturities from 90 days to a year to 4%, has loosed a market vigor not experienced in municipal bond circles since December 1962. The level of new issue bidding is better by from 10 to 15 basis points and a wide interest in secondary market blocks of bonds has developed where no active interest had shown in the weeks before. While institutional buyers and investors distained the market and refrained from purchases during the past month, the market had gradually sold down. The rumors surrounding the imbalance of payments and a rediscount rate increase all but stifled activity within the municipal bond market. As a result, inventories built up and bids for secondary blocks of bonds were reduced to an almost pathetic extent as dealers attempted to bid without being high, excepting in unusual circumstances.

The Upside Catalyst

Although the state and municipal bond market touched its low for 1963 a week ago, there appeared some obscure hope among some of us that the bottoms had perhaps been reached at least for the time being. This notion was not difficult to come by since market conditions could hardly have gotten worse and the cat had been finally let out of the bag. Even so, there was a prevailing gloom among those who looked no further than the rediscount rate increase itself.

However, the favorable market development derives from the climactic change itself after weeks of slow market attrition and from the obviously favorable return available to the banks resulting from the liberalization of the time deposit rate. This little gimmick was really the activating "zinger" and for it the state and municipal bond boys should be expressively reverent. A week ago they were right up to here in all kinds of market trouble.

Market Up Substantially

Some indication of the market's rather spectacular improvement during the past few days is to be found in the *Commercial and Financial Chronicle's* high grade 20-year bond yield Index. A week ago the preselected group of offerings used in deriving this Index averaged out at 3.10%. As of July 24, the Index averages out at 3.07% which translates to about a one-half point general market rise.

There is further significance to be found in the yield decline in that the bond offerings utilized are for the most part shopworn and as such do not attract institutional interest as readily as the new issue blocks. The one-half point rise in this Index as indicated before connotes a rise of a point or more in the level of new issue bidding during the past week.

Inventories Pared

The three major factors that have recently been working against the market are now tending to become more favorable to the market. The heavy Street inventory situation and a relatively heavy new issue calendar have combined, along with the imbalance of payments crisis, to undermine general bond market conditions. With the change in the rediscount rate and other interest rate changes, inventory and volume problems have to some extent been favorably ameliorated.

Whereas the dealer offerings as shown in the *Blue List* have been running from $550,000,000 to $650,000,000 for some months, there is recent indication that the average of offerings has been reduced. For the first time since late March the *Blue List* total has declined to under $500,000,000. Wednesday's (July 24) total was under the rather symbolic $500,000,000 level ($475,728,000).

Business on the Horizon

The volume of new issues has reached a record breaking level so far in 1963. This has, of course, taxed the market's receptivity, particularly in view of the fact that most of this volume has been awarded under competitive conditions. Relatively, the volume of negotiated state and municipal financing has been less this year than any in our memory.

At present the calendar for the month ahead totals less than $425,000,000. The largest item on the calendar between now and Aug. 7, when $100,000,000 State of California bonds are scheduled to be sold, is $23,435,000 State of New Hampshire bonds selling on Aug. 1. As noted further below, California decided to substitute a general obligation offering for the same amount of water bonds originally scheduled to be sold.

Under the negotiated issue heading $200,000,000 Grant County, Washington P. U. D. #2 (Wanapum Hydro-Electric Revenue Refunding 1971-1988, 1998 and 2009) bonds appear likely to be reoffered on Tuesday (7/30). The syndicate headed by *John Nuveen & Co., B. J. Van Ingen & Co., Inc., Blyth & Co., Inc., Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Smith Inc.* and *A. C. Allyn & Co.* has been negotiating this advance refunding issue for some months.

Also scheduled via negotiation about Aug. 7 is an issue of $39,000,000 of New York City Transit Authority bonds. As with previous issues, the underwriting group will be headed by *Phelps, Fenn & Co.*

Dollar Issues Move Up

The long-term dollar quoted toll road, toll bridge and public utility revenue issues were considerably improved in price during the past week. In the midst of the rediscount confusion, the *Commercial and Financial Chronicle's* revenue bond Index went to a 3.472% average yield a week ago. Currently the Index is 3.445%. There were no spectacular price rises, although several issues were up as much as one-half to one point.

The greatest gain was reported by the Florida Turnpike Authority 4¾s which are quoted 111⅜-111⅞ as we go to press. This marks a new high quotation for this popular issue. At least part of the advance can be attributed to the favorable June report of the Authority. Traffic increased 14% over June of 1962. At the same time it was reported that 27,375 more vehicles traveled on the turnpike in June than during May of this year.

Good Forecast

In early June, as some of you readers may recall, we surmised that the market might give by about 10% and then follow the betterment observed by last summer's state and municipal bond market. Since the price levels a year ago are comparable, this appears to us to be a likely eventuation. Thus far this guess seems to be working out. The market's technical factors now seem to point to better prices as we move into August.

Recent Awards

Last Thursday, $6,000,000 Harris County, Texas Flood Control District (Houston) (1963-1983), limited tax bonds were awarded to the syndicate headed by *Morgan Guaranty Trust Co., White, Weld & Co.* and *F. S. Smithers & Co.* with a net interest cost bid of 3.068%. The First Boston Corp. group was the runner-up bidder with a 3.092% net interest cost bid. Other members of the winning group are Carl M. Loeb, Rhoades & Co. and Clark, Dodge & Co., Inc. The bonds were not reoffered.

On Monday of the present week, $3,100,000 San Bernardino School District, California bonds were awarded to the group headed by the *Bank of America N. T. & S. A.* on a net interest cost bid of 2.9526%. The second bidder was United California Bank and Associates with a net interest cost of 3.04%.

Other members of the winning group include Kalman & Co., Kenower, McArthur & Co. and Lawson, Levy, Williams & Stern.

The bonds were reoffered to yield from 1.80% to 3.10%. At present $1,550,000 remains in account.

Also on Monday, $5,368,000 Santa Barbara High School District, California (1964-1988) bonds were awarded to the syndicate

Continued on page 12

MARKET ON REPRESENTATIVE SERIAL ISSUES

	Rate	Maturity	Bid	Asked
California, State	3½%	1982	3.20%	3.10%
*Connecticut, State	3¾%	1981-1982	3.15%	3.05%
New Jersey Hwy. Auth., Gtd.	3%	1981-1982	3.10%	3.00%
*New York State	3¼%	1981-1982	3.05%	2.95%
*Pennsylvania, State	3⅜%	1974-1975	2.80%	2.70%
*Delaware, State	2.90%	1981-1982	3.20%	3.10%
New Housing Auth. (N. Y., N. Y.)	3½%	1981-1982	3.15%	3.00%
Los Angeles, California	3¾%	1981-1982	3.30%	3.20%
*Baltimore, Maryland	3¼%	1981	3.20%	3.10%
*Cincinnati, Ohio	3½%	1981	3.15%	3.05%
Philadelphia, Pennsylvania	3½%	1981	3.35%	3.25%
*Chicago, Illinois	3¼%	1981	3.35%	3.25%
New York City	3%	1980	3.21%	3.14%

July 24, 1963 Index=3.07%

*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.

July 25 (Thursday)			
Brownstown Sch. Bldg. Corp., Ind.	1,645,000	1966-1994	2:00 p.m.
Kingston Sch. Dist., N. Y.	1,045,000	1964-1972	2:00 p.m.
Winchester, Ky.	2,333,000	1964-1987	11:00 a.m.
July 29 (Monday)			
Bay County, Mich.	1,305,000	--------	2:30 p.m.
Goose Creek Sch. Dist., Texas	4,290,000	1964-1989	2:00 p.m.
Grant County PUD No. 2, Wash.	200,000,000	1971-2009	--------
Syndicate managed by John Nuveen & Co., B. J. Van Ingen & Co., Inc., Blyth & Co., Inc., Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Smith, Inc., and A. C. Allyn & Co.			
Richmond, Ky.	2,000,000	--------	7:30 p.m.
St. Louis Co. Unorg. Terr. SD, Minn.	1,290,000	1965-1970	2:00 p.m.
July 30 (Tuesday)			
Eastlake, Ohio	1,679,900	1964-1983	1:00 p.m.
Easton, Mass.	1,190,000	1964-1983	11:00 a.m.
Kern Co. Jt. Union H. S. D., Calif.	6,930,000	1964-1973	11:00 a.m.
New Canaan, Conn.	2,120,000	1964-1993	8:00 p.m.
West Virginia (State of)	4,000,000	1964-1988	1:00 p.m.
July 31 (Wednesday)			
Peabody, Mass.	3,470,000	--------	--------
August 1 (Thursday)			
Mississippi (State of)	5,000,000	1975-1982	10:00 a.m.
New Hampshire (State of)	23,435,000	1964-1993	11:00 a.m.
Oregon State Board of Higher Education	9,600,000	1966-1993	9:00 a.m.
Peru, Ausable, etc., S. D., 1, N. Y.	2,260,000	1964-1992	11:00 a.m.
University of Alaska	1,106,000	--------	--------
West Seneca, N. Y.	3,736,000	1964-1992	2:00 p.m.
Wichita Falls Various G. O., Texas	3,000,000	1964-1988	10:30 a.m.
Wichita Falls W & S Rev., Texas	5,585,000	1964-1988	10:30 a.m.
August 5 (Monday)			
Washoe County, Nev.	1,250,000	1964-1983	10:00 a.m.
August 6 (Tuesday)			
Boyertown, Pa.	1,090,000	1966-1993	8:00 p.m.
Camden County, N. J.	3,093,000	1964-1987	2:00 p.m.
Clearwater, Fla.	1,800,000	1964-1990	2:00 p.m.
Golden Valley, Minn.	3,131,000	--------	--------
Newark, N. J.	9,330,000	1934-1983	Noon
New Mexico, State Capital Building & Boy's School	6,400,000	1964-1973	10:00 a.m.
Phoenix, Ariz.	12,000,000	1969-1990	10:00 a.m.
Shreveport, La.	4,119,000	1966-1983	10:00 a.m.
August 7 (Wednesday)			
California (State of)	100,000,000	1964-1990	10:00 a.m.
Cincinnati, Ohio	9,000,000	1965-1998	Noon
Howard County, Ind.	1,200,000	1964-1983	11:00 a.m.
Howard Co. Met. Comm., Ind.	2,500,000	1965-1993	11:00 a.m.
New York Transit Authority, N. Y.	39,000,000	--------	--------
[Negotiated sale to be underwritten by Phelps, Fenn & Co. syndicate.]			
St. Louis Co. Met. Sew. Dist., Mo.	5,000,000	1964-1992	2:00 p.m.
Vero Beach, Fla.	1,200,000	1966-1992	11:00 a.m.
August 8 (Thursday)			
Arlington Ind. Sch. Dist., Texas	1,000,000	--------	--------
Jefferson Township S. D., N. J.	3,450,000	1964-1988	8:00 p.m.
August 10 (Saturday)			
Utah State University	3,550,000	1965-2002	10:00 a.m.
August 12 (Monday)			
St. Joseph S. D., Mich.	1,425,000	1964-1992	8:00 p.m.
August 13 (Tuesday)			
Columbus & Franklin Cos. Met. Park District, Ohio	2,800,000	1964-1970	1:00 p.m.
Genesee Co. Drain. Dist. 2, Mich.	1,390,000	1964-1983	10:00 a.m.
Johnson County W. D. 1, Kan.	25,000,000	--------	--------
Naples, Fla.	2,000,000	1964-1988	11:00 a.m.
Sweetwater Jr. Coll. Dist., Calif.	2,000,000	1964-1987	10:30 a.m.
Wayne Twp. Sch. Bldg. Corp., Ind.	4,000,000	1967-1981	10:00 a.m.
August 14 (Wednesday)			
Local Housing Authorities	116,160,000	--------	--------
Maryland Roads Commission	4,935,000	1964-1978	11:00 a.m.
Woodbridge Twp. S. D., N. J.	4,300,000	1965-1981	8:00 p.m.
August 19 (Monday)			
Dallas County Rd. Dist. No. 1, Tex.	3,000,000	--------	10:00 a.m.
Las Virgenes Municipal Water Districts, Calif.	3,500,000	--------	--------
Sacramento Redev. Agency, Calif.	2,800,000	--------	11:00 a.m.
August 20 (Tuesday)			
Alexandria, La.	11,350,000	1965-1993	11:00 a.m.
August 21 (Wednesday)			
San Jose, Calif.	4,200,000	1965-1984	11:00 a.m.
August 22 (Thursday)			
Slidell, La.	1,100,000	1967-1993	7:00 p.m.
September 3 (Tuesday)			
Houston, Texas	11,070,000	--------	--------
South Co. Jt. Jr. Col Dist., Calif.	8,250,000	--------	--------

Is the Administration's Plan "Too Little and Too Late"?

By Paul Einzig

Hardly anyone is in a better position than Dr. Einzig to know how unimpressed European bankers are with our last week's announced plan to curb the payments-deficit, and to recommend an alternative, superior set of proposals. The rediscount rate rise, IMF standby drawing, and equalization tax proposal to curb Americans' purchases of foreign stocks and bonds are stongly chastized for being "too little and too late." Instead, Dr. Einzig suggests we: (1) sell silver internationally to support the dollar; (2) issue bonds against foreign government debt with coinciding maturity dates to be jointly guaranteed by us and the foreign country concerned at attractive interest rates; and, if need be, (3) extend the equalization tax to existing American holdings of foreign securities to foster re-sales or requisition such holdings and sell them abroad. Concludes our halfway measures will in due time lead to exchange control or devaluation.

LONDON, England—The first reaction in London to the measures taken or proposed by the United States authorities to reinforce the defenses of the dollar was one of relief. At long last, official circles in Washington are beginning to realize the gravity of the prospects and are beginning to raise their heads which were until now comfortably buried in the sand. The second reaction was that even now the Administration and the Federal Reserve seem under the impression that half-measures are sufficient. There is a strong feeling over here that M. Paul Reynaud's verdict condemning the inadequate measures adopted in France during the 'thirties in defense of the franc, that they were "too late and too little," applies to the present American measures. They are too late in the sense that they could and should have been taken before the losses of gold suffered in recent years. And they are too little, because they are only likely to slow down the outflow instead of arresting it.

Less Than Impressive Cure

Take the increase of the Federal Reserve discount rate by half of 1%. It is less than impressive. In order to produce a noteworthy material and psychological effect, an increase by 1% would have been needed. That might have inspired sufficient confidence in the dollar to result in forward rates which would have made it profitable to transfer funds to New York through interest arbitrage. It would have effectively checked the rise in cost of production and cost of living, to the benefit of the balance of payments. I suppose sooner or later there will be another half per cent increase. But why do it in two instalments?

The arrangement with the International Monetary Fund was a step in the right direction. But the amount is not impressive. Moreover, together with the other technical measures, the reciprocal swap arrangements and short-term credit arrangements, it is merely meant to paper over the cracks instead of effectively dealing with them.

The proposed equalization tax on foreign borrowing is a totally different matter. It does deal with the fundamental situation and does indicate realization of the fact that in existing circumstances the United States can ill afford to export capital. But again it is only a half-measure. Even after its adoption there will be many channels left open for U. S. residents if they wish to transfer their money abroad.

It is understandable that the Administration is reluctant to adopt exchange control measures. It is true, if the gold drain should continue a stage would be reached before many years when it would be confronted with the choice between exchange restrictions and devaluation. But so long as there is hope to check the drain without such extreme measures there is a strong temptation to defer them.

But in order to justify the delay, the defensive measures ought to be made much more effective, and, pending their full effect, steps should be taken to mobilize the resources of the United States in order to reinforce the gold reserve.

Suggests We Sell Silver For Dollars

In the first place, full use should be made of the considerable silver resources for supplementing the gold reserve. The United States Treasury's substantial silver stock should be gradually unloaded in the silver market in order to support the dollar against the effects of the balance of payments deficit. Silver coins should be replaced and the metal thus acquired should also be unloaded in the market. This step alone, together with the defensive measures, would be sufficient to safeguard the gold reserve for the next two or three years at any rate.

Sell Bonds Backed by Foreign Government Debt to U. S.

The United States Government could and should mobilize some of the claims against foreign Governments which cannot be repaid in advance of their maturity. With the consent of the Governments concerned, bonds should be issued against those claims. Such bonds would be based on the joint guarantee of the United States Government and of the Government of the country concerned. This should make it possible to place fairly large amounts abroad. Possibly the interest might be higher than that received by the United States Government, but the resulting financial loss would be much more than offset by the beneficial effect of a reinforced gold reserve.

Force Sale of American Held Foreign Securities

If the worst came to the worst, the equalization tax could be applied not only to future acquisition of foreign securities but also to existing American holdings. The result would be further re-sales of such securities abroad. Or the United States authorities could requisition holdings of internationally marketable securities and use them in the same way as the British Government did at the beginning of the second World War for raising funds abroad.

These are only a few instances of measures that could be adopted in order to relieve anxiety about the prospects of the American gold reserve. Unless the chronic balance of payments deficit can be cured, sooner or later some such measures will have to be resorted to. Once this is realized, the only question is whether it would not be much wiser to resort to them while the gold reserve is still at an impressive figure instead of waiting until its decline has advanced further.

Roberts, Rutter Forming in NYC

Cady, Roberts & Company and Rutter & Co., New York investment advisory firms and brokerage houses, will merge to form Roberts, Rutter & Co., effective Aug. 1, it has been announced. The merger is subject to approval by the appropriate regulatory bodies.

Roberts, Rutter & Co., the surviving firm, will continue to operate as investment advisors to a select clientele, and to conduct a general brokerage business. The new firm will have two members on the floor of the New York Stock Exchange, and one member on the floor of the American Stock Exchange.

Cady, Roberts & Company was formed by Dudley Roberts as Roberts & Company in 1939, and Rutter & Co. was founded in 1919 by J. Wood Rutter. Joseph O. Rutter of Rutter & Co. is the son of the founder. General partners of both firms will continue as Partners of the new firm, with the exception of Everett W. Cady, who has resigned.

The office of Roberts, Rutter & Co. will be at 488 Madison Avenue, New York City.

Newcomb, Gillogly Counsel Firm

WASHINGTON, D. C.—Robinson Newcomb and David K. Gillogly have formed Newcomb, Gillogly & Associates with offices at 2015 N Street, N. W. to act as economic counsel and market analysts. Mr. Newcomb was formerly head of Robinson Newcomb Associates. Mr. Gillogly was associate economics director of the National Association of Home Builders.

DEALER-BROKER INVESTMENT LITERATURE AND RECOMMENDATIONS

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

Aerospace—Report with particular reference to **McDonnell Aircraft** and **Lockheed Aircraft**—Stanley Heller & Co., 44 Wall Street, New York, N. Y., 10005.

Aerospace Equities—Report—Hirsch & Co., 25 Broad Street, New York, N. Y., 10004.

Automobile Industry—Review—Goodbody & Co., 2 Broadway, New York, N. Y., 10004. Also available are comments on the **Retail Trade Industry** and a bulletin on the **Municipal Market.**

Automotive Industry—Bulletin—Zuckerman, Smith & Co., 30 Broad Street, New York, N. Y., 10004.

Cosmetic Industry — Analysis — Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y.

Electric Utilities—Study—Jas. H. Oliphant & Co., 61 Broadway, New York, N. Y., 10006.

Fire and Casualty Insurance Company Stocks—11th annual edition of brochure of data on 32 companies—First Boston Corporation, 20 Broad Street, New York 5, N. Y. Also available is the 11th annual edition of data on **Life Insurance Company** stocks covering 24 issues.

Funk & Scott Index of Corporations & Industries — Index of articles on corporations, industries, and general business subjects taken from over 200 financial publications, 350 broker's reports, and speeches before analysts societies — 1962 Annual Cumulative Volume $30. Further information on the weekly or monthly issues available on request—Investment Index Co., 206 F Colonnade Building, Cleveland 6, Ohio.

Japanese Economy—Quarterly study—Yamaichi Securities Co. of New York, Inc., 111 Broadway, New York, N. Y., 10006. Also available are studies of the **Japanese Shipbuilding, Iron and Steel** and **Gas Industries.**

Japanese Market — Review — Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y. Also available is an analysis of **Sanwa Bank Limited.**

Japanese Market — Monthly review including details on **Kajima Construction, Ricar Sewing Machine, Fuji Tsu, Toyota Motor, Toyo Kogyo, Honda Motor, Yashica, Nippon Musical Instrument,** and a comparison of U. S. and Japanese Statutes relating to securities trading Daiwa Securities Co., Ltd., 149 Broadway, New York 6, N. Y.

Life Insurance Stocks—Bulletin—Ralph B. Leonard & Sons, Inc., 50 Broadway, New York, N. Y., 10004.

Machine Tool Industry—Report—Reynolds & Co., 120 Broadway, New York, N. Y., 10005. Also available is a report on **Goodyear Tire & Rubber** and comments on **Delta Airlines** and **Pan American World Airways.**

New York City Bank Stocks—Comparison and analysis of 10 New York City bank stocks — Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

New York Cty Bank Stocks—Comparative figures at mid-year —First Boston Corporation, 20 Broad Street, New York, N. Y., 10005.

Oils—Review—L. F. Rothschild & Co., 120 Broadway, New York, N. Y., 10005.

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 25-year period — National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

Retail Distribution—Analysis of growth prospects—Emanuel, Deetjen & Co., 120 Broadway, New York, N. Y., 10005. Also available is an analysis of the market outlook.

San Diego Metropolitan Area—Brochure on the growth of the area—Bank of America, N. T. & S. A., 300 Montgomery Street, San Francisco, Calif., 94120.

Selected Stocks—Issues in various categories which appear interesting—Courts & Co., 11 Marietta Street, N. W., Atlanta, Ga., 30304.

U. S. Banks—Comparative figures on 15 largest institutions—Bankers Trust Company, 16 Wall Street, New York, N. Y., 10015.

U. S. Banks & Trust Companies—125th consecutive quarterly comparison of leading institutions—New York Hanseatic Corporation, 60 Broad Street, New York, N. Y., 10004. Also available is a bulletin on the **Bond Market.**

Wall Street Transcript — Reprints of full texts of brokers' reports, cross indexed — Issued weekly — available on subscription—Sample copy on request — Wall Street Transcript, 54 Wall St., New York 5, New York.

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Air Control Products, Inc.—Analysis—Bruns, Nordeman & Co., 115 Broadway, New York, N. Y., 10006.

Allied Chemical Corp.—Review—Fahnestock & Co., 65 Broadway, New York, N. Y., 10006. Also available is a review of **Timken Roller Bearing.**

American Express Corp.—Report —Kahn & Peck, Cohn & Co., 74 Trinity Place, New York, N. Y., 10006. Also available are reports on **Hertz Corp.** and **Pan American World Airways.**

American Natural Gas—Comments—Department DB, Commercial & Financial Chronicle, 25 Park Place, New York, N. Y., 10007. Also available are comments on **American Commercial Barge Line Co., First Charter Financial, San Diego Imperial, Wesco Financial, Pan American Sulphur, Hiram Walker, American Distilling.**

American Pipe & Construction Co. —Analysis—Mitchum, Jones & Templeton, Inc., 640 South Spring Street, Los Angeles, Calif., 90014. Also available is an analysis of **Standard Brands Paint Company.**

American Telephone & Telegraph —Memorandum—Paine, Webber, Jackson & Curtis, 25 Broad Street, New York, N. Y., 10004. Also available are memoranda on **Motorola, Goodyear** and **New York City Bank Stocks.**

Bank of America—Memorandum —Hannaford & Talbot, 111 Sutter Street, San Francisco, Calif., 94104.

Berman Leasing—Memorandum—J. W. Sparks & Co., 120 Broadway, New York, N. Y., 10005. Also available is a memorandum on **McLean Trucking.**

Borden Company—Review—Carl M. Loeb, Rhoades & Co., 42 Wall Street, New York, N. Y., 10005. Also available are reviews of **Lane Bryant** and **Cabot Corp.**

Bristol-Myers — Chart analysis — McDonnell & Co. Incorporated, 120 Broadway, New York, N. Y., 10005. Also available is a chart analysis of **Merck & Co.**

British American Oil Company, Ltd.—Analysis—Royal Securities Corporation, Limited, 244 St. James Street, West, Montreal, Que., Canada. Also available are analyses of **Canadian Industries, Ltd., Nova Scotia Light & Power Co.,** and **Simpsons, Ltd.**

British Columbia Power—Memorandum—Edward A. Viner & Co., Inc., 26 Broadway, New York, N. Y., 10004. Also available are memoranda on **Fifth Avenue Coach Lines** and **Pittsburgh Railways.**

W. A. Brown Manufacturing Co.—Memorandum—Loewi & Co., Incorporated, 225 East Mason Street, Milwaukee, Wis., 53202.

Chemetron Corporation—Analysis —A. C. Allyn & Co., 122 South La Salle Street, Chicago, Ill., 60603. Also available are analyses of **Edgerton, Germeshausen & Grier, Bowmar Instruments** and **Pacific Cement and Aggregates** and a memorandum on **Hewitt Robins, Inc.**

Chesapeake Corporation of Virginia—Analysis—J. C. Wheat & Company, 1001 East Main Street, Richmond, Va., 23219.

Colgate-Palmolive Company—Analysis—Laird, Bissell & Meeds, 120 Broadway, New York, N. Y., 10005.

Cove Vitamin & Pharmaceutical—Report—Hill, Thompson & Co. Inc., 70 Wall Street, New York 5, New York.

Denver & Rio Grande Western Railroad Company—Analysis—Glore, Forgan & Co., 45 Wall Street, New York, N. Y., 10005. Also available is an analysis on **National Biscuit Company.**

Disc, Inc.—Analysis—Eisele & King, Libaire, Stout & Co., 50 Broadway, New York, N. Y., 10004.

Firestone Tire & Rubber Co.—Analysis—Colby & Company, Inc., 85 State Street, Boston, Mass., 02109. Also available is an analysis of **American Airlines.**

First Charter Financial Corporation—Analysis—Orvis Brothers & Co., 30 Broad Street, New York, N. Y., 10004. Also available are analyses of **Howard Johnson Company, Maytag Company** and **Pabst Brewing Company.**

General Public Utilities—Analysis —Robinson & Co., Inc., 15th & Chestnut Streets, Philadelphia 2, Pennsylvania.

General Waterworks Corporation —Analytical brochure—Butcher & Sherrerd, 1500 Walnut Street, Philadelphia, Pa., 19102. Also available is an analysis of the **Duriron Company.**

Great Northern Paper—Memorandum—Shields & Company, 44 Wall Street, New York, N. Y., 10005.

Greyhound — Memorandum — Thomson & McKinnon, 2 Broadway, New York, N. Y., 10004.

C. F. Hathaway—Memorandum—Wm. H. Rosenbaum & Co., 331 Madison Avenue, New York, N. Y., 10017.

Holiday Inns—Memorandum—J. C. Bradford & Co., 414 Union Street, Nashville, Tenn., 37203.

House of Vision, Inc.—Memorandum—Marshall Company, 111 East Wisconsin Avenue, Milwaukee, Wis., 53202.

Iowa Electric Light & Power—Report—H. Hentz & Co., 72 Wall Street, New York, N. Y., 10005. Also available are comments on **Soo Line Railroad, Western Maryland, Delaware & Hudson, Illinois Central Industries** and **Chicago & North Western.**

Kollmorgen Corporation—Analysis—Putnam & Co., 6 Central Row, Hartford 4, Conn.

McDonnell Aircraft — Memorandum—Tessel, Paturick & Co., 61 Broadway, New York, N. Y., 10006.

Medallion Pictures — Analysis — Hancock Securities Corporation, 79 Pine Street, New York, N. Y., 10005.

Miehle Goss Dexter—Analysis—Blair & Co., Incorporated, 20 Broad Street, New York, N. Y., 10005.

National Life and Accident Insurance Co. — Analysis — Equitable Securities Corporation, 322 Union Street, Nashville, Tenn., 37203. Also available is an analysis of **Interstate Life and Accident Insurance Co.**

National Work-Clothes Rental—Analysis—Hornblower & Weeks, 1 Chase Manhattan Plaza, New York, N. Y., 10005. Also available is a memorandum on **First National Stores.**

Noranda Mines — Study — Greenshields Incorporated, 507 Place d'Armes, Montreal, Que., Canada. Also available is an analysis of **Hayes Steel Products, Ltd.**

Ohio State Life Insurance Company—Report—First Columbus Corporation, 52 East Gay Street, Columbus, Ohio, 43215. Also available is a report on **West Ohio Gas Company.**

Pacific Lighting—Analysis—Dean Witter & Co., 45 Montgomery Street, San Francisco, Calif., 94106. Also available is a memorandum on **Financial Corp. of Santa Barbara.**

Pak-Well Paper Industries—Report—Francis I. du Pont & Co., 1 Wall Street, New York, N. Y., 10005.

Peoples Life Insurance Company —Study—Suplee, Yeatman, Mosley Co., Incorporated, 1500 Walnut Street, Philadelphia, Pa., 19102.

Piedmont, Mo.—Combined Waterworks and Sewerage System Revenue Bonds—Bulletin—Stern Brothers & Co., 1009-15 Baltimore Avenue, Kansas City, Mo., 64105.

Radio Corporation of America—Review—D. H. Blair & Company, 5 Hanover Square, New York 4, N. Y. Also available is an analysis of **Mead Johnson and Company** and a memorandum on **Berman Leasing Co.**

Reading and Bates Offshore Drilling Company—Analysis—Powell,

Continued on page 13

A Day of Decision

By Robert M. MacRae, *Seattle, Washington*

Mr. MacRae charges that the President's proposal to tax purchases of foreign securities by Americans contains a Pandora's box of unforeseen dangerous consequences bound to bring about the opposite of the intent to slow down our gold outflow. He holds that this unprecedented step for us in the direction of exchange control abrogates our Free World financial leadership position, depreciates our currency, penalizes worthy countries rather than unworthy ones, imposes a charge on equity capital in certain instances, fosters higher interest rates abroad which we will have to meet despite professed objective to keep rates low here, and discourages further foreign investments here.

July 18, 1963, could well be a most important date in American history. On this date the President of the United States, in a message to the Congress regarding the "Balance of Payments" problem, may have unknowingly abrogated America's position as the financial leader of the Free World. By recommending a tax on the purchase by Americans of foreign securities held by foreigners, President Kennedy may have upset and destroyed the delicate balance between confidence and distrust in the American Dollar. Only three days later (and on a Sunday) the Treasury Department announced that certain provisions affecting new security issues by Canada would be modified. Carefully written legislative proposals should not need emergency changes.

Robert M. MacRae

Sees Resultant Opposite Effect

President Kennedy suggested a tax of 15% of the value of foreign stocks and 2¾% to 15% of the value of foreign bonds when acquired by a U. S. citizen from a foreign owner. Transactions in any foreign security between two American citizens are completely exempt from this proposed taxation. On the surface this seems a rather innocent proposal and hardly one that could, in its application, be so disastrous to America's future. The stated purpose of this suggested tax is to slow down and ease the flow of American capital—largely in the form of gold—to foreign nations. In its practical application, however, it is difficult to imagine a more certain method to bring about the directly opposite result.

Although President Kennedy claims that direct capital controls would be inappropriate and contrary to the basic principles of a free market, this tax is clearly a restriction on the investment of American capital. Except in War conditions, this is the first time in the history of our country that such a restriction has ever been imposed. Let it not be forgotten —or passed over lightly—that to impose **any** restriction on the use of a currency depreciates the value of that currency. History so clearly shows that restrictions once imposed are seldom removed —rather they are multiplied until a once free currency unit possesses only that value that Government of issue cares to so give to it. A nation with a restricted currency is a nation without liberty at home or respect abroad.

Penalizes Worthy Countries

The request made to Congress is no simple message. It outlines in detail the expected methods of application to those affected and to those exempted by the proposed tax. Its stated purpose is to deter the outflow of gold with revenue raising only incidental to the general aim. It is only directed against 22 specifically listed nations — Australia, Austria, Belgium, Britain, Canada, Denmark, France, West Germany, Hong Kong, Italy, Leichtenstein, Japan, Luxembourg, Monaco, Netherlands, New Zealand, Norway, Republic of South Africa, San Marino, Spain, Sweden and Switzerland. This list appears to have been most carefully compiled—for not only are all the respectable leaders of the non-communist world included but even the "postage stamp countries" — Liechtenstein, Monaco and San Marino. But it clearly noted, however, that these 22 nations have not been the burdening and troublesome nations requiring endless foreign relief. Where loans have been made to them, repayments are being promptly forthcoming. In some cases, it has been the actual prepayments ahead of scheduled due dates that has been assisting the United States in its present gold problem.

On the other hand, this Presidential proposal suggests no taxes or restrictions at all against securities of such countries as India, Brazil, Argentina, Indonesia or the Congo, to name but a few. This, not withstanding the fact that more foreign aid has been given to India than to any other one nation and the possibilities of any repayment at all are extremely remote. For some strange reason we continue to spend countless billions on these irresponsible nations yet propose to penalize the few worthy countries who maintain order and dignity. It seems unreasonable to believe that the billions of dollars we pour annually into countries like India and Brazil is not damaging to our fiscal and gold position whereas money lent to solvent nations must be curtailed.

A Change on Capital

The effect of this new tax on any of the 22 nations can best be shown by taking a hypothetical example. If, under this new proposed taxation, an American buys $10,000 worth of Canadian held stocks, the American must promptly remit to the U. S. Internal Revenue Service 15% of the purchase price or $1,500. His total "investment" would, therefore, be $11,500. Assume, further, he might decide to sell back these same securities a few months later and during this period no price change at all took place, he would receive back the same $10,000 he invested but he would not regain the $1,500 "purchase tax" he paid. It is clear that no American could enter into any such transaction very lightly.

Let us go one step further. Assume this American already owned $10,000 worth of a Canadian security but wished to "exchange" this for $10,000 worth of another foreign issue held by a foreigner. In this case, only an exchange of dollars would result with no physical drain on the U. S. Gold stock. But in this example, too, the American would be forced to remit $1,500 to the Revenue Service. This is not taxation—this is a charge on capital, a restriction on the movement of currency and an affront to liberty.

The present proposal is not law and it must be passed by our Congress before it can take effect. Yet, President Kennedy has requested that the effective date of this taxation be made retroactive to July 18, 1963 on all unlisted foreign securities and to Aug. 16, 1963 for securities on a major stock exchange. In the modified agreement between Canada and the United States on certain new issues, the President is seeking authority to allow his office the discretion as to the worthiness of each Canadian new issue.

In a further announcement (again concerning a proposal that on this date is not law) the Treasury Department has already issued forms number 3625 and 3626 to cover the collection of this tax. Is our Government in Washington so certain of its authority and position as to take such measures as these well before any Congressional action on the merit of the Presidential proposal can be approved.

Predicts Still Higher Interest Rates Abroad

Last week the "rediscount rate" was raised from 3% to 3½% in order to discourage the outflow of American gold and capital to the higher rates available in Europe. If America is to make foreign financing here more costly —if not impossible—the demand for capital by such nations as Canada, Japan, Australia, Italy, etc., who, in the past, have depended on the New York market for funds, will be directed to Europe. The vastly increased demands so created will force higher interest rates in Europe where capital is not readily available in the vast quantities of the United States. As the interest rates of Europe increase, will not the United States have to further increase the domestic "rediscount rate" in order to protect our gold. If we do not follow, we will again create the same conditions that forced the recent rediscount rate change. If we further increase this rate, however, can we still maintain the cherished "moderate interest rate pattern" considered so necessary for our internal prosperity.

By so innocent an action as a 15% tax on foreign stock purchase, our Administration in Washington may have opened up a Pandora's box of mischief beyond anything conceived within their Ivory Towers of theoretical finance. It seems most likely that the Congress will defeat this foolish and misconceived proposal. The damage, however, has been done and the confidence in American financial behavior will not quickly recover. If this type of proposal is the scope of our financial wisdom, the foreign nationals now holding claims of over $20 billion against our $3½ billion "free" gold supply may decline the privilege of further investment in America.

What U. S. Investors Can Do

Since we, living within these United States, have no clear means of withdrawal of wealth to some more wholesome financial climate, investment in dollars in tangibles, land, or equities of well managed corporations seem our best solution. The very foreign securities our Government wishes to keep beyond our easy reach, by a 15% tax, may also prove to be among our best possessions.

Short-Term Rate Rise Will Aid Our Payments Problem

By William McC. Martin, Jr.,* *Chairman, Board of Governors, Federal Reserve System, Washington, D. C.*

Chairman's defense of recent Bank discount increase denies credit conditions could be characterized as tight or restrictive and cites eight supporting facts justifying discount rate judgment position taken. Admonishes critics of Fed's majority policy to cease believing the balance of payments' position will whither away of its own accord if no attention is paid to it; reminds us that we have had 12 years of persistent deficits, except for Suez year of 1957, aggregating $17 billion and taxing our gold supply by $8 billion; and warns that the deficit still persists and "it is not growing smaller." Presents details on what we do and do not know, about the response of money flows to international interest rate differentials—estimated at $300 million for the past four months of February through May; doubts if dollar forward rate or foreign short-term rates will move to offset our rate change; and states that the Fed's recent action is but a part of the total effort being made to end the world-deficit-gap and its harmful impact upon our economy and the international confidence in the U. S. dollar.

It is my understanding that the primary purpose of your hearing is to discuss the recent actions by the Board approving changes in Reserve Bank discount rates and increasing the maximum rate payable by member banks on certain time deposits. I should like to submit for inclusion in the record at this point a copy of the Board's official announcement of these actions.


William Mc C. Martin

By way of introduction, let me first express a personal view as to the present posture of Federal Reserve policy. In my judgment, Federal Reserve policy has been and continues to be easy and stimulative—moderately less so than it was earlier, but still quite positively balanced on that side of the scale.

We are, of course, dealing in an area of judgment, and other judgments may and do differ from my own. There are, however, various relevant facts in support of my view.

Cites Eight Supporting Facts

First, bank credit has continued to expand vigorously. Commercial banks extended an additional $11 billion of credit in the first six months of this year, an annual rate of growth of 10%. About half of the gain was in loans and half in investments.

Second, bank deposits have increased similarly. As in other recent periods, a large part of the increase has been in time and savings deposits, which in the first half year grew at an annual rate of 14%. At the same time, the narrowly defined money supply (demand deposits and currency) has also increased at an annual rate of 2½% — somewhat more than the rate for last year as a whole.

Third, consumer and mortgage credit have both expanded rapidly, and are, of course, at record highs. In the last 12 months we estimate that consumers borrowed an additional $22 billion to finance the purchase of homes, autos and other durable goods.

Fourth, credit to finance purchases of equity shares has risen more than a billion dollars in less than a year.

Fifth, member bank excess reserves are still substantial, and member bank borrowings are moderate. For more than three years, the banking system has had more excess reserves than borrowings and it continues in that position today, with free reserves currently in the neighborhood of $150 million.

Sixth, the total reserves of member banks, which provide the base for bank credit expansion, have continued to rise. After allowance for seasonal factors, the increase in the first half of 1963 was $265 million, an annual rate of increase of nearly 3%.

Seventh, a 3½% discount rate is not high in relation to discount rates prevailing elsewhere in the world. Only two important financial markets (Germany and Switzerland) have lower rates.

Eighth, many longer-term rates —especially those on mortgages, corporate bonds, and state and municipal issues—are lower today than they were earlier in the present period of recovery and expansion.

All this hardly seems to me to add up to a situation in which credit conditions could be characterized as tight or restrictive. On the contrary, credit-financed expenditures have been and are—playing a very important role in stimulating the domestic economy; perhaps even overstimulating it in some areas.

The statistics I have just cited are also supported by the observations of both lenders and borrowers. I cannot recall a time in recent years when lenders have been so aggressively seeking employment for their funds. In every part of the country, individual businessmen, engaged in both large and small enterprises, tell me that banks and other financial institutions are actively urging them to come in for loans to expand their operations.

Improving Economic Conditions

Economic conditions have continued to improve. Industrial production made still another record high at mid-year, one-fourth above the 1957-59 average, and well above the level generally anticipated at the turn of the year. The expansion in the gross national product is pressing hard against the upper limit of the range projected by the Council of Economic Advisers in its January Economic Report. While still insufficient to make inroads on the unemployment percentage, the gains in employment have been substantial and are larger than many expected to be realized by this point.

The Board's actions last week, in approving an increase from 3% to 3½% in the discount rates that member banks must pay on borrowings from the Federal Reserve Banks and in raising to 4% the rates that member banks may pay their customers on time deposits of 3 to 12 months' duration, were taken only after long, careful and conscientious consideration by the Board and, indeed, by the entire System, in which every aspect of the question and every point of view was developed and weighed. In the end it was determined, as the Board's announcement pointed out, that these specific actions were essential to aid in the United States' effort to meet its international payments problem, particularly that portion occasioned by short-term capital outflows.

As you all know, I regard the problem of the balance of payments as vital, and I am convinced that our failure to solve it up to now has not only been damaging to our international relations but also has impeded the achievement of even higher levels of output and resource utilization in our domestic economy. Consequently, I am pleased that the Administration has launched a vigorous program on a broad front to reduce the payments deficit.

Payments Problem Will Not Go Away By Itself

But this is a problem for every American, and none of us bearing responsibilities to the American people can simply pass it to the others to solve—if and when they conveniently can. Time is pressing and we will do better to be active now than alarmed later.

The international payments problem confronting us is not a passing, transitional thing that will shortly go away if we only wait patiently for it to disappear. The biggest and best bank in the world could not count on others to keep adding to their balances with it indefinitely, without regard to their own cash needs and alternative uses for their funds, and it would be neither wise nor safe to do so.

Chronic Deficit Is Not Growing Smaller

With the single exception of 1957, when U. S. exports burgeoned in the wake of the world crisis over Suez, the United States, year in and year out for a dozen years, has been witnessing a persistent build-up of its short-term liabilities to foreigners. Cumulatively, this build-up has amounted to $17 billion—even after we have paid out $8 billion on gold in consequence of the perennial deficit in our international payments accounts. In 1963, that deficit in our accounts still persists, and it is not growing smaller. In the first six months of this year, it reached an annual rate perhaps as large as $3½ billion, excluding special Government transactions. Outflows of short-term capital, to which the Board's action was particularly directed, have been contributing materially to this year's deficit.

Where Action Taken May Be Helpful

These flows reflect many types of transactions. Not all of them are responsive to moderate changes in U. S. short-term interest rates. But four kinds of short-term capital movements are likely to be sensitive to rate changes. These are:

(1) Placement of liquid funds by U. S. corporations in the so-called Euro-dollar market, i.e., in interest-bearing dollar deposits with foreign banks;

(2) The flow of U. S. funds into money markets abroad (mainly in sterling and Canadian dollars);

(3) Acceptance credits for the account of foreigners to finance trade between foreign countries;

(4) So-called "leads and lags" in commercial payments, i.e., the tendency of merchants to delay or speed up the payment of debts for imports, or the collection of debts for exports.

What We Know About Short Run Flows

Unfortunately, we do not know as much about these flows of funds as we would like to know. But it may be helpful to sketch briefly what we do know, and what we may reasonably infer about them.

(1) Clearly, the flow of U. S. funds into the Euro-dollar market is primarily motivated by the higher yield available to U. S. corporations on dollar deposits with foreign banks than on domestic deposits or money market paper. Only a fraction of these transactions appear in the statistics on recorded capital movements. When the treasurer of a U. S. corporation decides to put some money on deposit with, say, a Canadian commercial bank, his transaction appears in U. S. statistics as a short-term capital outflow only if it is handled by a U. S. financial institution or if the corporation is one of the relatively few large ones that report their foreign transactions each quarter. Otherwise, the transaction only serves to increase the "errors and omissions" item in balance-of-payments statistics. In view of our close financial and economic relations with Canada, and the fact that many comparatively small companies do business regularly in both countries, we are certain that many transactions are unrecorded. The same thing is true, to a lesser extent, of transactions with other countries.

(2) Patently, the flow of dollars into British, Canadian, or other foreign money market instruments is motivated largely, if not exclusively, by higher yields. Again, only a fraction of these movements is likely to go through U. S. financial institutions. Still, bank-reported claims on foreigners that are denominated in foreign currencies alone rose $70 million in the months from February through May.

(3) U. S. bankers' acceptances to finance trade between foreign countries have increased $150 million from February through May. It is true that variations in the volume of such acceptances reflect influences other than rate differentials. But obviously the question whether acceptance credit in the United States is more or less expensive than in other financial centers, and especially in London, is likely to play a decisive role in determining whether or not a foreign merchant or banker will resort to the U. S. market.

(4) Changes in the "leads and lags" in payments for exports and imports also reflect factors other than interest rate considerations, such as weighing the exchange risks involved. But an importer's decision whether to seek his financing at home or abroad will be influenced at least in part by relative interest costs. Unfortunately, statistics on this subject are again incomplete because only a fraction of such financing goes through U. S. banks. Still, "collections outstanding" as reported by U. S. banks rose $60 million from February through May.

To sum up, that part of the interest-sensitive short-term capital outflow that goes through U. S. financial institutions and therefore is reported on a reasonably current basis and to a reasonably complete extent, amounted to nearly $300 million in the months from February to May. No doubt, unreported movements of this type were also large.

Of course, not all movements of interest-sensitive funds should be solely attributed to interest-rate considerations. Thus, on the one hand, the reported figure understates the short-term capital outflow responsive to interest-rate changes because it obviously cannot include unrecorded flows. On the other hand, the reported figure overstates the interest-sensitive outflow because it does not exclude those movements attributable to other considerations, such as changes in market attitudes toward the dollar. Weighing these two opposing considerations against each other, it seems reasonable to regard the $300 million figure as a rough indicator of the magnitude of interest-rate-sensitive flows of short-term funds in the four months, February through May. This was perhaps one-fourth of the over-all U. S. payments deficit in that period.

You will understand that the interest rate sensitivity of these flows refers primarily to rate relationships rather than to absolute levels. Moreover, in the case of movements of money market funds, the determining factor is frequently, if not exclusively, the "covered" interest differential, i.e., the difference between interest rates adjusted for the forward premium or discount on the U. S. dollar.

Doubts Offsetting Rate Moves

Plainly, the effects of a change in U. S. rates could be weakened if foreign short-term rates (including Euro-dollar rates) moved with U. S. rates. In the case of money market funds, moreover, the effects could also be weakened if the forward rates on the U. S. dollar declined when short-term rates rose here. But fully offsetting movements appear unlikely.

Increased confidence in the dollar in itself, quite apart from technical rate relationships, may well result in some reflux of funds previously invested abroad. Hence, the gains for our over-all balance of payments might turn out to be larger than the losses occasioned by our recent short-term capital outflows.

As Secretary Dillon pointed out in his testimony before the Joint Economic Committee, the effect of higher U. S. short-term interest rates will not be confined to those flows that influence the U. S. payments balance. The higher level of short-term rates is also likely to make foreigners more willing to keep dollar receipts invested in the United States rather than to convert them into their domestic currencies. This means that the remaining U. S. payments deficit could be financed to a larger extent than hitherto by the accumulation of foreign dollar balances in private hands rather than in the hands of central banks, which might use their dollar holdings to buy gold.

Conclusion

Thus, in conclusion, there can be no doubt that a rise in U. S. short-term interest rates will have a significant effect on the international financial position of the United States. The magnitude of this effect, however, will depend upon many imponderables, such as the psychological reaction in money markets at home and abroad, the pace of further expansion of the U. S. economy, and especially the effectiveness of other steps being taken to help reduce the present payments deficit.

The Board's recent actions are an essential part of a total effort to bring to an end the U. S. payments deficit, with its harmful effects on the domestic economy as well as on the international standing of the United States. While this process is underway, it is essential that monetary policy remain flexible and uncommitted—free to move either to check an unwanted and inappropriate tightening of credit, should it develop, or to defend more aggressively the international position of the dollar, should that be necessary.

*Statement by Mr. Wm. McC. Martin before the House Committee on Banking and Currency's hearings on Rediscount rate and Reg. Q changes, Washington, D. C., July 22, 1963.

Muldowney Named I.B.A. Gov.

RICHMOND, Va.—Joseph J. Muldowney, a partner of Scott & Stringfellow, members of the New York Stock Exchange and other leading exchanges has been elected a governor of the Investment Bankers Association of America.

Joseph J. Muldowney

Mr. Muldowney, who has been with Scott & Stringfellow since 1929, and a partner since 1948, is a past Chairman of the Southeastern Group of the I. B. A.; past member of the Board of Governors of the National Association of Securities Dealers; and a former President of the Richmond Stock Exchange.

McDonnell & Co. Adds to Staff

McDonnell & Co., Incorporated, 120 Broadway, New York City, members of the New York Stock Exchange, have announced the election of Maurice J. Ferris as a Vice-President. He was formerly with A. M. Kidder & Co., Inc. in charge of the Newark office.

Kuno Laren, formerly President of Laren Securities Corporation, has been appointed an executive assistant in the research department, and James T. Beckman, Daniel W. Gardiner, and Ronald M. Stillman, have been named analysts. Robert H. Noland has been named manager of the Mutual fund department.

Allen Keller and Joseph E. Thomas are account executives in the Park Avenue office.

Our Reporter on GOVERNMENTS

BY JOHN T. CHIPPENDALE, JR.

The taxes proposed by President Kennedy on the purchase of foreign securities by Americans thru 1965 to cut down on the outflow of dollars, along with modest changes in some of our spending abroad, together with the use of the credit facilities of the International Monetary Fund and high short-term rates are apparently the new measures which are going to be used in our attempt to overcome this very difficult balance of payments problem. There is no question but what the dollar will be defended in an orthodox way in the future as in the past.

Higher short-term rates, along with more vigorous efforts to rectify our unfavorable balance of payments problem in a shorter period of time, has created an air of confidence in the financial district. Nevertheless, so far the near-term and long-term money markets have taken these new developments without too much effect on them.

Increased Demand for Short-Term Obligations

The increase in the discount rate from 3% to 3½% was pretty well taken into consideration by both the money and capital markets. The very minor adjustments which were made in both of these markets appear to give substance to the opinions that have been expressed before hand many times that when the news is out it is usually very well anticipated.

The demand for short-term Treasury obligations is as large as ever and the higher income that is now available to the buyers of these securities does not distract from these issues. The most liquid Government obligations with a yield that is now high enough to make them competitive with the rate of return obtainable in other free money centers short term issues should give some needed support to our balance of payments problem. As long as the differential between money market rates here and those in England, Canada and other free world centers is in line there will probably not be any important transfer of funds from this country.

More Action Necessary

Although higher short-term money rates and the other measures are a step in the right direction in attacking this menacing balance of payments problem, much more basic action will have to be taken eventually in order to eliminate it and make our future monetary policy very much less dependent upon international monetary developments. This recent upward trend in the Central Bank rate was dictated entirely by the need to protect the dollar and our holdings of gold which is a very different matter from having the discount rate raised or lowered based on domestic economic conditions.

Capital Market Calm

The long term bond market or the capital market was also very well prepared for the rise in the discount rate from 3% to 3½%. The price action of the most distant maturities of Governments, municipals and corporate obligations showed no important changes following the increase in the Central Bank rate.

The capital market is still in the process of digesting the new issues that have been publicly offered because most of these obligations have been overpriced. It appears as though the market will be in good shape again soon, with the rise in near-term rates not expected to have any appreciable effect on it for the foreseeable future.

August Refunding Terms Awaited

The August refunding operation of the Treasury involving some $6,600,000,000 will be taken care of via a straight exchange offer, the new refunding issue to bear 3¾% interest and maturing in 15 months. Books will be opened during the period July 29-31.

Atmosphere Clouded

Although the money and capital markets have taken the increase in the Central Bank rate pretty much in stride, it will take time before the full effects of this abrupt rise in near-term rates and the tax on foreign securities purchases will be known. There are too many question marks involved in this important change in monetary policy brought about by the raising of the discount rate as well as the other measures to be taken for the results to be accepted in a cut and dried fashion. Accordingly, there is still some confusion around because of the inability to fathom things out clearly at this time.

Prudential Capital Elects Goldstein

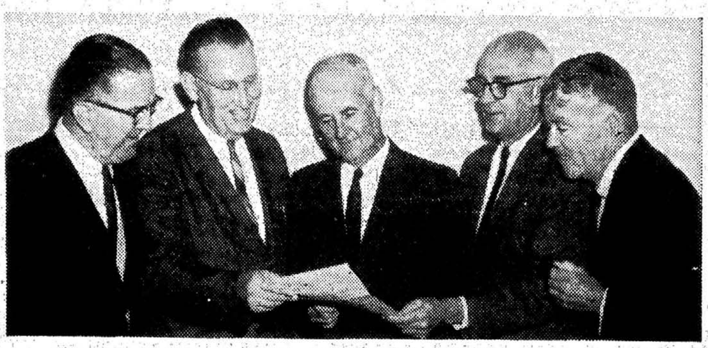
S. Lawrence Goldstein, C. P. A., has been elected Executive Vice-President and Director of Prudential Capital Corp., commercial finance company, New York City.

S. Lawrence Goldstein

Mr. Goldstein was formerly a general partner of Jones and Co. and Vice-President of Jones Financial Corp.

In addition to the numerous authoritative articles he has written on commercial financing, Mr. Goldstein has conducted courses in commercial financing operations and techniques at New York University and the New School. During the current year he has moderated seminars conducted at the Institute of Commercial Financing — the education division of the National Commercial Finance Conference, Inc., national trade association for the commercial finance industry.

An Initial Sale of TVA Power Notes



Inspecting a bid submitted at the first offering of TVA Power Notes of the Tennessee Valley Authority are, left to right, Walter E. Morse of Lehman Brothers, Financial Adviser to the Authority; G. O. Wessenauer, TVA's Power Financing Officer; C. J. McCarthy, General Counsel TVA; S. S. Marsh, Jr., Assistant Vice-President of the Federal Reserve Bank of New York; and F. T. Davis, Assistant Vice-President of the Federal Reserve Bank of New York.

Merrill, Turben A. S. E. Member

CLEVELAND, Ohio—Merrill, Turben & Co., Union Commerce Building, has purchased a seat on the American Stock Exchange.

The company is now one of the few locally owned investment organizations to be a full member of both major national exchanges (New York and American) and the leading regional exchange (Midwest).

Merrill, Turben has been a member of the New York Stock Exchange since 1955 when corporations were first allowed to purchase seats.

Merrill, Turben was founded in 1924 by Charles B. Merrill who now serves as Chairman of the executive committee. Claude F. Turben is Chairman of the Board. Lewis C. Williams is President. The company maintains offices in Ashland, Canton, Columbus, Dayton and Youngstown. A new office in the Severance Center shopping center, Cleveland Heights, will open later this year.

Proposed Tax Reductions And the Gold Outflow

By Robert Duff Kelly, *Member of the Los Angeles Society of Security Analysts, Los Angeles, Calif.*

Analyst examines extent to which a meaningful tax-cut could affect our balance of payments and gold reserves. Threefold beneficial impact depicted contends it would attract foreign investors, make it more expensive for foreigners to borrow here, and generate internal corporate capital for expansion and modernization. Adds it would be preferable to reduce Government spending to level of receipts.

The two major economic issues of the day are the sustained loss of U. S. gold reserves and the President's proposed tax reductions.

The continued loss of gold by the United States to foreign central banks is an intolerable and highly dangerous **adventure** in fiscal management. However, to stem the flow by substantially reducing the money supply or significantly increasing the level of interest rates, at the present time, would probably abort the economy. A tax reduction would provide the economic framework in which measures could be taken to halt the gold outflow without impairing the economy. This could be accomplished with or without a reduction in government expenditures.

Robert Duff Kelly

Many conservative economists believe that a tax cut without an equivalent reduction in government spending would lead to inflationary buying by the public and distrust of the dollar. If our resources were being employed at maximum capacity, this posture would serve the best interests of the country. In the past six years, however, American business has operated at less than 80% of plant capacity in **non-recession** years, a period in which plant additions have declined. This inability of industry to reach optimum levels of production is a major factor in the lower trend of profit margins since 1957.

Under present conditions of excess productive capacity, high level of unemployment and downward trend of wholesale and commodity prices, it is not likely that any serious inflation will develop.

The stimulus to the economy brought about by lower tax rates would have the benefit of weakening the argument of those who advocate greater government spending to hasten economic growth—a practice that has been a dismal failure.

Realistically, some tax reductions may be forthcoming by year-end without any meaningful cut in expenditures. To what extent our balance of payments and gold reserves will be influenced is worth examination.

A tax reduction would have certain salutary effects besides stimulating the economy that could actually **improve** our gold position.

(1) Investment in the U. S. would be more attractive to foreign investors.

The current wage-price spiral in Europe has been heralded by many in this country as signalling the end of our balance of payments problem. (See Table I). Eventually the increasing labor costs **would** eliminate the competitive advantage of low cost European producers, but wages in Europe are increasing faster than productivity, with resultant inflation. The corollary to inflation is anathema toward the long-term bond market and Europe today is no exception. Increasingly these countries are turning to the U. S. to secure their capital requirements. American institutional investors are ready purchasers of foreign dollar bonds. Foreign investors are also buyers, but the bulk of capital derives from U. S. sources. Dollars converted at the Central Bank into the national currency create a potential gold outflow. As inflation progresses in Europe, there will be increasing pressures to administer credit controls which will make borrowing in the U. S. even more economical as the interest gap widens.

Corporate tax reductions will make investment in the U. S. more attractive and in turn encourage foreign investment capital to gravitate to the U. S.

(2) Increased demand for credit would make funds more expensive to foreign borrowers.

The Joint Economic Committee of the United States Congress has estimated that the proposed tax reductions would eventually increase our annual Gross National Product by $40 billion. This sort of stimulus to the economy would greatly expand the need for credit and provide the basis for higher interest rates — the single most important cause of gold losses. The proponents of "easy money" would find themselves hard-put to justify low interest rates in a rapidly expanding business environment.

(3) Long-term capital requirements of industry would be more readily available from internal sources.

Nationally, cash-flows from retained earnings and depreciation accounts are adequate to finance capital spending. As a practical matter the distribution of these funds is uneven. Some companies have large excesses which are available for short-term investment while others have insufficient funds to finance capital improvements. Until recently this has been a double edged problem.

First, those companies with large excesses sought short-term investments, thereby applying downward pressure on short-term interest rates. This situation was mitigated by commercial banks issuing interest-bearing negotiable certificates to domestic corporations beginning in 1961 (see Table II). At Dec. 5, 1962, the total of certificates outstanding stood at over $5½ billion versus $2 billion in early 1962. Purchases by corporations and other businesses accounted for almost $4 billion, thus relieving pressure on short-term interest rates.

Second, those companies with inadequate funds from internal sources requiring substantial capital improvements have had to do so through debt, or not at all. U. S. Steel is a good case in point. In the period 1957-1961, inclusive, U. S. Steel expended $2,148 million on capital improvements of which $535 million was generated through retained earnings; $1,090 million through depreciation, depletion, and amortization; and $648 million by debt-increase. (See Table III).

If U. S. and the other steel companies are going to compete effectively with foreign steel producers for world markets, modernization through the continuous casting process and oxygen steel-making must first become a reality. The basic industries where modern plant and equipment are most urgently needed are the least capable of attracting vast amounts of investment capital. Increased corporate profits from tax reduction will facilitate the financing of badly needed modernization programs enabling industry to compete more effectively and eventually improve the balance of payments of the United States.

The foregoing has been confined to an examination of the President's proposed tax reductions with regard to the gold problem. There are other considerations which are not dealt with here but from a monetary point of view, benefits to accrue from the President's plan, with or without reduced spending, outweigh the disadvantages.

Finally, the most satisfactory plan would be to reduce government spending by an amount to where receipts equalized expenditures. But substantial reduction in the present Washington atmosphere is a remote possibility.

TABLE I

HOURLY EARNINGS IN MANUFACTURING (1958=100)

	Germany	France	Italy	U.K.	U.S.A.
1955	79	73	85	85	88
1956	86	82	91	90	93
1957	93	91	96	97	98
1958	100	100	100	100	100
1959	105	106	102	104	104
1960	114	115	107	113	107
1961	126	124	115	120	110
Mid-1962	139	134	125	124	113

Source: National Institute, Economic & Social Research Review, February, 1963.

TABLE II

CERTIFICATES OF DEPOSIT OUTSTANDING ON DECEMBER 5, 1962
(In millions of dollars and in percent of total)

	Amount	%
All purchasers	5,584	100.0
Corporate and other businesses	3,851	69.0
Individuals	143	2.6
States and political subdivisions	867	15.5
Foreign governments, central banks, international financial institutions	348	6.2
Other foreign	41	0.7
All other	335	6.0

Source: Board of Governors of the Federal Reserve System

TABLE III

UNITED STATES STEEL COMPANY CAPITAL EXPENDITURES - CASH ACCRUALS
(In millions of dollars)

	1957	1958	1959	1960	1961	5-Year Totals
Net Income	$419.4	$301.5	$254.5	$304.2	$190.2	$1,469.8
Preferred & com. dividends	186.5	186.6	187.0	187.2	187.5	934.8
Retained earnings	$232.9	$114.9	$ 67.5	$117.0	$ 2.7	$ 535.0
Depr., deple., & amort.	276.0	204.9	189.9	208.4	210.5	1,089.7
Debt increase (decrease)	(28.5)	271.1	(33.2)	(31.7)	470.6	648.3
Total	$480.4	$590.9	$224.2	$293.7	$683.8	$2,273.0
Capital expenditures	$514.9	$448.1	$366.1	$492.4	$326.8	$2,148.3
Maintenance & repairs	498.6	377.1	408.5	477.3	412.0	-

TAX-EXEMPT BOND MARKET

Continued from page 6

headed by *Bank of America N. T. & S. A.* on a net interest cost bid of 2.969%. The runner-up bid was made by the Blyth & Co., Inc. group on a net interest cost bid of 3.036%.

Other members of the winning group include First Boston Corp., Eastman Dillon, Union Securities & Co., Kidder, Peabody & Co. and Drexel & Co.

The bonds were reoffered to yield from 1.80% to 3.20%. The present balance is about $2,543,-000.

Monday also witnessed the sale of $3,000,000 Akron, Ohio Limited Tax (1964-1983) bonds to the *Halsey, Stuart & Co., Inc.* syndicate on a net interest cost bid of 3.094%. The runner-up bid was made by the C. J. Devine & Co. group with a 3.112% net interest cost bid.

Other members of the winning group are Phelps, Fenn & Co., White, Weld & Co., Blair & Co., Inc. and B. J. Van Ingen & Co., Inc.

The bonds were reoffered to yield from 2.00% to 3.25%. The remaining balance is about $1,-310,000.

Monday's largest sale involved $13,600,000 Dallas, Texas Water Works and Sanitary Sewer revenue (1964-1983) bonds. The bonds were awarded to the *First Southwest Co.* on its bid figuring a 2.959% net interest cost. The runner-up bid was made by the First Boston Corp. group on a net interest cost bid of 3.024%.

The bonds due 1964-1973 were not reoffered. The bonds maturing from 1974 to 1983 are re-offered to yield from 2.75% to 3.10%. Balance at press time is about $1,375,000.

On Tuesday, $4,500,000 Los Angeles, California general obligation (1964-1983) bonds were awarded to the group headed by *Halsey, Stuart & Co., Inc.* on a 2.957% net interest cost bid. The second bid was made by the Bankers Trust Co. group naming a 2.963% net interest cost.

Other members of the winning syndicate are White, Weld & Co., Marine Trust Co. of Western New York, Hayden, Stone & Co. and E. F. Hutton & Co.

The bonds were reoffered at prices to yield from 1.80% to 3.10%. The present balance is about $649,000.

On Wednesday, $5,000,000 Milwaukee, Wisconsin Water Works and Mortgage revenue (1964-1990) bonds were awarded to the *Halsey, Stuart & Co., Inc., Smith, Barney & Co.* group on a net interest cost bid of 3.106%. The runner-up bid was made by the Glore, Forgan & Co. group with a net interest cost bid of 3.11%.

Other members of the winning group include Kidder, Peabody & Co. and Estabrook & Co.

The bonds were reoffered from 1.80% to 3.20%. Favorable reception was accorded the issue with about $2,425,000 remaining in account.

More on California Switch

As we meet the deadline, the $100,000,000 State of California Water bond issue scheduled for August 7 has been cancelled and $100,000,000 of general obligation bonds of the State of California have been substituted for sale. The State Treasurer noted that certain questions have been raised concerning the water bonds that require clarification. Since general obligation bonds are authorized in the same amount, these would seem as an opportune substitution. Subsequent to the California sale, the only large issue scheduled for award is the $116,-160,000 New Housing Authority (P. H. A.) offering set for Aug. 14.

Carroll Joins Fahnestock Co.

CHICAGO, Ill. — William Lang Carroll has joined the Chicago staff of Fahnestock & Co., New York Stock Exchange member firm, 135 South La Salle Street. He will be active in institutional sales for the New York-based stock, bond and commodity brokerage firm.

William Lang Carroll

Prior to joining Fahnestock, Mr. Carroll was manager of the Chicago institutional department of E. F. Hutton & Co., Inc.

Ira Haupt Co. Appointments

Ira Haupt & Co., 111 Broadway, New York City, members of the New York Stock Exchange, has announced the following managerial appointments in their municipal bond department: Mortimer Auster, partner in charge; Robert W. Sharp and Harry J. Peiser, syndicate: Byron J. Sayre, trading; Edward F. Wrightsman and Leonard Hanauer, revenue bond originations; Thomas F. Doyle, institutional sales; and Stephen Kovacs, bank service.

Why Discount Rate Rise Is Not Worth the Cost

By J. L. Robertson, Member, Board of Governors, Federal Reserve System, Washington, D. C.*

Governor Robertson's dissent from recent Bank discount rate rise questions its efficacy "so long as the basic availability of reserves is kept ample." He proposes, however, generally stimulative monetary conditions and tax-cut to tackle what he believes to be the kernal of our payments problem — i.e., increasing the basic attractiveness of the U. S. as a place to invest. He flays "nudging" in charging it has kept both long- and short-term rates higher than they should be, and argues that we can "push on a string" and that the Fed has not been doing so in the past two years.

I voted against a discount rate increase last week because I did not think it was worth the cost. Stated more fully, my view was that the probable benefit to the U. S. balance of payments resulting from a discount rate increase would be so small as to be considerably outweighed by its potential adverse effects on our domestic economic activity. I am concerned that an increased discount rate and its consequences will create some dampening influences in what still needs to be a stimulative monetary environment here at home, given our high level of unemployment. At the same time, it is my judgment that the rate increase will have only trivial effects on international capital flows.

James L. Robertson

Available Reserve's Ampleness Defeats Discount Rate Rise

In the short-term capital area, it is quite conceivable that the increase in U. S. rates may be largely offset by compensating adjustments in foreign money market rates and forward exchange quotations. (This has been the general historical experience as between U. S. short rates and those in the United Kingdom and Canada, the two chief foreign money markets to which large amounts of money market funds can flow.) Furthermore, a major element in the short-term flows in the past has been bank loans abroad, and I would not expect these to be curtailed much by a discount rate increase alone so long as the basic availability of reserves is kept ample. In the area of long-term capital, we have a larger and more persistent drain on our hands. But the discount rate increase will not deal with this. An evident aim of current policy is to minimize any rise in long-term interest rates, and the differentials existing between foreign and U. S. rates of return on long-term credit and equity capital are so great as to far exceed the range of any moderate rate adjustment.

In pointing out the very limited influence on international capital flows to be expected from moderate adjustments in U. S. market interest rates, I do not want to be misunderstood. I am not discounting the existence of a balance of payments problem, but only the efficacy of a moderately higher discount rate as a weapon for dealing with it.

Increasing Domestic Investment Attractiveness

There is not any doubt but that we are living through a troublesome balance of payments situation, for a time, at least. It is not a problem of crisis proportions, but it is still one that needs to be dealt with through the application of appropriate remedies rather than devices designed to mask its effects or to serve as temporary palliatives. What is needed is a thoughtful but determined adjustment of governmental and private policies, at levels and in areas which will permit effective dealing with the persisting causes of the deficits. The President's message on this score last Thursday contained much that gave me heart. But the most directly applicable steps he advocated must be resolutely implemented, here in Congress and throughout the Administration. At all levels of government, we must carry through an "agonizing reappraisal" of our foreign aid and military objectives, and the extent to which they have to involve what are essentially unrequited dollar transfers abroad.

We must strive even harder to knock down the barriers to our exports that exist in so many countries, denying us the full fruits of the real competitive strength that we have already achieved. Export promotion efforts at home can help, too, in this respect.

Even more importantly, we must try to increase domestic business incentive, enriching profit opportunities, employing idle resources, both human and material, accelerating our rate of growth—all of which, taken together, will enhance the basic attractiveness of the U. S. as a place to invest. These call, above all, for an early tax cut and generally stimulative monetary conditions.

Foster Domestic Expansion

In other words, we must foster domestic economic expansion so that the attraction of U. S. funds for external placement will be significantly reduced. Economic developments in the U. S. have recently been encouraging. If expansive tendencies in the economy gain in strength, impelled in part by a tax reduction, gradual moderation in U. S. credit availability would be entirely appropriate. I say this because we know from past experience that at some stage of business expansion, it becomes necessary for monetary policy to resist possible future speculative and inflationary tendencies with the view of maintaining a sustainable pace of economic growth as well as to keeping U. S. industry competitive internationally. This means we have the prospect that interest rates in this country would naturally move up, with an accompanying pressure of domestic demands upon supplies of funds that would help to reduce, curtail, or reverse flows of funds abroad. It is not fanciful to expect that, in only a few short months, a discount rate increase might have been entirely in order from both a domestic and international point of view.

But in the present state of economic conditions in this country, with high rates of unutilized manpower and machinery, monetary policy should be primarily oriented to a stimulative objective. Monetary policy is one of the most potent of all economic forces in this country, in good part because it is one of the most pervasive. It can be effective not only in dampening down booms, but also in warding off recessions. On the basis of past experience, I do not agree with those who maintain that we cannot "push on a string."

Attacks "Nudging"

If monetary policy had been used to its full power over the past two years in stimulating the economy, by providing such an availability of funds as to cause banks and other lenders to reduce their rates of interest in order to put idle funds to work, the stimulative impact would have ben felt. This sort of stimulation, however, cannot be achieved if monetary policy is designed to hold up short-term interest rates on the one hand, while on the other it seeks to hold down long-term rates. The result is that both rates are higher than they should be for stimulative purposes, and the full potential of monetary policy as a stimulant to the economy is curtailed.

To state my views most categorically, I believe unnatural efforts at twisting short rates up can create domestic drags that can delay fundamental market adjustments, divert the focus of attention from the basic problems, and create a later backwash of reactions that can conceivably worsen our balance of payments statistics in future months.

Establishing a Real Basis for Confidence

There is no question but that the real basis of the world's confidence in the soundness of the dollar is not the gold in Fort Knox or the balance of payments statistics, but rather the underlying strength of the American economy. Hence, there is a compelling need for invigorating our economy, putting our people, our materials, and our money to work in an expanding, competitive, noninflationary environment, with a corresponding strengthening of the capacity of the United States to exercise its role of leadership of the free world.

In the light of these views, my judgment with respect to the desirability of increasing the discount rate at this time was different from that of my associates, and I was obliged to dissent from that action.

The discount rate increase having been adopted, however, the necessity of making an appropriate change in the maximum interest rates payable by commercial banks on time deposits was clear. Any significant advance in short-term market rates as a result of the discount rate increase would have rendered bank time deposits at the prevailing ceiling rates less attractive investments. The growth of the more interest-sensitive forms of time deposits might well have been halted or even reversed.

Regulation Q Rise

During the past two years, rapid expansion of time deposits has led banks to substantially expand their investments in mortgages, consumer loans, and state and local securities, thus stimulating business activity and economic growth. If such credit flows from banks were abruptly cut back, the volume of funds available in long-term markets would be reduced and long-term interest rates would be pushed upward, with corresponding depressive effects on an economy that has still not attained an adequate level of performance. As a consequence, the wise course with respect to Regulation Q was to raise permissible rate ceilings to allow banks to remain competitive in this market for investible funds. This is the action that the Board took and in which I concurred.

*Statement by Mr. Robertson before the House Banking and Currency Committee hearings on Rediscount rate and Reg. Q changes, Washington, D. C., July 22, 1963.

Dealer-Broker Recommendations

Continued from page 8

Kistler & Co., 110 Old Street, Fayetteville, N. C.

Reliance Electric & Engineering—Memorandum—Pershing & Co., 120 Broadway, New York, N. Y., 10005.

Ryder System—Memorandum—E. F. Hutton & Company, Inc., 1 Chase Manhattan Plaza, New York, N. Y., 10005.

Savannah Sugar Refining Corp.—Analysis—Varnedoe, Chisholm & Co., Inc., 1 Bull Street, Savannah, Ga.

Schlumberger, Ltd.—Analysis—Gerstley, Sunstein & Co., 211 South Broad Street, Philadelphia, Pa., 19107.

Shop & Save (1957) Limited—Analysis—Doherty Roadhouse & McCuaig Bros., 335 Bay Street, Toronto, Ont., Canada.

Soo Line Railroad—Report—Harris, Upham & Co., 120 Broadway, New York, N. Y., 10005. Also available are lists of stocks which appear interesting and a list of 20 candidates for stock splits or large stock dividends.

Southern California Water Company—Analysis—Birr, Wilson & Co., Inc., 155 Sansome Street, San Francisco, Calif., 94104.

Standard Oil of Indiana—Analysis—Carreau, Smith, McDowell, Dimond, Inc., 115 Broadway, New York, N. Y., 10006.

Weyerhaeuser Company—Analysis—Stern, Frank, Meyer & Fox, Union Bank Building, Los Angeles, Calif., 90014.

Silver Futures Trading

By Arthur A. Smith, *Vice-President and Economist, First National Bank in Dallas*

Workings of the now freed silver market and practical effects of last June 4th's law permitting silver certificates' demonetization are explained by Mr. Smith. Note is taken that the law prevents silver from going much above $1.2929—at least for some years.

After a lapse of some 30 years, future contracts of silver are again being traded on the New York Commodity Exchange. Legislation passed in June this year took the Treasury out of buying and selling silver at fixed prices and removed the 50% Federal tax on gains made in silver bullion trading. This cleared the way for the establishment of a futures market, which opened June 12, 1963.

Dr. Arthur A. Smith

Every month of the year is a trading month for silver futures contracts. A full contract trading lot is 10,000 troy ounces (round-lot). Commission on a "round-turn" (in and out of a contract) is $35 on each 10,000 ounces. Changes in futures prices are registered in multiples of 1/20th of a cent per ounce. On a full lot a change of 1 cent in price would mean 100 points or $100. Under Exchange rules the maximum price fluctuation in any trading day is limited to 5 cents above or below the previous day's close. Minimum initial margin is $750 a contract and at least $500 must be maintained.

Price Factors

It is interesting to note that after almost a month's trading the highest futures price has been 131.35 ($1.3135) per ounce for the June, 1964, contract. Low on the June contract in the same period of time was 129.60 ($1.296). Silver in the spot (cash) market was 128.9 on the same day that the June contract reached 131.35. This compares with $1.2929, the price at which the pure silver in a silver dollar becomes worth a dollar on the market.

Principal function served by the new silver futures market, like that served by other commodity futures markets, is to afford protection to the legitimate user of silver (for example, a company producing silverware) against the risk of price fluctuations. Through hedging he can insure himself against the risk of loss due to price change.

Consumption Exceeds Production

No one can say with absolute certainty what will happen to the price of silver from now on. We do know for sure that silver is being consumed much faster than it is being produced. Data are available for non-Communist countries showing that consumption has exceeded production by over 100 million ounces a year on the average since 1955. This means that consumption has exceeded production by over 50% in that period. Most reports indicate that demand will continue to increase because of industrial developments. From this, one might draw a very bullish conclusion, indeed; but the supply of silver can be quite deceiving because it can be influenced by Government action. Latest official figures show that the Treasury holds $2,143,300,000 worth of silver bullion valued at $1.2929 per ounce, which means a silver bullion stock of about 1,658,000,000 ounces. All except a small amount (24,210,000 ounces) of this bullion is held as security back of silver certificates, mostly our current one-dollar bills. Now, however, Congress (by Act of June 4, 1963) has provided for the replacement of silver certificates with Federal Reserve notes, which will release silver bullion as fast as the Treasury retires silver certificates.

Price Factors

Careful reading of Section 2 of the Act of June 4, 1963 (Public Law 88-36; 77 Stat. 54) sheds considerable light on how the market price of silver might be influenced by the Secretary of the Treasury. Here is Section 2 quoted word for word:

"The Secretary of the Treasury shall maintain the ownership and the possession or control within the United States of an amount of silver of a monetary value equal to the face amount of all outstanding silver certificates. Unless the market price of silver exceeds its monetary value, the Secretary of the Treasury shall not dispose of any silver held or owned by the United States in excess of that required to be held as reserves against outstanding silver certificates, but any such excess silver may be sold to other departments and agencies of the Government or used for the coinage of standard silver dollars and subsidiary silver coins. Silver certificates shall be exchangeable on demand at the Treasury of the United States for silver dollars, or at the option of the Secretary of the Treasury, at such places as he may designate, for silver bullion of a monetary value equal to the face amount of the certificates."

Two points seem quite clear in the law: (1) The Secretary cannot sell silver at less than $1.2929 per ounce, but he can sell it when the market price goes above $1.2929. (2) Holders of silver certificates can demand and get silver dollars or silver bullion. Both of these provisions would appear to keep the market price of silver from going much above $1.2929, at least for some years. Remember the Treasury holds 1,658 million ounces of silver. Domestic consumption of silver amounts to about 110 million ounces annually. We produce about 33 million annually and have been importing since 1950 between 50 million and 165 million ounces a year (about 70 million in 1962).

Completely Demonitized?

The Treasury has indicated that silver certificates will be retired gradually, perhaps over a period of as long as 10 years. The law does not specify that they shall be retired at any rate or time. It merely amends the statutes so that $1 and $2 Federal Reserve notes can be issued, but the Treasury ostensibly has wanted to be assured of an ample supply of bullion for subsidiary silver coins (dimes, quarters, halves) and proposed the legislation passed June 4, enabling the Treasury to get rid of silver certificates. So far as subsidiary silver coins are concerned, they do not have to contain as high percentage of silver as they do (90%).

Could it be that in the course of time silver will be completely demonetized in this country?

Memo to Washington

"The failure of interest rates paid by borrowers to decline more is attributable to three main factors:

"First, there are the heavy interest costs shouldered by financial institutions to attract funds; rates paid on savings deposits are the highest in a generation.

"Second, increased amounts of funds have been taken up by the enlarged federal deficit and the growing absorption of money by the mortgage market and states and municipalities; demand for long-term credit and equity money by business remains sluggish, a financial counterpart of the lagging rate of plant and equipment spending and the inadequacy under the tax laws of profit incentive to investment.

"Third, there has been the chronic balance-of-payments deficit. This has forced the Treasury and the Federal Reserve, while pursuing an overall policy of credit ease to encourage domestic economic expansion, to sustain short-term interest rates and hence the attractiveness to foreigners of accumulating U. S. dollar investments in lieu of gold. Even so, the interest rates that have prevailed in our easily accessible and highly efficient money and capital markets have attracted more foreign borrowings than our balance of payments, already burdened by heavy governmental outlays abroad, can accommodate comfortably. Many experts feel that somewhat higher interest rates are needed in the United States to help relieve the balance-of-payments problem."—First National City Bank.

We heartily recommend this able analysis to all those who would either stimulate "growth" by artificially induced low interest rates or curtail the outflow of investment funds by the imposition of arbitrary taxes.

The State of TRADE and INDUSTRY

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

In rechecking the trend of the economy, and of construction contracts, at mid-year, F. W. Dodge Corporation today reasserted its *optimistic* forecast for 1963 while readjusting the construction mix to show gains in residential and nonresidential building.

According to George A. Christie, Dodge senior economist, referring to forecasts made last Fall, "So far this year, both Gross National Product and construction are running well ahead of the *average* predictions, and slightly ahead of the *optimistic* ones.

"This should put the year's total at $582 billion for GNP, assuming a somewhat slower rate of expansion in the second half of this year, and about $43.5 billion for construction contracts."

Last October F. W. Dodge had predicted GNP to increase from $544 billion in 1962 to $580 billion in 1963, a 4.5% increase. It had also forecast that construction contracts in 1963 would reach a record $43.4 billion topping 1962 by 5%.

"Although the forecast of total construction is standing up well, there have been a few surprises within the individual categories, and it's necessary to adjust the pieces to fit the whole," added Dodge's senior economist.

In the readjusted Dodge forecast, total construction contracts are predicted to amount to $43.5 billion, an increase of 5.3% above the record 1962 volume and a very slight gain over the October forecast. Contracts for residential and nonresidential buildings have been revised upward, while contracts for non-building construction (public works and utilities), although remaining on the plus side, have been revised downward.

The highlights of the F. W. Dodge readjusted forecast are:

Residential contracts to reach a record $19 billion, a gain of 5.5% over last year.

Nonresidential contracts to total almost $14 billion, a 7% increase above 1962.

Nonbuilding construction (public works and utilities) to total $10.6 billion and register a 3% gain.

Hospital building contracts to show a 25% increase over 1962.

Educational contracts to top 1962 by 3%.

Commercial building contracts to surpass 1962 by 1%.

Bank Clearings 9.0% 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, July 20 clearings for all cities of the United States for which it is possible to obtain weekly clearings were 9.0% above those of the corresponding week last year. Our preliminary totals stand at $34,344,766,756 against $31,498,784,030 for the same week in 1962.

Our comparative summary for some of the principal money centers follows:

Week End. July 20—	(000 omitted) 1963	1962	%
New York	$18,759,885	$16,847,426	+11.3
Chicago	1,515,721	1,432,026	+ 5.8
Philadelphia	1,237,000	1,182,000	+ 4.7
Boston	942,986	913,421	+ 3.2
Kansas City	644,187	602,092	+ 7.0

Steel's 6.6% Decline Marks 7th Drop in Past 8 Weeks But Stays 39.0% Above Year-Ago Week

According to data compiled by the American Iron and Steel Institute, production for the week ended July 20 was 1,939,000 tons (*104.1%) as against 2,077,000 tons (*111.5%) in the July 13 ending week. The week to week output dropped 6.6%, for the year's second sharpest drop, compared to the 11.6% drop in the July 4-holiday week, and it marks the seventh weekly decline out of the past eight weeks. Last week's decline edged below the 2 million ton mark for the first time since Feb. 2 of this year, 23 weeks ago.

The year's weekly high was 2,626,000 net tons achieved May 25-ending week unequalled in the past two years and last equaled in mid-March, 1961. The July 20-ending week's output exceeded last year's week by 38.7%.

Out of the 29 weeks of this year's steel output, production declined in 9 of those weeks and rose for 13 consecutive weeks from the week ending Feb. 2 through April 27 out of 20 weekly periods of steel output advances in 1963. During those 13 weeks of consecutive weekly increases, output advanced 36.8% (1,863,000 to 2,548,000 net tons). Not since the fall of 1954 has the industry experienced such a long sustained sequence of consecutive weekly rises. In the autumn of 1954 beginning with Sept. 5 until Dec. 6, steel output rose to 30.4% (1,502,000 to 1,958,000 net tons). There was a sustained decline of six weeks in a row from June 1 through July 6 when output rose for the July 13-ending week and, as explained above, dropped in the last statement week.

Since the June 21 steel labor-management contract settlement, the output decline which had set in end of last May in anticipation of an amicable (non-strike) agreement became more marked. Evidence of a returning buyers' market is apparent and will dampen any further price hike thoughts until real demand resurges, as in the Feb.-May period just past. Total steel demand then, of course, was boosted by strike-hedge buying. European excess capacity will also serve to keep prices from rising until GNP growth in the ECM countries resumes its previous noteworthy pace.

June's steel output came to 10,700,000 ingot tons—down from nearly 11,500,000 in May but 60%

Continued on page 34

The Market . . . And You

BY WALLACE STREETE

Attrition continued to shade stock prices in this week's market and, as a matter of fact, among the chilling aspects was a sharp drop in the price of New York Stock Exchange membership; this is a new market influence.

The efforts of government authorities to outlaw floor traders, an aim that has cropped up repeatedly over the last generation, was reflected swiftly in seat prices, which tumbled from $205,000 to $160,000, and after the trade, saw only a bid of $95,000 for a seat.

The Controversial Floor Traders

The last time serious efforts were made to end floor traders from operating for their own accounts was a dozen years ago when various regulations were promulgated that, at least temporarily, brought a truce between exchange authorities and the Securities and Exchange Commission.

As long ago as 1934, legislative action was sought to end the practice since, in the face of heated protests, the securities authorities have long maintained that floor traders tend to accentuate price swings either way. This is diametrically opposed to the industry's contention that floor trading tends to serve as a stabilizing influence.

Unfavorable Outside Factors

With a new tax proposed on foreign investments, and a rail strike still lurking in the background, plus some unfavorable business news from the steel mills and the housing industry, the market found the path of least resistance on the downside. In the process the industrial average swept through the area that was to have generated support around 690.

Downhill Flutter

In racking up half a score of declines in a row, the industrials went through more of a downhill flutter than any urgent retreat. On any particular session, the 30 stocks in the industrial average produced from two to six losses running a point or more, some wider ones in du Pont helping give the average exaggerated losses.

But it was basically an orderly correction, with volume low and the markets not excessively broad. The cumulative decline had stretched to two score points. But that, matched against the 140 points this index had soared between October and May, was still a moderate reaction after a spirited run.

Turnover was holding inside the three million bracket against the four million and, even, occasional five million sessions, that were recorded during the advance.

Sentiment was hopeful for the most, particularly since the first half earnings reports are reaching flood tide and are well dotted with record second-quarter operations by assorted companies. Then, too, the fate of the dispute between the railroads and rail unions should be resolved one way or the other within a week to remove one major element of uncertainty from the scene.

Foreign Investment Uncertainties

It will take longer either to see a veto of plans to tax foreign investments, or for investors to learn to live with such a development. Meanwhile, there is considerable doubt that Congress would go along with suggestions that such a tax be made retroactive. In addition, the market has already reacted to the plan and isn't supposed to discount the same thing twice.

Unlike the investment climate two years ago, there aren't many evident excesses around that demand correction as did at that time. The demand since last fall has been pretty much concentrated on quality items and random specialties where developments offered an excuse.

Solid Values Around

That means that there are plenty of secondary to good-grade issues around, offering solid value and not overpriced when measured against the market leaders. Even in the utility section, Iowa Electric Light offers a 3½% return which is above average and with a price tag that is less than 18 times this year's anticipated earnings.

Iowa Electric has grown steadily for the last five years, recently split the shares and has held in an extremely narrow range this year which it has been expanding recently on the downside. Prior to the mild easiness, it had held in less than a four-point range for the year as utilities generally were ignored.

A shift in utility rate controls from municipalities to the Iowa Commerce Commission authorities probably accounts for its downhill drift since the assumption of jurisdiction earlier this month.

Utility Item

To students of utilities, the constant increase in its profit in recent years will continue this year for Iowa Electric. It has ample generating capacity and doesn't anticipate any need for new generating facilities for three or four years. The company raised its dividend a year ago and is, in some quarters, a candidate for dividend improvement again, possibly before this year is out.

The lack of interest in rail issues is understandable under the circumstances, but there is little doubt that any nationwide rail strike would be short-lived. And for income the rails are still far up the list for handsome yields. Northern Pacific, largest land holder of any railroad, and a line that gets important profits from its mineral lands, offers better than 5% return.

This high return is despite the fact that Northern Pacific is a "merger" road and those in this category had a good play earlier this year. The line proposes to get together with Great Northern and a couple of other lines in a consolidation that has been estimated at producing economies to the tune of more than $40 million by the end of a five-year period.

Northern Pacific's history is one of demonstrated profitability, aided importantly by income of better than $6 million from the Burlington Line dividends, nearly $6 million from its oil and gas, timber and iron resources, another million from bonds of the Spokane, Portland & Seattle road—all on top of its own operating results.

Neglected Item

National Distillers, which sometime back added "& Chemical" to its name without stirring up fanciers of chemical issues, has been a neglected item and shows a yield running well into the 4% bracket which is well above average.

In part, the market neglect stems from the fact that its earnings picture hasn't been overly cheering since National has yet to reap the benefits of much of its expansion and diversification steps. First quarter earnings, in fact, showed a slight dip. The investor disinterest is best illustrated by the range the price of the shares has carved out this year—less than three points.

The company's old line of leading liquors is still the mainstay of National Distillers income. In the dozen years that it has been busy spreading through the chemical field, so far it has lifted chemical sales to around 18% of total.

Two years ago it merged with Bridgeport Brass and last year completed its sole ownership of a metals subsidiary that operates in the fields of titanium and zirconium—the space-age ones. So it is firmly in the nonferrous metal field, including participation in a joint aluminum venture. Despite all these new ventures, investors still seem unconvinced although in time the payoff seems certain.

[*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.*]

Hitachi Receives Payment in Stock Sale

Chikari Kurata (left), Chairman of Hitachi, Ltd., witnesses signing of final papers, covering sale of an issue of his company's shares in the United States, by Frederic H. Brandi (center), Chairman of Dillon, Read & Co., Inc. At right is Konosuke Koike, Chairman of the Finance Committee of Yamaichi Securities Co. of New York, Inc. The shares consisted of 937,500 American Depositary Shares of Hitachi, Ltd., representing 75,000,000 shares of the company's common stock, par value 50 Japanese yen per share. The American Depositary Shares were offered publicly July 9 at $22.25 per share through an underwriting group headed jointly by Dillon, Read & Co., Inc. and Yamaichi Securities Co. of New York, Inc. This offering was one of the largest offerings ever made of stock of a Japanese company in the United States to date. Hitachi, Ltd., which began in 1910 as a repair shop for mining machinery, is now Japan's largest privately owned industrial enterprise and the largest and most diversified manufacturer of electrical equipment and industrial machinery in Japan.

Two Join Henry Golightly

James Sowers and Theodore M. Steele have joined the management consultant firm of Henry Golightly & Co., Inc., New York City, as Vice-Presidents. Mr. Sowers was formerly Assistant Vice-President, Methods and Standards, at American Airlines; Mr. Steele is the founder and Executive Director of Midtown Management Center. William G. Kouwenhaven was elected a Vice-President.

Chase Bank Heads N. Y. C. Bond Underwriting

The Chase Manhattan Bank heads a group which on July 23 purchased $103,000,000 City of New York various purpose bonds, due July 15, 1964 to 1983 inclusive.

The group was awarded the securities at competitive sale on its bid of 100.0729999% for coupons of 3.10%, 2.90% and 2½%, setting an annual net interest cost of 2.94254%.

On reoffering the bonds are scaled to yield from 1.85% in 1964 out to 3.30% in 1983.

Among those associated in the offering are:

Chemical Bank New York Trust Co.; Manufacturers Hanover Trust Co.; Lehman Brothers; Blyth & Co., Inc.; Lazard Freres & Co.; Barr Brothers & Co.; R. W. Pressprich & Co.; Merrill Lynch, Pierce, Fenner & Smith Inc.; Goldman, Sachs & Co.; The Northern Trust Co.;

Harris Trust & Savings Bank; Equitable Securities Corp.; Drexel & Co.; The Philadelphia National Bank; Hornblower & Weeks; Carl M. Loeb, Rhoades & Co.; Ladenburg, Thalmann & Co.; Wertheim & Co.; Hallgarten & Co.; Glore, Forgan & Co.;

Paine, Webber, Jackson & Curtis; B. J. Van Ingen & Co., Inc.; John Nuveen & Co., Inc.; The First Western Bank & Trust Co., Los Angeles; First National Bank in Dallas; Paribas Corp.; Weeden & Co., Inc.; United California Bank, Los Angeles; A. C. Allyn & Co.; Bache & Co.

NEWS ABOUT BANKS AND BANKERS

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

The **Bank of America, San Francisco, Calif.** announced that Lawrence H. Prager, head of the investment bankng section, has been

L. H. Prager   Glenn Cremer

appointed Vice-President, and Glenn N. Cremer, in charge of underwriting for the last two years, advances to Assistant Vice-President.

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Appointment of Charles A. Agemian as Executive Vice-President of the **Chase Manhattan Bank, New York,** in charge of a new Bank Operations Department was announced July 19 by Chairman George Champion and President David Rockefeller.

Mr. Agemian had been Controller General of the bank since 1959.

He started his banking career in 1927 as Messenger at the **Bank of the Manhattan Company.** After working in the auditing, accounting, cashier's and operations departments, he was appointed an Assistant Treasurer in 1944. He became an Assistant Vice-President in 1947, Controller in 1951, and Vice-President and Controller in 1952. When the Bank of the Manhattan Company and Chase National Bank merged in 1955, Mr. Agemian was named Vice-President and Deputy Controller. A year later he was appointed Vice-President and Controller, and in 1959 he was made Controller General.

The promotion of Herman J. Wacker to Controller was also announced July 22.

He is responsible for all domestic and overseas audit and control functions of the bank.

Mr. Wacker began his banking career in the auditing department of the **Bank of the Manhattan Company** in 1925. He was appointed an Assistant Manager in the branch system in 1934. He became an Assistant Treasurer in 1945 and an Assistant Vice-President in 1948. From 1951 until 1955 he was Auditor of the Bank of the Manhattan Company, which merged with the **Chase National Bank** to form the Chase Manhattan Bank in 1955. In that year he was appointed Assistant Controller in charge of the audit and controls division of the controller's department, a position he held until his appointment as Controller.

* * *

Raymond Davidson has been elected Vice-President and General Manager of **Manufacturers Hanover Trust Company's London** office, the bank announced July 24, 1963.

Elected Vice-Presidents are Thomas V. Hoffmire of the London office and Harold F. Klein, public relations and business development.

Mr. Davidson joined the bank in 1958. Mr. Hoffmire joined the bank in 1928 and was transferred to London in 1938 when the bank's branch was opened. Mr. Klein, a former newspaperman, began his banking career in 1930.

The bank also announced the election as Assistant Vice-Presidents of Vincent A. Bohn, Brooklyn Trust offce; Hugh J. Brennan, public relations and business development; Myron J. Goldsmith, international, and George G. H. Koehn, 18th Street office.

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Clarence C. Hunt, Gerald J. Murphy, A. Graham Ness, W. Rodman Robinson, Charles J. Schildt and Harvey Y. Tegge, Jr., have been appointed Assistant Vice-Presidents of **Chemical Bank New York Trust Company, New York,** it was announced by Harold H. Helm, Chairman. All are with the bank's Metropolitan Division.

Herbert A. Beckert, Howard J. Sinclair and Theodore F. Wolff, former Assistant Secretaries, have also been elected Trust Officers —Corporate Trust Department.

* * *

George Whitney, former head of **J. P. Morgan & Co., Inc., New York,** died July 22 at the age of 77.

Mr. Whitney joined J. P. Morgan & Co. Inc. in 1915 and retired as Chairman of the Board in 1955.

He remained a Director until the merger of J. P. Morgan & Co., Inc., in 1959 with the **Guaranty Trust Company.** He then became Chairman of the Directors Advisory Council. Mr. Whitney attended meetings of that group regularly until recently.

Mr. Whitney was made a partner in 1919, and when the firm became a corporation in 1940 he became a Director of J. P. Morgan & Co., Inc., and its first President. He was Chairman from 1950 until 1955.

* * *

George O. Nodyne, President of the **East River Savings Bank, New York,** announces the retirement of Charles C. Joyce as Senior Vice-President, July 31. He will continue as a member of the Board of Trustees.

Mr. Joyce joined East River Savings Bank in 1920.

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The City Savings Bank of Brooklyn, N. Y., elected Anthony J. Sessa to its Board of Trustees.

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The Comptroller of the Currency James J. Saxon on July 16 approved the application to merge **The National Bank of Cohoes, Cohoes, N. Y.,** into the **Manufacturers National Bank of Troy, Troy, N. Y.,** effective on or after July 23.

* * *

THE CONNECTICUT BANK AND TRUST COMPANY, HARTFORD, CONN.

	Jun. 30, '63	Dec. 31, '62
	$	$
Total resources	532,404,207	560,219,898
Deposits	460,282,098	481,921,307
Cash and due from banks	108,034,572	150,002,771
U. S. Government security holdings	74,419,780	84,564,138
Loans & discounts	271,603,520	245,887,577
Undivided profits	9,004,917	8,390,425

* * *

The Connecticut Bank and Trust Company, Hartford, Conn., began operating in its new main office and headquarters building at One Constituton Plaza, July 22, according to Lester E. Shippee, Chairman of the bank.

It was four years ago, in June, 1959, that Shippee announced the bank's intention to build new headquarters in the then unnamed Constitution Plaza. Ground-breaking occurred April 15, 1960. Erection of steel began July 18, 1961 and the steel was "topped out" on Nov. 15, 1961.

The Connecticut Bank and Trust Company will consolidate several downtown locations in the new Constituton Plaza bulding. All offices above the first floor and the safe deposit department in the present building at 760 Main Street, corner of Central Row, will be moved to Constitution Plaza. The street level banking floor will remain however, and will be used as a branch bank.

The entire Phoenix office at 803 Main Street, which became a part of The Connecticut Bank and Trust Company by merger in 1954, will also be moved.

The bank's entire bookkeeping operation for the greater Hartford area has been operating for some time at 60 Arch Street. This department has already been moved to the new building in Constitution Plaza.

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The appointment of Edward R. Eberle, to the Federal Trust Advisory Board of **The National State Bank of Newark, N. J.,** has been announced.

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Sylvester Gunkel, Treasurer of the **Carteret Bank and Trust Company, New Jersey,** died July 20 at the age of 62.

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The **Mellon National Bank & Trust Co., Pittsburgh, Pa.,** elected Charles H. Fletcher, Jr. and Earl J. Couch Vice-Presidents.

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The Comptroller of the Currency James J. Saxon approved on July 16 the application to merge the **National Bank of Chambersburg, Chambersburg, Pa.,** and the **Valley National Bank of Chambersburg, Chambersburg, Pa.,** effective on and after July 23.

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The Board of Governors of the Federal Reserve System on July 23 announced its approval of the acquisition of the assets of the Camden (Delaware) branch office of **Baltimore Trust Company, Selbyville, Dela.,** and the assumption of its deposit liabilities by **Wilmington Trust Company, Wilmington, Dela.**

* * *

The appointment of Edward W. Jackson as Personnel Director of **The Ohio Citizens Trust Company, Toledo, Ohio,** and as an Assistant Treasurer was announced by Willard I. Webb, Jr., President.

Mr. Jackson will assume his new dutes on Aug. 1.

* * *

John A. Kuhn, Vice-President, **Harris Trust and Savings Bank, Chicago, Ill.,** recently celebrated his 35th anniversary with the bank. He has spent most of his career in the trust department, where he now is a member of the trust business development division.

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The **Manufacturers National Bank of Detroit, Mich.,** made Howard C. Tomes, Vice-President, effective Aug. 15. Mr. Tomes had been a Vice-President of the bank until four years ago.

* * *

The Comptroller of the Currency James J. Saxon July 16 announced that he has given preliminary approval to organize a National Bank in New London, Wis.

Initial capitalization of the new bank will amount to $350,000, and it will be operated under the title **New London National Bank.**

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The Comptroller of the Currency James J. Saxon on July 18 announced that he has given preliminary approval to organize a National Bank in Hays, Kan.

Initial capitalization of the new bank will amount to $500,000, and it will be operated under the title **Hays National Bank.**

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The **Industrial National Bank of Miami, Miami, Fla.,** changed its title to **City National Bank of Miami.**

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The **Springs National Bank of Tampa, Tampa, Fla.,** changed its name to **Capital National Bank of Tampa.**

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The **Fidelity National Bank of West Fort Lauderdale, West Fort Lauderdale, Fla.** changed its title to **Plantation First National Bank.**

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The Comptroller of the Currency James J. Saxon on July 17 announced that he has given preliminary approval to organize a National Bank in Huntsville, Ala.

Initial capitalization of the new bank will amount to $500,000 and it will be operated under the title **The American National Bank of Huntsville.**

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The **National Bank of Commerce, Houston, Texas,** elected Newton K. Hoverstock, a Director.

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The Stock Growers National Bank of Cheyenne, Cheyenne, Wyo. changed its title to **The First National Bank and Trust Company of Wyoming.**

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The Comptroller of the Currency James J. Saxon, July 17 announced that he has given preliminary approval to organize a National Bank in Cheyenne, Wyo.

Initial capitalization of the new bank will amount to $255,000, and it will be operated under the title **East Cheyenne National Bank.**

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Joseph E. Hulbert, Vice-President and Manager of **Security First National Bank, Los Angeles, Calif.** recently marked his 35th anniversary with the bank.

He joined Security in 1928 as a bookkeeper. Rising through the ranks, he became an Assistant Manager in 1942.

He was appointed Vice-President, head office branch and office administration department, in May, 1961, and assumed his present post in August, 1961.

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The **Continental Bank, Los Angeles, Calif.,** elected Edward H. Kozlowsky a Vice-President.

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Comptroller of the Currency James J. Saxon on July 18 announced that he has given preliminary approval to organize a National Bank in Oceanside, Calif.

Initial capitalization of the new bank will amount to $750,000, and it will be operated under the title **First National Bank of Oceanside.**

First Cleveland To Merge With Prescott & Co.

CLEVELAND, Ohio—Emile A. Legros, President of The First Cleveland Corporation, and Edward P. Frescott, Senior Partner of Prescott & Co., have reported the proposed merger of the two Cleveland based investment banking firms. In a joint announcement, Mr. Legros and Mr. Prescott reported that formal approval by the New York Stock Exchange and other Exchanges was being obtained and that the merger was scheduled for Aug. 1. At that time, seven principal executives of First Cleveland will join Prescott & Co. as partners and the investment banking business of the two firms will be continued under the Prescott & Co. name at the Prescott office, 900 National City Bank Building.

The seven new partners of Prescott and their officer positions at First Cleveland are: Emile A. Legros, President; Clarence F. Davis, Executive Vice-President; Robert E. Bulkley, Richard N. Kapp, Edgar E. Legros, Edmund A. Orrell, Vice-Presidents, and Richard W. Cook, Secretary-Treasurer.

First Cleveland, a member of the Midwest Stock Exchange, was organized in 1934 and has been continuously located at 700 National City—East Sixth Building. Prescott & Co. was also organized in 1934 and is a member of the New York Stock Exchange, The American Stock Exchange, Midwest Stock Exchange, and the Chicago Board of Trade.

Prescott & Co. will continue its branch offices at Shaker Square, Canton, Columbus, and Toledo. First Cleveland's Canton, Columbus, and Toledo offices will be merged with the Prescott branch offices in these cities and Prescott will continue to operate the First Cleveland offices at Sandusky and Youngstown.

The continuing partners of Prescott & Co., in addition to Edward P. Prescott, are:

Morton J. Stone, John A. Kruse, John G. Butler, Nelson S. Talbott, Harvey A. Gotschall, David E. Kreid, Edward P. Prescott, Jr., Harold J. Rosewater, Lloyd O. Birchard, Bernard A. Towell, Harry N. LePan, Corwin L. Liston, David J. Barhyte, general partners, and Edward D. Untermyer Charles B. Lansing, and Robert O. Shepard limited partners.

Mr. Legros announced that First Cleveland's interests in Cedar Point and a number of other investments would not be transferred to Prescott & Co. but would be retained by The First Cleveland Corporation, which will continue as an investment company for the benefit of its existing shareholders.

F. I. duPont To Admit Partner

Andrew I. Namm will be admitted to partnership in Francis I. du Pont & Co., 1 Wall Street, New York City, members of the New York Stock Exchange, as of Aug. 1, 1963.

As We See It

Continued from page 1

plain everyday citizen with the good of his country at heart, who left the matter there. A situation in which there are substantially over four million people unable to find work at all while a favored element in the population are drawing down nearly $2.50 an hour for some 40 hours of work—or at least that amount of time spent at the cite of employment—is not a healthy state of affairs. Nor is the often overlooked fact that a large number of salaried persons and other elements in the population with a fixed dollar income must suffer along with the unemployed from rising prices forced upon producers by the high cost of labor, a matter of no importance. This aspect of the situation is made the more disturbing by the twin facts that large additions to the labor force are in the offing and the powers that be are determined to take steps allegedly in relief of the situation which must in the very nature of the case make matters worse instead of better.

The more one studies the trend of events which has led to the existing situation, the more anomalous some aspects of the course of affairs seem. We have here a decade or two of the most remarkable progress in technology known to modern man. The main objective of all this, or certainly one of the chief objectives, has all along been to reduce the amount of labor required in the production of the good things of life. And we never tire of talking about automation and the like. At the same time we have had and are now experiencing an extraordinarily rapid increase in the labor force. Yet in the face of this potential relative shrinking in the need of wage earners and sharp increases in supply realized and in the offing, a labor monopoly has succeeded in keeping wages and other costs of their services rising, the hours of work tending to decline and various types of restrictions on production increasing!

What Is "Successful"?

Now we must assume that any thoughtful man would say that the "labor movement" could be regarded as "successful" only if it brought real benefits to all wage earners, and did so without undue burden upon the remainder of the population. To date it has been successful only in the sense that it has brought a measure of real benefit to a limited element in the population, and has done even that at the cost of most other elements therein. It could hardly have expected to do more by the tactics it has pursued in the general circumstances in which it operates. It has failed to do more for the reason that it has not been obliged to face day to day competition of the sort that business must face. It is, of course, a fact that when any kind of business is protected from the rigor of competition, it invariably fails to make the sort of progress that is legitimately expected of it.

It is thus plain as a pikestaff that the sort of programs sponsored by the politicians, any and all the professional politicians regardless of party, can not hope to cope with the situation by which we are confronted. The favorite doctrine of all these gentlemen is that rising unemployment and all the other economic ills from which we suffer will yield to an adequate rate of growth. All we have to do, so these wise men say, is to make sure that we add substantially year by year to what has become known as the gross national product. Now, it is an established fact that the unemployment rate — and quite possibly other phenomena with which we are here concerned — do not move automatically with the rate of total production or with changes therein.

"Good Times" and Wage Costs

As things have been going, an increase in the volume of production has all but invariably been accompanied or quickly followed by increased demand by the unions for this and that benefit which add materially to the cost of production — and increase the pressure upon employers to search out ways of doing what they have to do with less labor. This pressure is one which the present Administration in Washington has apparently been trying to resist, but its efforts have had hardly more at most than mediocre success. They have been able to drive wage increases and the like under ground as it were and to control in a measure the movement of wages in the larger and more conspicuous industries. But anyone who reads the daily press can hardly fail to note the unending increases that are being granted to the employes of smaller enterprises. And there is no sign of any end to them.

The time has come when we must give all these things more careful and realistic thought if we are to avoid serious consequences in the years ahead. It will not do merely to talk about the approaching increases in the labor force and about the effect of unemployment upon the unfortunates who all but inevitably are the main victims of the conditions of which mention has been made. A wholly new course must be laid out in attempting to save us from the mistakes of the past.

Burroughs Corp. Securities Sold

An offering to the public of $25,000,000 Burroughs Corp. 4½% sinking fund debentures due July 1, 1988 is being made by an underwriting group managed by Lehman Brothers, New York. The debentures are priced at 99½% plus accrued interest.

At the same time Burroughs is offering its common stockholders the right to subscribe for 742,144 additional shares of common stock at the rate of one share for each nine shares held of record July 19, 1963. The subscription price is $23.75 per share. The right to subscribe expires Aug. 5, 1963. A group headed by Lehman Brothers is also underwriting the offering to stockholders.

Net proceeds from the financing will be applied to the reduction of current bank indebtedness, totaling $54,000,000 on May 31, 1963. The indebtedness was incurred to meet increased working capital requirements of the company, arising primarily from increased receivables and inventories and increased fixed assets representing equipment leased to customers.

Sinking fund provisions of the debentures become operative July 1, 1968 and require the company to retire $1,000,000 debentures annually, an amount calculated to retire 80% of the issue prior to maturity; the provisions authorize the company at its election to retire up to an additional $1,000,000 of debentures in each of the sinking fund years. For the sinking fund the debentures ar redeemable at 100% plus accrued interest. They also are optionally redeemable at 104% to July 1, 1964 and at decreasing prices thereafter, plus accrued interest, provided the company may not redeem the debentures prior to July 1, 1968 through a refunding having an interest cost lower than 4.54%.

Burroughs and its subsidiaries are engaged in the production, distribution and servicing of a wide variety of business machines, the manufacture and distribution of a line of business forms, office accessories and supplies, and production of military products for the Armed Services of the United States Government, primarily in the field of computation and control. General offices of Burroughs are in Detroit.

Consolidated net sales, rentals and other revenues in 1962 totaled $424,681,000 and net income was $9,493,000.

MUTUAL FUNDS

BY JOSEPH C. POTTER

It's Tough All Over

To an Easterner, especially one who has just come away from Wall Street, an extended visit in the West can be refreshing as well as educational. Talk to investment - minded folks in New Mexico, Arizona and Southern California — nearly all of them holders of stocks and mutual funds—and you soon discover that their prime interest is land.

The stock boom of the 1950's pales by comparison, if you can believe the stories related all over the Far West about the fortunes made in land and building speculation. The fact that there is so much desirable land on both sides of the Colorado River serves to make for a brisk market and a fresh battalion of customers is drawn daily from the East, Midwest and South.

After listening to stories about people who doubled their money —sometimes the claims run to five-fold — in a span of a few years, a reporter dutifully asks whether bargains still abound. The respondent, after noting that the purchaser at this juncture will be paying sharply higher prices, usually reasons that even higher levels will be attained because of inflation. However, further probing almost invariably elicits an admission that there is considerable danger in pushing ever higher the land prices in the booming West.

On Los Angeles' bustling Wilshire Boulevard, Boston - based Loomis - Sayles Mutual Fund maintains a West Coast office. A passer-by, picking up a copy of the company's semi-annual report, can read that what troubles the fellow who deals in land also worries the man in stocks.

Maurice T. Freeman, President of Loomis-Sayles, says flatly "the period ahead is going to be 'tough' for the investor and the conscientious investment manager. We have no doubt of that. It will be extremely difficult to protect capital against the possibility of inflationary damage on the one side and the real risks inherent in high stock prices on the other."

And just what has Loomis-Sayles been doing to cope, in the securities area, with the same kind of conflicting forces that beset the land lovers? Well, Mr. Freeman says his company's investment policy comprises three elements spelled out in its January report. They are:

(1) A basic common stock position of 60% to 65%.

(2) The safety and flexibility inherent in large short-term Government bond holdings.

(3) A conservative but alert and highly flexible over-all approach.

Since the start of the fiscal year on Nov. 1, 1962, Loomis-Sayles has trimmed its position in cash and U. S. Government bonds from 24.4% to 21.4%. Over the same six-month span it has reduced holdings of other bonds and preferred stocks from 16.7% to 15.3%. By the end of the first half of the current fiscal year, it had boosted its holdings of common stocks from 58.9% to 63.3% of the total net assets amounting to $106.3 million.

So, while Loomis-Sayles reasons these are tough times for the investment fraternity, it also calculates that more, rather than less, equity issues are advisable.

A shrewd California investor, noting that his state accounted for about 25% of all fund purchases summed it up this way:

"Whether you're dealing in land or in stocks, you don't buy the market but a specific property. Weighing all the factors that go into making a decision in these tough times is a job for the pros."

Mitchel, Schreiber To Admit Ford

James S. Ford, member of the New York Stock Exchange, on Aug. 1 will become a partner in the Exchange member firm of Mitchel, Schreiber, Watts & Co., 20 Broad Street, New York City.

BANK AND INSURANCE STOCKS

This Week — Insurance Stocks

THE LINCOLN NATIONAL LIFE INSURANCE COMPANY

The Lincoln National Life Insurance Company, which was formed in 1905, is one of the nation's largest writers of life insurance. The company writes both participating and non-participating ordinary life and group life insurance as well as accident and health coverages through 49 states and the District of Columbia in this country, Canada, Puerto Rico, Virgin Islands, Philippines, Guam and the Panama Canal Zone. Total life insurance in force at the end of 1962 exceeded $12 billion.

The company has established an excellent reputation within the life insurance industry with a long record of growth and profitability over the years. In addition to regular coverages, the company is a leader in the field of life reinsurance and the insuring of sub-standard risks. In the latter area, Lincoln National pioneered many new coverages for individuals previously considered to be non-insurable. This field has been consistently profitable to the company.

Approximately 78% of the company's insurance in force represents ordinary business. Group insurance accounts for the remaining 22% as no industrial life insurance is written. The company was not a major writer of group life lines until the past decade. Over that 10 year period, the amount of group business on the books has increased nearly 500% while the ordinary business has nearly doubled. Non-participating business accounts for 88.7% of the total life insurance on the books.

In addition to the parent company, Lincoln National has four operating affiliates or subsidiaries. In 1951, the company acquired Reliance Life Insurance Company which was merged into the parent in 1953. In 1957, Lincoln became a considerable factor in the Canadian life insurance industry with the purchase of a majority interest in Dominion Life Insurance Company of Waterloo, Ontario. A new subsidiary, Lincoln National Life Insurance Company of New York was formed in 1960 with capital of $5 million to operate solely in New York State. The parent organization had previously deliberately not entered the New York market itself to avoid the restrictions which that state imposes upon underwriting and investing. The new affiliate has attained over $46 million in life insurance in force in its two years of operations.

Late last year, in line with the insurance industry's trend towards all-line insurance underwriting, Lincoln purchased over 90% of the stock of American States Insurance Company. The latter organization with its affiliates is a well-managed fire and casualty underwriter with an excellent record. Premium volume in 1962 exceeded $52.5 million, obtained through the company's 53 branch offices and 3,000 agents in 11 midwestern states. It is anticipated that operations of the new fire and casualty affiliate and the parent organization will become more closely linked in future years.

Total bond holdings of $820.7 million represented 49.3% of Lincoln National's assets at year-end 1962. Mortgages account for 25.6% and stocks, both common and preferred, account for an additional 11.9%. During the year new purchases were concentrated in municipal bonds and preferred and common stocks. Purchases of common stocks exceeded sales by $8.4 million. The net rate of interest earned on the entire investment portfolio rose to 4.28% in 1962 compared with 4.15% in the previous year.

Lincoln National's reported earnings for 1962 were only slightly higher than those of the previous year. Rising investment earnings were offset by lower underwriting results due to a higher mortality rate experienced by the company during the year. Total adjusted earnings actually trailed those of the previous year because of a decline in new business written. The previous year's new life insurance business was inflated by a single large group inurance policy. It is expected that the company's earnings, both adjusted and non-adjusted, will reach new highs in the present year.

The common stock of the Lincoln National Life Insurance Company is currently selling at $163½ bid in the over-the-counter market, near the top of its range for the year of $165½-146. At the present price, the stock is selling at approximately 20 times estimated adjusted earnings for the year and at a premium of 76% over year-end 1962 adjusted book value of $95.82.

SELECTED STATISTICS

(000,000)

	Admitted Assets	Life Insurance in Force: Ordinary	Group	Total	Premium Income	Capital Funds
1958	1,357	$7,601	$1,584	$9,185	$198	$159
1959	1.418	8,107	1,723	9,830	207	175
1960	1,491	8,571	1,999	10,570	223	193
1961	1,594	8,989	2,465	11,454	232	214
1962	1,666	9,357	2,659	12,016	248	235

PER SHARE DATA

	Reported Earnings	Adjusted* Earnings	Dividends Paid	Book Value	Price Range
1958	$4.65	$5.80	$0.78	$31.85	$102-68
1959	4.99	6.65	.80	35.09	102-77
1960	5.89	7.56	.80	38.75	102-76
1961	6.29	8.01	.85	42.73	189-90
1962	6.35	7.65	1.00	47.08	192-105

*Adjusted for increase in life insurance in force.

Failure to List Job Vacancies Mars Unemployment-Reduction Efforts

In no uncertain terms, former Council of Economic Advisers Chairman blames lack of job availability data for marring unemployment reduction efforts. Dr. Arthur F. Burns insists we will not know whether the "expansionist" or the "structuralist" schools offer the correct causal-solutional explanation; criticizes current, and offers his, definition of full employment; recommends technical unemployment benefits changes and training programs; and calls for a study of effect of fringe benefits and work rules in increasing overtime rather than number employed as well as compilation and dissemination of comprehensive job vacancy list.

Efforts to reduce unemployment in the United States suffer from the lack of national statistics on job vacancies, stated Dr. Arthur F. Burns, President of National Bureau of Economic Research, in a discussion published recently.

Dr. Arthur F. Burns

Comprehensive statistics on job vacancies are "a vital missing link in our entire system of economic intelligence, Dr. Burns, declared in a copyrighted article appearing in the current July issue of *The Morgan Guaranty Survey*, published by Morgan Guaranty Trust Company of New York. Entitled "Economics and our Public Policy of Full Employment," the text was delivered as a lecture at Rice University in April but has not been previously published.

Only by having dependable figures on job openings and setting them against those for unemployment, says Dr. Burns, is it possible to know whether and to what extent the economy is failing to provide "sufficient employment opportunities to permit, in principle, a job for all who are able, willing, and seeking to work." He calls the lack of such statistics "deplorable."

Expansionists vs. Structuralists

A matching of job availability against joblessness is essential, in Dr. Burns' view, to determining the causes of unemployment or the proper remedy for it. He cites two opposing schools of thought as to the causes: the "expansionists," who attribute unemployment principally to a "more or less chronic shortage of aggregate demand"; and the "structuralists," who attach chief importance to "the rapid piling up of economic changes, which have been creating more jobs than can be filled in some occupations and communities while substantial unemployment is being created in others."

Much of the debate between the expansionists and structuralists could be resolved on a factual basis, Dr. Burns says, if over-all national statistics on job vacancies existed, and if they were supported by data on job openings and unemployment in individual occupations and communities. "Our nation," he remarks "has thus far failed to take the trouble of equipping itself with the facts needed to determine whether, when, or to what degree aggregate demand is deficient." He identifies as "perhaps the major policy problem of our generation" in the economic sphere the question of "whether aggregate demand at a particular time is deficient and, if so, what action the government can wisely take."

Predicts Electronic List of Job Openings

In urging development of statistics on job vacancies, Dr. Burns notes: "Electronic computers open up exciting possibilities for the future. With their aid, an unemployed worker expressing his need or preference to an officer of an employment exchange might be referred in a matter of hours, if not minutes, to a list of potential employers (outside his community if there are none in his own who need that type of employee. Employers could be served in a similar way."

Dr. Burns, in his article, defines "full employment" as meaning "that the number of vacant jobs at prevailing wages is as large as the number unemployed, and that the labor market is so organized that everyone who is able, willing, and seeking to work already has a job or can obtain one after a brief search or after undergoing some training."

Such a concept of full employment, Dr. Burns contends, would be of positive assistance to policy makers in many ways. "By focusing on job opportunities as well as on job shortages, on employment as well as on unemployment, this concept should help to keep the healthy and the pathological aspects of economic life in perspective. Moreover, it should help to make students of public policy more alert to structural problems of our economy."

Criticizes Present Full Employment Concept

Dr. Burns, who was Chairman of the Council of Economic Advisers from 1953 to 1956, criticizes the approach that defines full employment in terms of a given percentage level of unemployment, such as the 4% used by the present Council. "The crucial weakness of the Council's 4% figure is not that it is arbitrary," he says. "On the contrary, this figure is sufficiently grounded in experience to be useful on many occasions. The difficulty is rather that any numerical goal of full employment, once it has been made official, can be easily misinterpreted and become an obstacle to rational economic policy in a changing world."

In addition to better job-opening statistics, Dr. Burns suggests that economists and policy makers give greater attention to several other aspects of unemployment, which he says most informed citizens would agree has been "excessive" in recent years. Among points he mentions are the following:

"A serious need to revamp the insurance system so that more effective aid would be given to unemployed workers in finding new jobs."

"A need to devise ways of administration that would strictly withhold benefits from those who quit their jobs without good cause or who are unwilling to accept suitable work."

"A need to use the insurance system to enlarge the retraining opportunities for workers who can have little hope of finding employment in their own trade."

Overtime Increases as Jobs Decline

He also cites, as deserving of attention, the prevalence of overtime work in manufacturing industry. The proportion of overtime today is as great as in the boom year of 1956, he notes, although the number of manufacturing workers has decreased by 8%. As possible explanations he refers to the tendency of fringe-benefit costs to vary with the number of employees rather than with total hours worked, and to the greater frequency of work-rules disputes when men are added and jobs rearranged. "These and other hypotheses require the most careful study by economists," he says. "For if it is really true that collective bargaining and some of our social legislation are tending to complicate the unemployment problem, it would be well to turn at once to exploring ways of reducing the dangerous side effects."

The text of Dr. Burns' discussion is to appear in the forthcoming book, *The Nation's Economic Objectives: Roots and Problems of Achievement*, to be published by the University of Chicago Press.

Thomson & McKinnon To Admit to Firm

Effective Aug. 1, Robert A. Prindiville will become a partner in Thomson & McKinnon, 2 Broadway, New York City, members of the New York Stock Exchange.

50% Natural Gas Growth Over 1962 Seen by 1972

Incisive, complete yet brief review of all segments of the natural gas industry covers growth of, and prospects for, sales, revenues, proven reserves, and economically feasible coal and oil derived gas. Note is taken that the veil of uncertainty beclouding the industry's pricing procedure has been lifted and that there has been no letup in supplying country's energy needs.

Prospects for unworried healthy growth in the natural gas industry is confirmed by The Northern Trust Company in its current monthly publication.

According to the Chicago Bank's *Business Comment for July*, "total sales of natural gas distribution companies reached new record levels in 1962, continuing the steady postwar growth in natural gas utilization. Measured in units of heat, sales to ultimate consumers rose 6.1% from 1961, while operating revenues advanced 7.3% to $6.1 billion. Last year's gains were somewhat below annual average increases over the past decade, when usage and revenues expanded at rates of 7% and 12%, respectively. The large expansion in distribution company revenues primarily reflects rapid gains in gas usage, though there was also a rising trend in rates charged. The number of customers using natural gas reached a new high of 33.1 million at the end of 1962, a 2.5% gain over a year earlier.

Three Major Segments of Industry

"All three segments of the industry — producing, pipeline and distribution companies — have benefited from the expansion of natural gas usage. An important factor in this rapid growth has been the increasing number of customers using natural gas for home heating. Over the past decade, the number of gas househeating customers has grown from 11 million to nearly 23 million, while the proportion of all residential customers using gas for heating has risen from 47% to 72%. To provide for the growing demand for gas from all types of customers, pipeline and distribution companies have spent $15.6 billion for new plant and equipment during the past decade. In 1962 alone construction expenditures totaled $1.7 billion.

"The success achieved by the producing companies in finding gas has provided the basis for continued expansion of natural gas usage. In 1962, for example, net proven reserves were increased by 6 trillion cubic feet, despite record production of 13.7 trillion cubic feet. The increase in 1962 brought total reserves to 273.8 trillion cubic feet, a new alltime high. Relating this figure to 1962 production indicates a 20-year supply. Discoveries of new gas fields and periodic upward revisions of previous estimates of reserves in known fields suggest that the nation's gas supply will last many more years. Large supplies of gas are also available from Canada and are already being drawn upon to supplement domestic production. Research efforts to produce pipeline-quality gas from coal or oil shale give promise of being economically feasible when needed.

Storage Pools Important

"The industry is expanding the use of underground gas storage pools near major consuming markets. Storage pools permit maximum utilization of the pipeline system, since gas for storage is transported during the summer months when demand for space heating is low. These additional supplies are then available to supplement the normal pipeline flow during periods of heavy demand from space heating customers. On days of peak demand last winter, as much as one-quarter of all gas supplied to utility customers was drawn from underground storage; for some companies the proportion was much higher, for others less. These storage areas are located in natural oil and gas fields, and even abandoned coal mines. At the end of 1962 the industry had 258 storage pools in operation in 21 states with total reservoir capacity of 3.5 billion cubic feet.

Progress on Regulatory Problems

Along with growth in reserves and storage capacity, progress is also being made in the solution of several of the industry's important regulatory problems. Local distribution companies are regulated primarily by State Commissions or municipal authorities, while supervision and regulatory control of interstate transmission lines is vested in the Federal Power Commission. Since a Supreme Court ruling in 1954, the FPC also has had jurisdiction over gas prices charged by independent producers to the interstate pipelines. In 1962 the Commission made considerable progress in reducing the large backlog of pipeline rate cases that had been pending for years. Settlement of these cases was important in placing pipeline revenues and earnings on a firm basis and in reducing the cost of gas to the ultimate consumer. Of the cases still pending at the end of 1962, involving approximately $150 million of contingent annual revenues, most are expected to be settled in the near future.

A more recent development occurred in May 1963 when a Supreme Court majority indicated no disagreement with the new FPC method of priving gas at the wellhead. The wholesale price of gas sold by independent producers in interstate commerce will now be determined on an area or geographic basis, rather than on an individual cost of service basis. In effect, the new policy sets maximum prices for gas in all producing areas, and should allow the FPC to reduce the current backlog of producer rate cases, as well as deal more effectively with future cases. In another recent effort to stabilize the cost of gas, the FPC has prohibited the use of indefinite escalator clauses in purchase contracts between producers and pipelines, although this step does not yet have judicial approval.

Research for New Uses

"With most of the nation's metropolitan areas now served by natural gas, the industry is placing greater emphasis on developing and promoting new and improved uses for its product. Through the American Gas Association, the industry plans to spend $3.5 million this yaer on research programs. These include improvement of existing gas appliances such as heating and air conditioning units, as well as the development of completely new gas-burning equipment for both the home and industry. Other major activities in this area include industry-sponsored research on fuel cells using natural gas as the energy source, and experimental work by several companies with gas engines and gas turbines for on-site generation of electricity.

Optimistic Prognosis

"The American Gas Association estimates that by 1971 the physical volume of natural gas sales will be more than 50% higher than in 1962. With the large supplies presently available, and new additions to reserves being made each year, natural gas is in a position to provide a significant portion of the energy requirements of our growing economy. In addition, the recent improvement in the regulatory climate increases the prospects for healthy growth of all segments of the natural gas industry.

Livestock Financial Corp. Common Offered

Charles Plohn & Co., New York, as sole underwriter, is making the initial sale of Livestock Financial Corp. common stock through a public offering of 200,000 shares at $5 a share.

Livestock Financial of 26 Platt St., New York, was organized under New York State laws in November 1961, as an insurance holding company, and its subsidiaries are or are expected to be engaged principally in the writing of insurance on the lives of animals, particularly thoroughbred horses, race horses and pedigreed cattle.

The company proposes to use approximately $800,000 of the net proceeds from this stock offering as a capital investment in its subsidiary, Livestock & Casualty Insurance Co., a New York corporation.

The executive officers and directors of the company are as follows:

Jay B. Rappaport, Chairman of Board, James N. Pollock, President and irector, Joel Schenker, Vice-President, Treasurer and Director, Joseph T. P. Sullivan, Chairman of Executive Committee, Vice-President and Director, Monroe Chapin, Secretary and Director, Edward Arcaro, Director, Melville Alexander, Jr., Director, George C. Boddiger, Director, Sol W. Canto, Director, W. True Davis, Director, Ray W. Kline, Director, Albert Parker, Director, John Hendricks Young, Director.

Upon completion of the offering, it is expected that the following additional persons will be elected to the board of directors: Mary Elizabeth Whitney Tippett, Herbert Palestine, Charles Plohn, Bruce R. Tuttle, and Theodore Goodman.

PUBLIC UTILITY SECURITIES

BY OWEN ELY

El Paso Electric Company

El Paso Electric with annual revenues of $22 million is one of the smaller Texas utilities, but its rapid growth in the past decade and its further growth potential have given this over-counter stock a market status not far below that of other growth stocks in that area. The company is showing an average annual gain of 8 to 9% in kwh sales and 7% or more in revenues. Earnings have shown an average gain of nearly 8% in the past decade. Since the stock first came into the hands of the public in 1947 there have been three 2-for-1 stock splits, a 6⅔% stock dividend and four "rights" offerings of stock.

El Paso Electric serves electricity in El Paso and 18 other communities in Texas, as well as 22 in New Mexico. About 80% of the business is in Texas and 20% in New Mexico. A population of some 400,000 is served of which about three-quarters is in metropolitan El Paso. The service area is located along the Rio Grande River Valley, in a belt about 224 miles long. El Paso, the largest city on the Mexican border and the fifth largest in Texas, is the hub of a thriving ranch and farm economy but also has diversified light industry. Being the gateway to Latin America for a multi-million dollar export-import business, it is a central point for airlines and other transportation. It is also a well-known resort center with the Sun Carnival (between Christmas and New Year's) attracting thousands of persons. Tourists are also interested in the city of Juarez, Mexico, across the international bridge.

El Paso has become the largest maker of cotton clothing in the U. S. and the area has large fields of irrigated cotton, producing three times the national average per acre, including the world-famed extra-long staple SuPima. El Paso is the operating headquarters of El Paso Natural Gas, which supplies gas to 11 western states, and it also contains two of the southwest's largest oil refineries as well as large copper smelters. Cattle ranches, stockyards, and packing facilities provide for substantial payrolls. Smaller firms are making the city their home, increasing the diversification of industry. The company's revenues are 36% residential, 31% commercial, 10% industrial and 23% public agencies and miscellaneous. Summer air-conditioning and irrigation pumping loads are important.

Extensive military installations are favorable load-building factors. The White Sands Missile Range is in the company's service area. It is a 40-mile wide concentration of the most accurate data-gathering instruments in the world, and while operated by the Army is also used by other government agencies and their industrial contractors. Historically, White Sands (established in 1945) is the birthplace of our nuclear arms and the missiles that carry them. It is not only the largest site in the western hemisphere, but it is also the busiest, with many thousands of test firings and missions each year. It has a personnel of over 15,000 and a payroll of $100 million annually.

El Paso Electric enjoys a favorable regulatory climate, with municipal regulation in Texas. In general, fair value as the rate base is permitted, with a resulting return on net plant account of 7-7½%. The company uses conservative accounting with tax savings from rapid depreciation, the investment credit and guidelines being normalized.

The company uses gas as fuel in its generating plants, and while the cost has increased from 18 cents per mcf to around 30 cents in the past decade, this has been partially offset by an increase in generatng efficiency (in 1954, 14,000 btu were required to generate one kwh, while now less than 11,000 are required). Thus the cost of generating one kwh has increased only about 28% as compared with the 67% increase in fuel cost.

The company produces virtually all its own power requirements, but subject to hydro conditions, additional power is available from the Federal Government's Rio Grande Development. The company's two steam plants have a capability of 431,000 kw, including a 90,000 kw new unit currently being completed.

Construction outlays this year are budgeted at $6.3 million and will approximate $3 million in 1964, $10 million in 1965, $8 million in 1966 (when another new unit may be installed) and $4 million in 1967. The credit for interest on construction is expected to approximate $273,000 this year, $31,000 in 1964, $256,000 in 1965, $341,000 in 1966 and $30,000 in 1967. The company does not plan to do any permanent financing in 1963 or 1964. In June it sold privately 40,000 shares of $4.56 preferred stock to retire the same amount of higher dividend shares, saving about $33,000 a year annually.

El Paso Electric's earnings per share have more than doubled in the past decade, from 46 cents in 1952 to 95 cents in 1962 and an estimated $1.05 for 1963. If a hot summer should prevail, this would increase demands for air-conditioning and irrigation pumping giving some further impetus to common stock earnings.

The stock has been quoted recently in the over-counter market around 26 bid. At this price, the 66 cents current dividend rate would afford a yield of 2.5%. Based on the earnings of $1.01 for the 12 months ended May 31, the price-earnings ratio is 25.7.

Burns V.-P. of E. F. Hutton Co.

Effective Aug. 1, James F. Burns III will become a Vice-President of E. F. Hutton & Company, Inc., 1 Chase Manhattan Plaza, New York City, members of the New York Stock Exchange. Mr. Burns is in charge of the Syndcate Department.

SECURITY SALESMAN'S CORNER

BY JOHN DUTTON

"You Owe It to Yourself"

The security salesman who makes mistakes that are costly to his clients, will find that those mistakes can be harmful not only to others, but also to his own future. Some mistakes are unavoidable. But the only way to build a successful investment clientele is to set a plan of procedure that will eliminate many avoidable errors. The investment business is rapidly reaching a point where investment men will counsel clients rather than sell securities. In fact, the most successful registered representatives and salesmen now take this approach. Nothing is ever suggested to a client that is not thoroughly considered from the standpoint of his welfare. If you want to avoid mistakes, ask yourself this question every time you make a recommendation to a customer, "Is this the best thing for my client to do?" If it is, then go ahead. If not, don't advise it. That is step number one.

The Longer View

When you help clients to manage their portfolios in such a manner that they are well satisfied with results, referrals to other accounts will become an important factor in building your business. Here are some of the positive steps that can be helpful in accomplishing this much to be desired objective.

(1) When you are in doubt regarding the intermediate, or long term outlook for the stock market (or the bond market) advise caution. Do not go out on a limb—but counsel your clients to take a waiting position. There cannot be a definite approach to such matters. But if you are sincerely convinced that there may be a better buying opportunity at a later date, place the facts before your client. Sometimes, it is advisable to suggest an investment in short term notes for larger accounts.

(2) Never recommend a new issue, or a secondary, unless you have studied the company's past performance, and the market record of the stock. If you are satisfied that the stock qualifies on both counts then offer it to customers who have a place for it in their portfolio. Never offer an investment that does not meet the objective of the customer. Growth stocks for those who can use them, income stocks for the income minded; this is the formula.

(3) Correct mistakes promptly. Mistakes are part of the investment business. If you think you are on the wrong track—change trains.

(4) Be very selective in your recommendations. "Leopards very seldom change their spots," when you are considering common stocks for inclusion in the investment portfolios of clients. A business is no better than the men who run it. Sometimes a change in management can remake a company. Be aware of this possibility but remember than only too often a business that has had a poor record in the past will continue to drag its feet, no matter how many excuses management will make to stockholders.

(5) Recommend common stocks that have a quality record of past income production, and that are in a likely position to continue improving disbursements to stockholders because of aggressive management policies. As a general rule, avoid non-dividend payers, unless it is an ultra special situation, with other affirmative factors that indicate a possible, and very near term, change in the outlook.

Work With Clients

Arrive at an understanding with your clients. Let them know that you want them to increase their capital as much as they desire it, but you must also confer with them regularly. Help them to understand that the road you both must take in order to accomplish this objective has many turns and detours. There will be times when a temporary shrinkage in assets may be unavoidable. Income is often of major importance to some people. When this is the prime objective, help them to realize that it is very seldom securities are available that offer steady and generous income and *also* outstanding opportunity for capital enhancement and growth. Many clients are not aware of this.

Investors as a group are not as well informed as professional traders, large security buyers, and security salesmen. Take nothing for granted. Go over your client's objectives regularly. Restate them when you are discussing the purchase or sale of a security. Never talk down to anyone (or try to appear too well informed) but make certain that what is often obvious to you is also clear to your clients.

Your own success is dependent upon the progress made by your customers in achieving realistic investment goals. You owe it to yourself to be very careful of the recommendations you make at all times. It takes a lot of hard work to build an investment business . . . and even more to keep it. Never allow your own determination to make an objective appraisal be side-tracked by the statements or pleadings of other people. Keep your eyes and ears open. . . try to refrain from all impulsive decisions . . . remember that many statements are released that are only half truths and sometimes cannot be taken literally.

This is a real world. When you put your money on the line you are not playing games. All the regulations in the book will not help you to make sound decisions if you accept statements literally without a thorough study and investigation of the available facts.

Be hard boiled with your client's capital. When in doubt take to the sidelines. When you like a situation, and you believe your timing is right, then act. Never be over-positive. Never over-sell. Never try to pose as infallable. But work at your job and work with your clients. Those who are intelligent will work with you and your results should be gratifying to you both over the years. Don't waste your time on clients who want something for nothing, expect too much, or who are unable to set up objectives that are reasonable and in keeping with their ability to achieve them. If you do this . . . your business will grow and you will insure your own future.

Duome V.-P. of AF-GL Agency

Election of Joseph J. Duome as Vice-President of Albert Frank-Guenther Law, Inc., has been announced by John V. McAdams, President of the national advertising and public relations agency.

Joseph J. Duome

Mr. Duome joined AF-GL in 1956 as a public relations account executive. Previously, he served as manager of chemical public relations for Chas. Pfizer & Co. He also spent six years with the Journal of Commerce as assistant to the chemical editor and then technical editor. Prior to that he was an associate editor of the Sports Extra radio program for three years. Mr. Duome is a member of the Financial Writers' Association and the Long Island Advertising and Long Island Public Relations Associations.

Interstate Securities Co., Rights Offering To Stockholders

Interstate Securities Co. is offering its stockholders the right to subscribe for an additional 173,433 common shares, at $7 per share, on the basis of one new share for each four held of record July 22. Rights will expire Aug. 6, 1963. The offering is being underwritten by a group headed by A. G. Becker & Co. Inc., Chicago.

Proceeds will be added to working capital.

Interstate, a Kansas City-based firm, is engaged primarily in sales financing, direct lending to consumers on both secured and unsecured notes, and commercial financing. In addition it writes credit life, credit accident and health, and automobile physical damage insurance.

The company also announced that it had sold privately $2,000,000 of junior subordinated notes due May 1, 1978, through A. G. Becker & Co., Inc.

Roose, Wade & Co Formed in Toledo

TOLEDO, Ohio—Roose, Wade & Company, Toledo Trust Building, has been formed to continue the investment business of Roose & Company. Officers are George A. Roose, Chairman of the Board, and George S. Wade, President. Mr. Wade was formerly Vice-President of Stranahan, Harris & Company.

Questioning Glance at Some Municipal Bond Trends

Continued from page 1

investment and the emergence of new regional and area problems will require efforts on the part of state and local authorities and of citizens in general to render more effective the instruments of government located close to home. A proper sharing of governmental responsibility may require a strengthening of the capacity of state and local entities to meet their emerging and increasingly heavy burdens."

President Kennedy in the economic report of the President transmitted to the Congress, January, 1963, has emphasized the fiscal requirements of state and local governments in this manner:

"The Federal budget is hard pressed by urgent responsibilities for Free World defense and by vital tasks at home, but, the fiscal requirements laid upon our states, cities, school districts, and other units of local government are even more pressing. It is here that the first impacts fall — of rapidly expanding populations, especially at both ends of the age distribution; of mushrooming cities; of continuing shift to new modes of transportation; of demands for more and better education; of problems of crime and delinquency; of new opportunities to combat ancient problems of physical and mental health; of the recreational and cultural needs of an urban society.

"To meet these responsibilities, the total of state and local government expenditures has expanded 243% since 1948—in contrast to 166% for the Federal Government; their debts by 334% —in contrast to 18% for the Federal Government."

Record Volume of Financing

Tremendous demands for all types of public improvements have necessitated record volumes of municipal financing. During the last decade total long term new issues of state and local governments have ranged between $5,400,000,000 in 1956 and $8,500,000,000 in 1962, while the total amount of bonds outstanding has risen from $32,400,000,000 in 1953 to over $80,000,000,000 in 1962. So far in 1963, the pace continues with over $4,500,000,000 new bonds sold through May. If this were to continue throughout 1963, it would produce a record breaking annual volume in excess of $10 billion.

This heavy volume of new bond issues has produced some interesting developments which I will discuss later. Suffice to say it has taxed municipal bond dealers to the utmost, to meet the daily impact of new items being added to the bond sale calendar and to maintain orderly secondary markets for outstanding bond issues.

The successful handling of the record breaking 1962-63 volume of new municipal bond issues at the relatively attractive borrowing rates accorded the issuers has been due largely to the liberalization of regulation by the Federal Reserve System raising the permissible interest payment ceiling by commercial banks on time deposits to 4%.

Banks' Heavy Purchases

To meet the higher cost of time deposits and to adequately employ the influx of time deposits into the banking system, heavy purchases of municipal bonds were made by commercial banks totaling more than $4,400,000,000 during 1962. While the rate of increase has not continued during 1963, there is evidence that net additions of municipal bonds continue to be made.

The *Bond Buyer's* 20 bond index of municipal bonds declined from 3.37% in January, 1962, to 2.98% during October and rose to 3.05% by the end of the year. So far during 1963, the index has been more stable, ranging from a high of 3.18% in February to a low of 3.06% in April. Currently the index has climbed to 3.16%.

It is interesting to note that the 1962-63 level represented the lowest yield (percent) (highest price) since mid-1958.

In the last few weeks there appears to be a slowing down of investor interest. Yields are tending to rise, buyers are more selective, new offerings show about a 50% acceptance, price cutting is general. Could this be the usual summer adjustment? Is it the law of supply and demand equalizing the level of the market? Is there concern over a tax cut? Is money beginning to tighten? Probably all of these factors and others too, have some bearing on the market.

Future Borrowing Conjectures

What can we look forward to in the months ahead? Probably the volume of new issues will continue to be at a record pace. Bond election results so indicate, plus the fact that some $13¾ billion authorized, but unsold bonds, dating back to prior bond elections, remain unsold. However, the level of the market will reflect some of the uncertainties with rates tending to rise. Should there be a quickening of the business pulse and if money should be in short supply — rest assured the expansion of bank holdings of municipal bonds will slow to a halt — particularly if funds are needed to meet a rising loan demand and if time deposits cease to grow as rapidly as they have in the 1962-1963 period to date.

As many banks have increased their holdings of municipal bonds in the 10 to 20 year range, increased demands for funds could necessitate some liquidation if funds could not be raised through the sale of government securities, maturing obligations and cash. Obviously, this would result in some pressure on the market for longer maturities, giving effect to higher yields.

Having established that there are some financing problems of local government, reviewed the growth in total debt and the increasing annual volume of new issues and conjectured on relative future costs of borrowing, let us discuss some of the current developments in municipal bond financing which are significant and which should touch base with many state and municipal officials. The subjects are not necessarily in the order of importance, but are presented at random.

Current Developments in Municipal Bond Financing

(A) Credit Trends

I think it appropriate to repeat a portion of an article appearing in the *Bond Buyer,* Nov. 28, 1960, entitled "A Review of Some of the Potential Bond Financing Problems of the Soaring Sixties" in which I stated:

"The one segment which I believe requires a great deal more attention on the part of investment bankers and which could conceivably become the number one problem of the sixties, is the preservation of municipal credit. For the last two decades, we have had little or no reason for concern as to credit weakness such as was in evidence during periods of the prior two decades. States and their political subdivisions have been able to finance their needs without undue strain on their tax and revenue sources. Elements of promotional financing have been in little evidence. Lessons of the 20's and 30's are still a deterrent to most historical borrowers, to follow the road of easy debt incurrence.

"What about the years ahead? Any analysis of the trend of state and local debt will disclose a growing volume that well may strain individual borrowers. Replacement of antiquated and outmoded facilities, public improvement needs of increased population, new services and the creation of many new taxing and revenue producing public entities cannot continue indefinitely if tax and revenue sources do not keep pace. While property taxation is tending to be less important as a source of state and municipal funds, revenues which are tied to the business cycle may not be sufficient to bridge the gap during the recessionary periods. Willingness and capacity to pay property taxes are not the same criteria for the payment of income taxes, consumer taxes and various fees and licenses.

"While several states have had to provide new revenue sources and raise others in order to provide balanced budgets—demands continue high, reducing or eliminating anticipated surpluses. Local units of government with fewer available sources of revenue have an even more difficult time to make ends meet.

"Pressures for public improvements on the one hand and voter disapproval on the other hand bring about methods of public finance which tend toward credit weakness. Forms of lease-purchase financing, creation of non-voted tax supported debt and Federal loans outside of local debt limits are typical methods of circumventing normal bond financing procedures."

Having started my investment banking career in 1929, my experiences during the 30's in dealing with municipal defaults have left some very vivid memories.

Will the Present Repeat the Past?

To illustrate this I would like to quote from A. M. Hillhouse's book entitled *Municipal Bonds — A Century of Experience,* published in 1936:

"Until the present depression, it was generally believed that municipal defaults belonged irrevocably to the past. Defaults and railroad subsidies somehow had become inseparably connected, and were assigned together to the realm of forgotten limbos. The present generation of municipal bond men and investors grew up with a genuinely honest and implicit faith in the Gibraltar-like character of 'municipals.' Pre-depression bond literature of the present century was replete with evidences of such faith; likewise, local officials knew little of past default troubles. A long period of rising prices, increasing revenues and general business prosperity had taken the sting from debt payment, so that a borrower's day of reckoning conjured up no unpleasant thoughts. The depression era 1929-1936, with an almost unprecedented crop of municipal defaults, has taught municipal officials, bond men and investors alike a new lesson. The downward swing of the business cycle has made them debt-conscious; and, for the majority of the present generation this is a new experience."

It is easy to argue that it can't happen again. Many changes have taken place since the 30's which strengthened our cities and their ability to meet the impact of debt problems. However, with so much reliance on the "business cycle" source of revenue, with the earmarking of various special revenues for revenue debt, with Federal and state governments playing a larger role in the financial affairs of our communities and the pressing of the "panic button" to push Federal aid programs each time we have a business recession, we may well ask—what would be left to our cities if we had a real depression?

Let us take a good look where we are going; and, while doing so we had better think seriously about our respective municipal credits so that we do not repeat the errors of the past.

(1) Threat to Tax Exemption

(B) Tax Exemption and Tax Reduction

I am sure all heads of municipalities are aware of the adverse decision handed down May 2, 1963, by the U. S. District Court of Tulsa, Okla., involving the Atlas Life Insurance Company contesting certain interpretations of the Life Insurance Company Income Tax Act of 1959. It is expected the decision will be appealed to the Circuit Court of Appeals and ultimately to the Supreme Court of the United States. I note that this is referred to in one of the proposed Conference resolutions.

Without going into the technical details of the suit, it has generally been interpreted that the Life Insurance Company Income Tax Act results in a tax on tax-exempt interest through the device of proration. Some feel that this decision could lead the way to a similar treatment of certain income earned by banks. It was only a short time ago that some offices of the Internal Revenue Service attempted to disallow tax-exempt interest earned by certain banks to the extent that saving deposits were invested in municipal bonds. The theory being that interest paid to depositors was in effect a cost of borrowing the savings deposits. Fortunately this practice was quickly discontinued after wire protest. The proposed Federal guaranty of local bonds to finance mass transit if tax immunity is waived, poses another threat.

Those concerned with tax-immunity of interest on state and municipal bonds must feel that they are fighting a "cold war." "Alarums and excursions" seem to be the order of business—defenders of states rights put out "brush fires" and other spring up — *ad infinitum.* This is a tedious, discouraging but necessary process.

There are many who feel there is no threat to tax-immunity. Some believe it is a matter for the courts to decide, others, that it is up to the legislatures and Congress.

In my opinion one can't take it for granted that nothing will be done to disturb tax-immunity. As long as there is an effort to eliminate "exemptions" from Federal income taxes there can be no rest. We must realize we are dealing with a different philosophy of government that in effect establishes the 16th Amendment to the Constitution as having eliminated income tax-immunity.

What would be the effect of the loss of tax immunity on the cost of financing long term capital improvements? Obviously, higher interest rates which would mean higher taxes. Small and less-secure units of government would be hard-pressed to meet their community needs except at excessive costs or through other methods of financing.

Doctrine of Reciprocity at Stake

We all have a stake in the doctrine of reciprocal tax-immunity. We can only conjecture as to how much impact there will be on the market for municipal bonds as the Atlas Life Insurance Company case reaches our highest court. At best the market could be unsettled—at the worst the market could be subjected to severe pressure by those attempting to liquidate their holdings in anticipation of an adverse decision.

What can be done to prevent such a condition from developing? There are many avenues open. For example, in California for two years running the state legislature memorialized the President, Vice-President, members of Congress and the governors by means of a joint resolution calling attention to the problem and asking Congress to take corrective legislative action so that there would be no elimination of tax-exemption directly or by devisive action. Last year's resolution even called for amending the 16th Amendment to effectively close the door to any possible removal of tax-immunity.

Probably the best method in addition to the United States Conference of Mayors resolution, considering the need for expediency is for each member to organize a campaign to communicate with members of Congress asking that the Life Insurance Income Tax Act of 1959 be amended to clearly indicate procedurally for the benefit of the Treasury Department that Congress did not intend the act to impose a tax on tax-exempt income either directly or by pro-ration — time is of the essence.

(2) Tax Reduction

Reduction of Federal income taxes will proportionately change the value of tax-exemption to the holder of municipal bonds depending upon their respective tax-bracket. Not being able to anticipate when such a tax-reduction will be effective, if at all, and the degree of reduction, it is difficult to predict the possible impact. However, I think we can say that the principal area of adjustment will be in short term rates, that is raising rates.

Individual bond holders will have to compare the after-tax returns on taxable income with the tax-exempt yields available under the new schedules and reach a decision as to the most attractive investment medium according to their individual needs. A situation similar to letting air into a vacuum will result with pressure equalizing after the initial rush.

It is probably appropriate to state that for many investors, even after a lowering of Federal income taxes, tax-exempt municipal bonds will continue to offer the most attractive yields available. However, one must keep in mind that when tax legislation is reaching successful conclusion, there may be some unsettlement in the municipal bond market brought about by those seeking to anticipate the effect and improve their investment positions. It will be a time to be cautious when bringing new issues of municipal bonds to market as there will probably be a moderate adjustment in the level of the tax-exempt bond market.

(C) Federal Aid Programs

Federal aid programs are numerous and varied. Programs of interest to municipalities fall under the general headings of "Community Development and Public Housing," "Education and Health" and "Resource Development."

I do not believe it is appropriate to discuss in detail the several programs. However, I would like to mention that many investment bankers have actively opposed the passage of certain Federal aid legislation which they have felt is unnecessary because either the private sector is capably taking care of community needs, the temptation of easy money through Federal aid would lead to financing unnecessary projects and the formula establishing the cost of borrowing is unrealistic resulting in interest rates below the cost of financing by the Treasury Department. Having worked closely with the several Federal agencies and their subsidiary administrations carrying out the acts as they interpret the intent of Congress, I am convinced that every effort is being made to do a good job for the country. While we can oppose Federal aid programs, in theory, in practice when they become law, they can be effective and useful. They should not displace private enterprise and they should not establish artificially low interest rates. I believe there is a need for some forms of Federal aid — it is really a matter of degree.

(D) Improving the Physical Form of Bonds

The very volume of municipal financing has necessitated a new look at the physical appearance of bonds. Vaults have been inadequate in many cases to house the holdings of institutional investors. As a result more and more issuers of municipal bonds have been permitting bidders to request $5,000 denominations rather than the usual $1,000. There is an obvious saving in engraving and lithographing costs.

There has been universal acceptance of the practice to print the legal opinion of the approving bond attorneys on bonds, eliminating massive files of legal opinions kept by most investors and investment dealers alike; except on old issues.

The engraving, lithographing and printing industry is tackling the problem of counterfeiting. The general up-grading of the quality of paper and the reproduction process is under study — this should result in a better and more acceptable product for the investor and a better "advertisement" for the issuer.

The so called "Philadelphia Plan" for registered, exchangeable bonds is attracting more and more interest from issuers and investors. As the practice of interchangeability spreads, a broader market will follow.

Reduction in the size of bonds and the use of magnetic ink on interest coupons permitting easier tabulation for accounting purposes is finding favor in some areas.

Probably the big change will come when the coupon bond finally gives way to the fully registered bond, in appearance much like a stock certificate or a U. S. Savings Bond. This will open up new opportunities for simplification of accounting for debt and debt service.

All of these developments, not seriously considered a few years ago, are indicative of how old habits are changing. They are all for the good and have made possible the continued investor acceptance of the nation's growing municipal debt.

(E) Bank Underwriting of Municipal Revenue Bonds

For many years the nation's commercial banks have been seeking Congressional support for an amendment to the National Banking Act (Sec. 5136 of the Revised Statutes, paragraph "seventh", 12 U. S. C. IP 24) so as to authorize commercial banks to engage in the business of underwriting and trading as securities dealers in those revenue bonds of states and municipalities in which they are permitted by law to invest. The 10% limitation of capital, surplus and undivided profits on individual investments would also apply to underwriting commitments.

Banks take the position that authority to underwrite and deal in the subject revenue bonds will provide competition, reduce interest costs, broaden investor acceptance, enhance secondary trading markets and afford closer bank-customer relationships with the issuers of municipal revenue bonds.

Opposing the banks is an organization of non-bank dealers who take a different viewpoint. However, it is not appropriate to go into detailed discussion of the many points of controversy.

Legislation to accomplish the desired amendment in support of the banks position has been introduced (H.R. 2060) by Representative Vanik of Ohio and has been referred to the House Banking and Currency Committee. It has the support of the Comptroller of the Currency.

(F) Advance Refunding

There is nothing new about advance refunding, but for the purpose of clarification it is generally considered the refunding of an outstanding bond issue prior to its maturity and, if callable prior to maturity, prior to such optional date of redemption. This entails the issuance and sale of a refunding bond issue, the proceeds from which are either deposited with the issuer or a fiduciary sufficient to pay the interest when due and to redeem the bonds at maturity or at the prior redemption date at the call price. The funds deposited may be invested in Treasury bonds, the interest accruing being used to pay interest on the bonds to be redeemed and either through redemption or sale the Treasury bonds provide funds which are used to pay the principal including call premiums of the redeemed bonds. On occasion the fiduciary may secure the deposit of funds with Treasury bonds

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Questioning Glance at Some Municipal Bond Trends

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rather than investing the deposit. Also rather than a cash deposit, a time certificate of deposit may be isued by a bank who, in turn, may invest the deposit in treasury bonds or some of the advance refunding bonds.

In past years such refundings were to either take advantage of lower interest rates, easing of revenue bond indentures which precluded certain necessary actions being taken in keeping with subsequent developments or to correct debt problems which might result in future financial difficulties.

Much of the same conditions exist today but the preponderance of advance refundings currently being considered or which have been accomplished are based on a savings of interest due to current lower rates. One point in particular is noteworthy and that is that advance refunding is being accomplished today for a much longer period prior to the redemption date of specified issues—instead of a few months—the period is being extended to five years and we hear of some refundings that might be 10 years in advance.

IBA Study Grave

To consider all aspects of advance refunding of state and municipal bonds the Investment Bankers Association has appointed a special committee of which I am chairman. It is our hope that we can provide constructive comments so that there will be no abuse of this revived municipal financing device. Here are some preliminary thoughts:

While advance refunding is connected to a legitimate public purpose, that of refunding an outstanding indebtedness to obtain a lower interest cost, the method also has aspects of borrowing money for purposes of investment to gain a profit and it appears that many people have the feeling that advance refunding may be a step beyond proper governmental activities. This seems to be a subjective question of political philosophy which we, in our discussions, have not attempted to judge. Rather we have been discussing the matter from the point of view of objective arguments pro and con and from the point of view of possible legal problems.

The arguments pro are obvious. An advance refunding properly set up at a time when rate differentials are favorable will guarantee a saving of interest cost over what would be the cost if the issue were never refunded.

Argument Against Advance Refunding

The arguments con as we see them are as follows:

(1) While we would have no doubt that the interest on advance refunding bonds would be exempt from Federal income taxes under the existing Federal statutes, a widespread use of this device might lead Congress to create an exception which in turn might be another "foot in the door" leading to more general invasions of the exemption. The argument here is similar to the one which has been made against industrial municipal aid financing of which we will speak later.

(2) Advance refunding has some aspects of gambling on the future market. In this it is similar to the case where a public agency sells its bonds far in advance of the time when it will use the proceeds because it feels that the market is presently "favorable" and that interest rates will be higher if the sale is delayed until the money is needed. If the prediction proves to be wrong (as it has in some cases) the public agency will pay a higher rate than it would have paid if the sale had been made later. The feeling that public agencies should not gamble on a future market has led people to say that as a general rule a public agency should sell bonds when the money is needed and not before. Of course, when an advance refunding is properly set up under favorable rate differentials a saving is guaranteed but the gambling against a future market is still present because, if the refunding had been delayed until the bonds are callable, an even greater saving might have been made.

(3) Advance Refunding, if widely used, may defeat itself as far as future use is concerned. To the extent used the market supply of tax-exempts is doubled during the period until the call of the original bonds. Hence widespread use of advance refunding may itself drive interest rates up making further advance refunding, or even normal refundings, impractical.

(4) If advance refunding becomes standard practice the next step may be advance refunding of advance refunding bonds in order to gain even greater profit from the differential between tax-exempts and U. S. Governments. Such an extension would certainly seem improper.

Collateral Legal Problems

In connection with legal problems we suggest the following:

(1) Advance refunding is probably legal under most statutes permitting the refunding of outstanding debt because most refunding statutes put no limit on how far in advance of the actual refunding the refunding bonds may be authorized and sold. However, advance refunding may cause collateral legal problems.

(2) If there is a percentage debt limitation applicable to the public agency, a legal problem will arise if the original issue plus the refunding bonds exceed the limit. Most percentage debt limits do not contain any express exception for the refunding situation. However, in the case of a normal refunding most courts will imply an exception. Thus, these courts hold that the percentage limitation is not violated even though there may be a brief period of time during which both issues are technically outstanding and the total of the two (but not either one taken alone) would exceed the limit. However, we know of no case where a court has applied such implied exception to a case where both issues would be outstanding for a period of some years and we believe that it is dangerous to assume that our courts would so hold.

(3) A legal problem will also be present in those cases where it is necessary or desired to take away from the holders of the original bonds some of the rights to which they were originally entitled. This can arise in a number of different ways. If the original bonds are revenue bonds it may be necessary, in order to issue the advance refunding bonds, to violate a covenant against creation of additional debt. In other cases, it may be necessary to take away from the holders of the original bonds liens on property, rights to taxes or assessments, liens on revenues or other rights held under the original bond issue.

Impairment of Contract Rights

If so, the legal question is whether or not the fund consisting of the proceeds of the refunding bonds invested in U. S. Government securities and held to call the original bonds and to pay interest thereon in the interim is a sufficient substitute for the original rights to avoid any claim of impairment of the contract rights of the holders of the original bonds. The case law seems to be clear that if the issuing agency holds in trust sufficient moneys to pay bonds at maturity (or to call the same at a future call date) plus interest to maturity or to the call date, then the taking away of original rights is not an impairment of contract. A question may arise as to whether or not this rule applies where the fund is not held in cash but in U. S. Government bonds. An even more serious question may arise if the intervening interest on the original issue is covered, not by assets presently in hand, but only by future interest to be earned on the investments.

One additional point might be stressed, the substantial increase in certificates of deposit issued by banks, some of which represent proceeds of advance refundings, may distort banking figures and may lead to an interesting analysis.

(G) Municipal Industrial Aid Financing

Municipal financial history contains a long record of early municipal aid programs for the benefit of private enterprise. In modern history the B. A. W. I. (Balance Agriculture With Industry) plan of Mississippi has been the proto-type of a growing volume of municipal bonds issued to aid private industry, usually by construction plant facilities and leasing to an industrial concern, the municipalities' revenue bonds being secured by the lease rentals.

Many organizations have opposed this method of financing, including the Investment Bankers Association. Yet state after state has passed enabling legislation to permit various forms of industrial promotion, including the issuance of bonds. The opposition of the IBA has not prevented some of its members acting as consultants and as underwriters of municipal industrial aid bonds.

The arguments in opposition to this method of financing are that it represents a misuse of municipal credit, it is a threat to tax immunity, it tends to weaken municipal credit, and it is not equitable to all industrial concerns located in the same municipality. There has been legislation offered in Congress to deny to an industrial concern the tax deduction of rental payments in such cases.

There is a very obvious question that merits attention, if all states and all municipalities competed for industry, extending and expanding the list of inducements to secure plant location, what would the end result be?

(H) Lease-Purchase Financing of Long Term Capital Improvements

There are a growing number of states sanctioning the lease-purchase method of acquiring long term capital improvements.

When this form of financing is used to circumvent voter approval and to evade debt limits, it is certainly suspect. It is usually more costly than normal bond financing and when not included in debt statements distorts the credit of the issuer. It is usually negotiated and not subject to competitive bidding. It may take the form of direct leasing between the issuer and the investor or may use the non-profit corporation device in lieu of the issuer.

Municipalities that are faced with continued voter disapproval of bond issues for necessary public projects, or if the bond issue fails to secure the required majority approving vote, such as 66⅔% but records a 60% approving vote, have some reason for seeking other methods of financing. To be objective, it has been suggested that lease-purchase contracts might be subjected to approval by a majority vote or by referendum and that the contract must be capitalized and be within the debt limit. For voter consideration, relative costs of financing would be presented and contracts would be subject to competitive bidding if practical.

(I) Metropolitan Government

One might ask why should the subject of metropolitan government be included under financing local government?

Being a member of our state's Commission on Metropolitan Area Problems, I have listened to many learned discussions on the subject of metropolitan government. In my opinion, metropolitan government is not the answer to all of our area-wide problems. As a matter of fact, to lump a number of municipal services together under a form of Metro is not necessarily the answer to growth. It can often be more costly, fail to accomplish its objective and require endless corrective legislative efforts.

Strengthening the Credit Base

If we feel that a form of metropolitan government can do a better job for our municipalities in a single or restricted area of public service, then it should merit support. Some single services of an area-wide need might include air-pollution, recreation, mass transit, water supply and water-pollution. Certainly from the standpoint of financing through municipal bonds — the stronger the issuer from a credit analysis, the lower the potential borrowing costs.

I am a great believer in voluntary government organization joined together to discuss and plan how to deal with area problems such as ABAG (Association of Bay Area Governments) serving the San Francisco Bay Area.

I understand that at present in Southern California a new association is being formed patterned after ABAG, embracing 10 counties, called "SCAG" (Southern California Associated Governments).

Another off-set to Metro government which works exceedingly well is contracting between governmental units to perform specified services — a so-called "joint exercise of powers" method.

(J) Public Deposits

Normally, we cannot expect a good municipal bond market unless there is broad participation by commercial banks adding to their investment portfolios. Many banks limit their purchases to 1-10 year maturities while others extend to 15-20 years. When banks have investment funds which are directed towards purchase of municipal bonds, buying pressures exert a strong influence on interest rates in these years and in turn affect the yields on longer maturities. This has been particularly noticeable since the start of 1962.

Looking back it is quite obvious that during 1960 banks made relatively minor additions to their investment accounts on balance. This can be related to the "tightness" of money causing most banks to liquidate security holdings to meet their normal credit demands.

Decline in deposits either thru competition from institutions other than banks, paying higher rates on time money or the withdrawal of money by customers seeking a higher return on short term government securities than could legally be paid on time deposits, aggravated the banks fund position. In other words many commercial banks were faced not only with the problem of liquidating securities but also curbing loans.

The reason I am mentioning this problem is to point out that bankers feel responsible for meeting the credit needs of their community and their trade areas. When they must curtail the extension of credit because of lack of funds, this is reflected in the well being and growth of the area they serve. It can mean a decline in home purchases, household equipment needs, goods and services and even business needs. Support of local government usually comes from tax revenue and fees, much of which is influenced by the business cycle. So it follows that needed municipal revenues can reflect the curtailment of bank credit.

From time to time I have noted news items wherein many cities point with justifiable pride to the income earned on their funds thru investment. It might be appropriate for public officials to discuss this with their bankers. Even as banks try to meet their community responsibility, public officials must also accept a measure of responsibility to insure the economic well being of their community. Funds that would normally be deposited with local commercial banks by municipalities and other public bodies, but which are invested in short term securities restricts the supply of loanable and investment funds, contributes to a business decline and tends to reduce sources of municipal revenue.

Recommendations such as made by the Advisory Commission on Intergovernmental Relations in one of their reports on the investment of idle cash balances by state and local governments should be related to their effect on the banking fraternity in the community and their ability to continue to buy bonds and meet the credit needs of the area.

(K) Marketing of Municipal Bonds

The last 2½ years have seen some interesting developments in the underwriting and syndication of new issues of municipal bonds. This has been particularly true when large issues amounting to $50 million or more reach the competitive bidding block.

Single bidders and relatively small groups of dealers have made frequent bids for these large issues, often buying them in contrast to the large nationwide groups that have been the traditional competitors. This manifestation is not unusual and is indicative of the market level, the emergence of new municipal bond dealers, particularly commercial banks who seek identity commensurate with their banking position, not available in existing syndicates. The success of these small bidding groups has caused some concern to the industry which sees profitable business being enjoyed by the few, which dealers tied to traditional syndicate groups cannot take advantage of. My usual comment is that such small groups in time will grow larger while the larger groups may grow smaller through the process of "splintering."

One aspect, however, is of concern and that is the possibility that the successful bidder may not be able to pay for his purchase under his contract, when the bonds are tendered to him—the obvious reason being that the bidders do have the funds and have not been able to sell the bonds.

To protect the issuers, investors and the investment banking fraternity alike, notices of sale should provide for an adequate good faith deposit, additional recourse against the successful bidder and some evidence of net worth sufficient to support the margin requirement necessary in financing the pick-up and redelivery of the bonds.

Suggested Cautionary Protection

Here is some suggested wording that might be appropriate:

Each bid shall also be accompanied by a certificate of financial responsibility signed by the bidder stating that such bidder and the associates, if any, participating in such bid has (and have) an aggregate capital (which may be deemed to include surplus and undivided profits or similar accounts) of not less than 10% of the principal amount of the bonds herein offered for sale. Each bid, together with bidder's check and such certificate of financial responsibility, must be enclosed in a sealed envelope addressed to the (Public Official). If the purchase price is not so paid upon tender of the bonds, the successful bidder shall have no right in or to said bonds or by reason of said bid, or to the recovery of said deposit accompanying said bid, or to any allowance or credit by reason of such deposit unless it shall appear that the bonds would not be validly issued if delivered to the purchaser in the form and manner proposed, provided, however, that in the event of such non-payment the (issuing body) reserves any and all rights granted by law to recover the agreed purchase price of the bonds, and in addition any damages suffered by the (issuing body).

While there is no reason to prevent any responsible bidder from submitting a bid in accordance with the notice of sale, the issuer must measure the impact on the investing public and investment banking business when the successful syndicate cannot honor their contract.

(L) Broadening the Market for Municipal Bonds

No discussion of financing local government would be complete without mentioning the Investment Bankers Association's Committee for public education on municipal securities. This committee is dedicated to broadening the market for municipal bonds in a variety of ways such as training investment personnel how to sell municipal bonds, informing people of their role in municipal finance, educating public officials as to the investment banking requirements necessary to the successful financing of local government and extolling the virtues of municipal bonds to potential investors. By advertising, news articles, radio, television, classroom lectures and town hall meetings, the message is being spread. It is in the interest, and worthy, of state and municipal support.

(M) Municipal Employe Pension Fund Investments

In passing, I should like to mention the recent action of several municipal employe pension funds liquidating holdings of municipal bonds and reinvesting the proceeds in corporate or treasury bonds.

While there may have been reasons why municipal bonds were purchased by such funds, usually because of investment limitations, there is no need for tax-exemption so very attractive switches can be made. However, any sizable liquidation must be measured against the market and timing is quite important. Competitive bidding vs. negotiated sale is a matter of individual determination. The market usually indicates which method serves the public interest.

(N) Law and Order

It is interesting to note that President Kennedy in his speech June 9, commented on a subject which I would like to emphasize and which I have entitled "Law and Order."

Integration, desegregation or race relations have been frequent topics in the press of our nation in recent weeks. It is not my intention to discuss these subjects as such; but, I think it is significant to point out the collateral effects of violence and the potential breakdown of law and order on municipal credit.

Investors do not have to buy any particular municipal bond or bonds. At any given time they can make a selection from available offerings representative of our 50 states and the Commonwealth of Puerto Rico. The supply can run into hundreds of millions of dollars.

Creditors Shy Away From Unfavorable Publicity

Consequently, when a state or municipality comes to market with new issues of municipal bonds, they are competing for the investor dollar. The bonds to be attractive, must offer many things —such as attractive yield, appropriate purpose, maturity and interest rate, a sufficient amount, adequate credit status, and possibly some local tax-advantage.

Now investors are not peculiar people but they don't like unfavorable publicity surrounding the issuer of bonds, be it earthquake, hurricanes, floods, past defaults, unsavory political history and in the current case—violence and related problems. An investor may shy away or he may sell his holdings, such action having a depressing effect on the market for the bonds. In each case there must be, in addition to the seller, a buyer who is satisfied with the bonds but he exacts a penalty by lowering his bid.

Thus, the bond market can reflect its concern over conflicts of interest that lead to overt acts. There is also the indirect effect of discouraging business and industry location, the increased cost of maintaining law and order and the funding of property damage. All of which add up to a credit impact which may be reflected in borrowing costs. Thus, the whole community suffers.

(Q) Constitutional Debt and Tax Limitations

From time to time, there are suggestions advanced to change some of our time-honored concepts of debt and tax limitations. Quite prevalent is the recommended reduction of the required approving vote, if applicable, to pass a bond issue. The 66⅔% approving vote being difficult to achieve, a 60% or a simple majority approving vote is frequently offered as a solution to this problem.

Debt or debt service as a percentage of assessed valuations for general obligation bonds is another limitation which has its critics.

Transfer of debt incurring responsibility to the governing bodies of local governments subject to a permissive referendum by eligible voters with a decision left to a simple majority of the voters is another suggestion.

Another idea advanced has been to regulate long term borrowing of local governments by reference to the net interest cost of individual issuers related to prevailing rates of selected municipal bonds.

At least by exposure, new ideas produce study, comment and occasional effective action. Certainly there is every reason to review the requirements of voter approval on bond issues. A 60% approving vote is reasonable and would save much added expense thru repetitive bond campaigns and elections. "The majority has spoken." After all the real control on debt incurred is not the percentage of approving votes so much as the debt limitation. In other words, no matter what the total of approved bond issues for a given community the total outstanding—at any one time—cannot exceed the debt limit.

Opposes Removing Debt to Assessed Value Ratio

It is for this reason that I would oppose the removal of debt limitation as a percentage of assessed valuation.

While many public bodies can take effective action to incur debt, I believe it would be dangerous to transfer such authority, even if subject to a referendum, to all governing bodies.

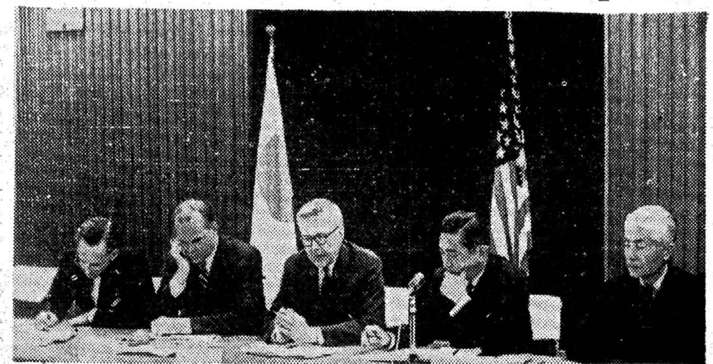
Regulating long term borrowing by interest cost is not realistic and could conceivably limit growth. The market place is the best judge of values and relative interest costs have no bearing on debt limitations. There are too many factors that enter into the pricing of municipal bonds which might result in an incorrect conclusion if applied as a limitation on debt.

Limited taxes act as a brake when the limitation includes debt service on general obligation bonds. It tends to chill the investor unless there is a penalty in the form of greater return. In other words, to exact the lowest interest cost, tax limits on general obligation bonds should be eliminated such as Hawaii has recently done for county debt.

I have noted that long standing taxing authority based on taxable real and personal property is under attack when it hasn't been used because revenue derived from business-cycle type taxes and fees is more than adequate to finance government. Investors are "individuals" and they look to basic security for the credit backing of municipal bonds—removal of the taxing power on real and personal property could materially affect market regard for such bonds even if other revenue sources appear adequate —there is always the fear of reversal of the business cycle.

*From an address by Mr. Browne before the 30th Annual Conference of Mayors, Honolulu, Hawaii.

Investment Possibilities in Japan



Thomas Johnson, Vice-President and Director of Research, Eaton & Howard, Inc., Boston-based investment counsel firm, addresses the staff of Yamaichi Securities, Ltd., Tokyo. Mr. Johnson was invited by Yamaichi Securities to Japan, along with several other American mutual fund representatives, to study Japanese investment possibilities. Left to right behind table are: Richard L. Bowser, Partner, State Street Investment Corp.; Richard B. Bailey, Industrial Specialist, Massachusetts Investors Trust; Thomas Johnson; Kazuo Tsukuno, Manager, Foreign Dept.; and Teiichi Ushioda, Managing Director.

Thomas Johnson, Vice-President and director of research for Eaton & Howard, Inc., Boston-based investment counsel firm, feels that "from a timing point of view, investment in Japanese industry now makes sense. Even though, currently, there are problems of rising wages and prices, dependence on exports and high corporate debt, these are offset by the earning potential in the economy, which is in the beginning of a cyclical upturn."

Mr. Johnson made the statement on returning from a recent tour of Japanese business firms, industrial companies and government agencies sponsored by Yamaichi Securities, Ltd., Tokyo. He was a member of a group of mutual fund specialists that were invited to take a look at Japanese investment possibilities.

"Japanese shares, as a whole, are not cheap," Mr. Johnson said. "Based on a leading stock index, the current multiple is about 18 times current earning." Nevertheless, the true potential of business earning power should be seen in the upswing from the recent recession. The newcomer would probably be wise to avoid most of the industrials for the time being. However, there are some shares that offer a safer and broader participation in the economy, particularly the utilities, insurance, and bank stocks."

Mr. Johnson, whose firm sponsors and manages Eaton & Howard Balanced Fund and Eaton & Howard Stock Fund, with combined net assets of over $400,000,000, had the opportunity not only of discussing key problems with top management of more than a dozen leading Japanese companies, but also visited several important plants. In addition, he was briefed by and had the opportunity of questioning officials of the government's Economic Planning Agency regarding its position on many problems affecting business and investors. He was also interviewed by a large body of the Japanese press.

"In many ways Japan reminds one of the U. S. 40 to 50 years ago, when the broad base of our future economy was being laid," Mr. Johnson said. "Its government is, as ours was then, business-dominated, with businessmen highly respected and influential. The people and the economy are vigorous. There is a sense of optimism in the air and a confidence in the free enterprise system which contrasts with the skepticism and doubt often found in the West. Although the investor must be cautious, he would be dull indeed if he were not interested in the business empire now rising in the Pacific."

Among the companies Mr. Johnson visited in Tokyo were Hitachi Ltd., major manufacturer of electrical equipment; Tokyo Electric Power Co., the country's largest electric utility; Yawata Iron & Steel Co.; Kajima Construction Co.; Tokio Marine & Fire Insurance Company; Shin Mitsubishi Heavy Industries; Kirin Brewery Co.; Nippon Electric Co., a leading manufacturer of communications equipment; and the Industrial Bank of Japan.

In Osaka, the group met with the management of Kubota Iron & Machinery Co.; Takeda Chemical Industries Ltd., a pharmaceutical manufacturing company; and Matsushita Electric Industries Co., manufacturers of electrical appliances.

What Is a Sound Dollar?

Continued from page 3

relic." Some "modern" economists tell you they are not interested in lost causes or antediluvian economics which is implied when you advocate the redemption of a dollar in gold. After all, they say, look at our gross national product, our boundless prosperity. But I detect grave uneasiness underneath surface appearances among thoughtful persons.

Nowadays we become enemies of the people when we hold gold coins or bullion. I should think this prohibition would be offensive, for example, to the great State of Colorado which is rich in tradition as a source of the precious metal, and where gold has played such an important role in developing the entire West. I have an idea, and I may be wrong, that if the present destruction of the property right is to be corrected, the impetus may come from the West and not from Wall Street, where, once the rules of the game are set, the emphasis is apparently on making money regardless of its integrity.

The hottentot in the new African nations can own gold, but we cannot legally do so. Our prohibition obviously has to be confined to the borders of the nation. European governments and central banks can own all the gold they wish and, believe me, as I shall point out shortly, they are piling up plenty. I don't know how much bootleg gold there is in the United States or held abroad by Americans through some subterfuge, illegal or not, but we still can decorate our wives with it. We can furnish them with heavy gold bracelets, necklaces, rings, brooches and other jewelry but were we to melt it all down to a bullion bar, look out, you may land in jail. Indeed, only recently an enterprising tavern owner in Sparks, Nevada, ran afoul of the law when he ordered a golden rooster from a San Francisco jeweler for display in his hotel. It wasn't long before the Internal Revenue Service confiscated the ornament. But the tavern keeper was courageous enough to take the matter to court and, strangely enough, he won. But we don't know today how big a golden rooster is legal. May we anticipate a traffic in golden roosters of the legal size in lieu of coin should the present dollar crisis become more serious and cause a rush for gold from those who are losing confidence in the dollar, or wish to profit from any prospective devaluation?

Canadians Can Own Gold Coins

Our Canadian neighbors can legally own gold coins and obtain them at their banks, but you and I cannot. It seems odd to me that a monetary system based upon the destruction of a property right is considered sound. I think it is thoroughly unsound. It has helped to bring about a monetary crisis through a national loss of gold that has resulted in much international monetary expediency on our part.

For example, if I had said at the end of World War II, that 18 years later our nation, the wealthiest and most powerful in the world, then as now, would be going hat in hand to its late enemies, the Germans, to borrow marks, and even to tiny Austria to borrow schillings, I would have been considered slightly unbalanced. Yet in order to bolster confidence in the dollar we are doing that very thing—borrowing heavily not only from our late enemies but from our allies as well.

Some Worrisome Stirrings

Although I think it safe to say that the mass of the American people are as yet generally ignorant of what has happened to the dollar, businessmen, bankers, government officials and others, are becoming aware of the dollar's predicament. Once in a while newspapers, and even widely-circulated magazines such as *Life*, attempt to alert the people. A year ago *Life* carried a double page editorial entitled "No Longer the Almighty Dollar" which must have created considerable uneasiness among thoughtful readers. Not so long ago an unknown group, or a person, paid for a full page advertisement in *The Wall Street Journal* entitled "The U. S. Government Is Hopelessly Insolvent."

Considering the great prosperity in the nation today, even though it is coupled with a high rate of unemployment, why should anyone become exercised over the plight of the dollar? Money is a mystery to most people—even to most of our legislators. However, you don't have to be a monetary expert to ascertain the quality of the money that passes from hand to hand. History is replete with many instances of persons, alarmed at the rising costs of living and the deterioration in the purchasing power of their money, taking steps to protect themselves by getting rid of their paper currency as quickly as possible. In our lifetime we have seen one inflationary European currency debauched after another. It's going on in some South American nations this very minute.

I think many will agree that we Americans ought to have the finest kind of money that thousands of years of human experience have shown to be the best. The question then arises, have we that type of money today in the Federal Reserve note which comprises the bulk of our currency? I can best answer this simple question by asking whether the Federal Reserve note in our pockets today, not redeemable in gold, is better than the Federal Reserve note possessed prior to 1933 which was redeemable at will in the precious metal? Obviously, a redeemable paper dollar is better than an irredeemable one but you may be surprised at the answers you receive when this question is posed to a favorite banker.

Deceptive Federal Reserve Note Statement

I wonder how many have read the inscription in extremely fine type which appears on every Federal Reserve note: "This note is legal tender for all debts, public and private, and is redeemable in lawful money at the United States Treasury, or at any Federal Reserve bank." This deceptive statement is not worthy of a great nation. The Federal Reserve note today is redeemable in nothing else than other nongold money except for foreign central banks, governments, and international institutions. Wouldn't it be fine if we could go to our local banker, sign a note, and when it came time to redeem it were to give him another note and so on? That is the type of monetary system we are using today.

Thirty years ago the nation drifted away from gold and started monetary manipulation, the end of which is not yet in sight. At that time the country was in a serious depression and the theory was widely advanced in some university circles that by raising the price of gold which backed our currency, the price level would increase and prosperity would return. Regardless of what motive may have animated the authorities at that time, the fact remains that the Federal Government eventually decided to raise the price of gold from $20.67 to $35.00 per ounce. To do this it had to repudiate solemn obligations to redeem its dollar bonds previously issued in gold of the same fineness and quality. This is a dark stain on our nation's financial history. Foreign nations haven't forgotten it for they were caught at the time by being deprived of an opportunity to reap the paper profit which would have been obtainable had they placed their paper claims in gold rather than in paper bonds of all descriptions containing gold clauses.

Why Foreigners Hold Interest-Free Gold

This brings me to an important element in the current predicament of the dollar which is not generally appreciated. I refer to the fact that today foreign governments and central banks possess gold earmarked at the Federal Reserve Bank in New York or elsewhere in the United States which has grown to over $12 billion. Why do they keep so much of their assets in gold rather than short-term government bonds which might return 3% interest whereas the gold hoard yields nothing? After all, the interest would amount to $360 million annually—a sum not to be sneezed at. The reason is a lack of confidence in the dollar—memory of a previous repudiation of government promises to pay in gold and a suspicion that a similar event may occur in the future despite official disclaimers. Can you blame them?

I might point out that when a nation alters the gold basis of its monetary unit such as we did in 1934 by changing the basis from $20.67 to $35, this step is given the scientific term of "devaluation." Yet it is nothing more than coin clipping. Rarely does anyone condemn the practice, but *Barron's* magazine has pointed out editorially "Devaluation, and inflationary excesses from which it invariably springs, are, of course, tantamount to legalized theft." I cannot improve on that observation. So don't let the use of the term "devaluation" fool you. Indeed we may have more devaluation, abhorrent as the practice is to anyone concerned with the integrity of the dollar.

Today's Low Gold Ratio

At this point I think I should point out that the unfortunate position of the dollar has been brought about largely because the nation has been living beyond its means and because consequently it owes foreign nations some $25 billion in short-term claims. The ultimate means of settling international obligations is the use of gold despite the efforts of many well-intentioned economists and others to recommend doing away with the use of the metal altogether in a monetary capacity. As our gold reserve behind Federal Reserve notes and deposits is roughly $15.7 billion, and inasmuch as foreign official and international claimants can, if they so desire, convert their claims against us, amounting to approximately $17 billion, into gold, they could wipe out our gold reserve completely if they cared to do so. Why don't they care to do so? The fact is these nations have a deep interest in the strength of the dollar. Some of them use the nongold U. S. dollar as part of their own monetary reserves. If they deliberately weakened our dollar they would be injuring themselves. No one knows how far they would be inclined to go in helping support the dollar through currency loans or other means before they call a halt. They are watching regularly the steady erosion in the ratio of our paper money and deposits to the amount of our declining gold reserve. Back in 1941 the ratio reached the high point of 24.6% (average monthly ratio). The average for 1915-1932 equaled 8.6%. The ratio for May 29, 1963 is now down to the extraordinarily low point of 4.6%. This ought to make every informed person uneasy for it shows the enormous paper credit structure that has been erected on a decreasing amount of gold. Oddly enough, even though our gold reserve is down to $15.7 billion, it is about $3.5 billion above the required statutory reserve of 25% behind Federal Reserve notes and deposits, sufficient to create a large new expansion of the currency.

Some financial experts have pointed out that we can correct our present imbalance of payments by a simple step—raising interest rates, the cost of hiring money, but this might have, so it is thought, a dampening effect on business activities. Hence it will be interesting to see what steps the Administration may take to correct a serious situation such as curtailment of expenditures abroad for defense or aid, stimulating exports, or raising trade barriers other than reducing the custom allowance of tourists.

Tragic C.E.D. Advice

Notice that numerous businessmen, particularly some in the Committee for Economic Development, have advocated doing away with a statutory reserve requirement for the Reserve banks. Bills have been introduced in Congress to that effect without, however, any success so far, I am pleased to report. One friend, a respected Federal Reserve Bank director told me he considered the C.E.D. recommendation one of the most tragic episodes in American financial history.

Clearly a sound dollar is not the kind that we have had over the last 30 years which has witnessed a decline in its purchasing power of nearly 60% since 1934, seriously affecting all holders of government bonds, insurance policies, pensioners, annuitants, and savers generally. They have been the victims of inflation, as it is popularly known, or really a deterioration in the purchasing power of the monetary unit. Inflation is a subtle drug which has been seriously advocated by some distinguished economists in small doses. How small, you may ask? One distinguished economist, high in Administration circles today, started out some years ago with the statement that 5% inflation per year was not only tolerable, but beneficial. He has since then reduced his measure and I understand that he is now down to 1½% per annum. So devilishly subtle is the action of inflation and so stimulating initially that persons are generally loathe to see it curbed. That is historically true. The businessman has an instinctive fear of deflation although economic history shows that some of our greatest industrial progress occurred during periods of deflation, and history shows that inflation ultimately brings about ruin.

An Award in Vain

Moreover, and highly important, a sound dollar is, to my mind, one that has a store of value. In other words, a dollar that can be converted into gold of the same fineness and quantity year after year. Chairman William McChesney Martin of the Federal Reserve Board recently emphasized the point when he made a statement to the United States Chamber of Commerce, in accepting its distinguished citizenship award, that we must protect the integrity of the dollar and make it *a store of value*. It is not a good store of value today.

Essentially what I am speaking about in discussing a sound dollar is the freedom of the citizens to order their own lives with a minimum of government interference. Unfortunately the present monetary system based upon irredeemable currency lends itself admirably to the use of those who would establish more and more government control over every phase of human activity in creating a welfare state. All socialists, communists, and totalitarian governments use paper currencies that are irredeemable in gold. I don't know of a single nation that has been socialized which employed a redeemable currency in its monetary system.

There is a large outcry nowadays against lavish government expenditures domestically and internationally. The common answer is "write your Congressman and Senators" demanding curtailment in this or that expenditure. The average Congressman or Senator has little to lose, however, in responding favorably to greater government expenditures in public welfare. He can evidently rely on Congress to raise the debt limit from year to year as required. For the simple truth is that the road to public office is apparently based upon promises of more government paternalism.

More Effective Than Writing To Congress

A phrase often used and seemingly little understood, especially its importance, is "the power of the purse." People do not realize they no longer possess the power of the purse which is nothing more than an opportunity to register disapproval of extravagant government expenditures by redeeming paper dollars in gold thereby providing a signal to the legislators that they had better be careful before they undermine the credit of the United States through a lowering of its gold reserve. This is infinitely more effective than writing your Congressman.

Persons in high Administration spots are endeavoring to tell the American people that they must be educated to the virtues of deficit financing. In other words, educated to living beyond their means. I have never been able to understand why a principle which cannot be violated with impunity in private affairs can be violated with impunity by the government. I don't believe it can. Moreover, I wonder why it is that as soon as a citizen obtains public office he is supposed to speak with a wisdom over, above, and beyond that of most people. The answer, I suppose, is that the may not necessarily speak with wisdom but he speaks with power. And the very fact that he possesses this power may lead him to think that it is coupled with wisdom.

I am very much surprised at the numerous arguments now advanced against a return to a redeemable paper dollar. A common argument against a return is that the rush to convert paper dollars into gold would be terrific and there would not be enough gold on hand to satisfy the demand. A moment's reflection should show that the only reason for converting paper money into gold would be a lack of confidence in the dollar and a desire to protect oneself against a further deterioration in its purchasing power, just as French peasants did in a time of inflation. Otherwise it would be downright silly to pile up gold in a safe deposit box, or at home, for the gold would not draw any interest. But as you cannot convert paper money into gold coin today, the disciplinary action of gold on our governmental legislators through threatened or actual redemption of paper Federal Reserve notes is lacking.

Until that discipline is restored we may expect to see many organizations continuing to appeal to the people to write their Congressmen to cut out spending and to balance the budget. Probably just as many or more citizens or well-organized minorities concurrently are trying to persuade the government to spend more funds on public welfare or other programs.

World Is Loaded With Gold

I may observe, too, that there is plenty of gold in the world today. Billions of it are in hiding. Any competent mining engineer knows that vast quantities of gold remain to be mined in the world. South Africa, the world's leading producer, is breaking all records annually and doing so with enviable profits and reserves. Of course, in gold mining, as in copper, lead, and zinc, marginal mines are to be found that cannot make a go of it at today's prices. Better times for the gold miners in the United States would involve either another devaluation of the dollar, a subsidy, or an increase in the purchasing power of the dollar through some deflation of our greatly expanded credit.

What can the interested citizen do to protect his family and the nation from a continuation of the present critical dollar situation which is apt to affect his future? He can decide to do nothing, leaving the field to many who firmly believe that we need the continued opiate of an inflated currency. These persons are in the saddle today. Or he can endeavor to become better acquainted with monetary history and theory. Any time spent on the subject should be well repaid. One can needle his bankers or insurance companies as to what they are doing, if anything, to protect him. One may be surprised at their lack of knowledge or their indifference. As a source of first-rate information I would suggest communicating with the Economists' National Committee on Monetary Policy, or the American Institute for Economic Research which has recently published a magnificent booklet "Why Gold?" which I urge everyone to read. Either of these tax exempt organizations will be pleased to help.

U. S. Steel's 1960 Report

It is encouraging to note that at least one great American corporation is alert to the importance of dependable money. The U. S. Steel Corporation's *Report* for 1960 has this to say:

"Dependable money is variously defined, but most people agree that it is something the buying power of which does not change greatly over modest spans of time. In the early 1930's a number of nations 'went off' the gold basis and thus lost a checkrein that experience has proven time and again is an invaluable discipline in insuring the dependability of money. Since then this nation, in common with many other nations, has been on one of the great inflationary excursions of its history. Past and prospective dollar debasement is now a continuing—and often overriding—concern of business and government. It intrudes upon, complicates and warps all business, saving, investing, wage and tax decisions. It has introduced immeasurable injustice."

Urges Redeemability Now

In addition, some may want to prod their local Chamber of Commerce to adopt a resolution such as the Greenwich, Conn., Chamber did recently as follows:

"Dollar integrity — Nothing is more important to the welfare and progress of the nation than a sound dollar, which is defined as a dollar redeemable in gold at will. During the depression of the 30's the paper dollar was devalued and declared irredeemable in gold. As the reason for that action has long since passed we now strongly recommend restoration of the former redeemability of the paper dollar making it a store of value and thereby providing it with the quality of integrity so necessary to strengthen national and international confidence in our monetary standard. World history, and our own, has repeatedly demonstrated the fact that the use of irredeemable paper currency by a nation removes the power of the purse from the people, leads to profligacy in government spending, promotes a decline in the purchasing power of the monetary unit, and paves the road to socialism."

Even though our gold reserve is down to some $15.7 billion, a return of confidence and integrity in the dollar by making it once again redeemable in gold should result in a transfer to our dwindling gold reserve of many billions of dollars in gold from the $12 billion earmarked at the Federal Reserve bank, and owned by foreign nations but not now drawing any interest. Can you not picture the surge of confidence that would arise upon a governmental announcement that our gold reserve has increased rather than diminished through the action of foreign governments who see us mending our ways?

To recapitulate, a sound dollar is a dollar redeemable in gold at will. It is a dollar, therefore, possessing integrity and closely woven into the fabric of our property rights. It is a dollar that is a good store of value at all times. It is a dollar that makes it extraordinarily difficult, if not impossible, to socialize or communize our beloved country. It is a dollar with such a high moral standard that it is worth fighting for no matter how long the struggle or how intense the effort. In short, it is something peculiarly well suited for the good citizens of Colorado and the West to foster and bring into being again. Many of us are glad to help.

*An address by Mr. Wormser before the Rotary Club, Denver, Colorado, July 25, 1963.

Nat. Central Life Insurance Common Offered

Public offering of 125,000 common shares of National Central Life Insurance Co., at $10 per share is being made by Cantor, Fitzgerald & Co., Inc., Chicago. Net proceeds will be invested in securities qualified as legal investments for insurance companies in Missouri.

Headquartered at 2632 McGee St., Kansas City, Mo., National was incorporated on April 17, 1961, and is authorized to write life, accident and health insurance. The company solicits applications for insurance entirely through the mails, and has arranged with another firm to act as its agent in the solicitation of business.

Brown Brothers Harriman Appts.

The banking firm of Brown Brothers Harriman & Co., 59 Wall Street, New York City, has announced the appointment of Peter B. Bartlett, Neil A. Morrison, and Gerald F. Zedren, Jr. as assistant managers in the New York office and of Clifford A. Clark as an assistant manager in the Boston office.

Mr. Bartlett, who has been with the firm since 1956, has general responsibilities in the commercial banking department. Mr. Morrison, who is in charge of the bank's credit department, came with the firm in 1956. Mr. Zedren came with the firm in 1955 and is in the investment research department.

Mr. Clark is in the investment advisory department of the Boston office having joined the firm in 1960. He was formerly with Blyth & Co., Inc.

Customers' Brokers Committee Chairmen

The Association of Customers' Brokers has appointed the following Committee Chairmen for the coming year:

Activating: Don Schuhmann, Bache & Co.

Constitution: Al Elsesser, Kidder, Peabody & Co.

Education: Alan Gage, Parrish & Co.

Employment: Gordon Price, Laird & Co., Corp.

Entertainment: Al Frank, Ladenburg, Thalmann & Co.

Grievance: Al Gross, Bear, Stearns & Co.

Insurance: John Howatt, Harris, Upham & Co.

Legal: Leo Larkin, Carl M. Loeb, Rhoades & Co.

Membership: David Bell, Gruss & Co.

National Chapters: Tom Meek, Harris, Upham & Co.

Public Relations: Joseph Bitterly, Dean Witter & Co.

Uptown Managers: Leon Herbert, Hayden, Stone & Co., Inc.

THE SECURITY I LIKE BEST...

Continued from page 2

on domestic sales of $327 million, a net margin of less than 1%. On a consolidated basis, 1953 earnings equalled $1.94 a share and 1962 earnings $2.18. Given this flat earnings performance, investors have not been willing to pay as much for Colgate as they have for a number of its competitors—companies which are engaged in essentially the same business of selling brand-name products to consumers but which have had good growth records. Colgate sells for approximately 20 times 1962 earnings as compared to approximately 30 times for Procter & Gamble, General Foods, and Bristol-Myers.

(3) Colgate's now inordinately low domestic profit margin should be a temporary phenomenon. A new management team headed by George H. Lesch, formerly Director of Colgate's foreign activities, was installed in mid-1960 with the express purpose of overhauling the entire domestic machinery. This was translated into spending substantially more money on research and new product marketing, two critical areas of Colgate's business in which the company had obviously not fared too well in preceding years. In 1960, Colgate spent only $8 million on research and new product marketing. The budget was upped to $15 million in 1961 and upped again to $25 million in 1962. An increase of $28-$30 million is planned for this year and still another increase of $31-$33 million for next year. 1965 expenditures should level off at the amount spent in 1964. Colgate is therefore about half-way through its higher spending program with the greater year-to-year dollar increases behind it.

(4) Research breakthroughs rarely occur in detergents and toilet articles. It is not too difficult for one company to duplicate a competitor's product, feature for feature, and the number of "new" products that are possible out of the research laboratories for companies like Colgate are therefore without practical limit. The real battle is fought in the field—getting the new products into national distribution and building up consumer demand through national advertising. Since 1961 Colgate has introduced a number of new products, the most important of which include **Ajax All Purpose Cleaner, Soaky** children's bubble bath, and **Baggies** disposable plastic wrappers. Colgate's toothpaste, once the number-one selling toothpaste in the United States, has also been improved so that it is supposedly as effective against cavities as Procter & Gamble's **Crest. (Colgate Toothpaste** sales are now recovering from the lows reached in 1962). The new products help boost 1962 domestic sales 15% above 1961—the biggest dollar sales gain in the company's 156 year history.

(5) In quadrupling research and new product marketing expenditures from $8 million to $32 million, Colgate expected to report lower domestic earnings but hoped that continued growth overseas would be great enough to keep consolidated earnings even. The company earned $2.02 a share in 1960, $2.13 in 1961, and $2.18 last year. It now looks like 1963 earnings will be around $2.30 a share on the present capitalization. (Colgate recently split the common five-for-four and raised the dividend to the equivalent of $1.20 a share from $1.12). Once research and marketing expenditures level off, domestic sales increases should be translated into good earnings increases. Foreign earnings gains, which are now offsetting the increased expenditures, should also start showing up more clearly in consolidated share earnings. (The gain in earnings overseas has averaged $1.5 million in recent years and bolstered by new products developed at home is expected to continue at that rate in coming years). As noted, the target date for significant earnings improvement is 1965, but estimated 1963 earnings are further ahead of 1962 earnings than 1962 earnings were ahead of 1961 earnings. Some of Colgate's older new products, with the heaviest promotional expenses at introduction completed, should also start contributing to the earnings column late this year and in 1964. Thus, 1964 earnings could be 10% ahead of 1963. Given a clear pattern of growing earnings, Colgate's price-earnings multiple may be revised upward before 1965.

(6) Colgate is also cash-rich. The latest balance sheet shows over $70 million in cash equivalents and the company can probably borrow substantially more from the banks. Colgate is known to be looking at a number of smaller companies for possible acquisition and would prefer to acquire them for cash. The more stringent Food & Drug Administration policies for new product approval has quickened the tendency of smaller companies wanting to be taken over by large companies. Cash acquisitions, of course, would make a direct contribution to reported earnings.

The twin possibilities of improving earnings and a higher evaluation of those earnings give Colgate special-situation characteristics. The company has a magnificent opportunity to hike its margins on its established domestic business, now practically non-existent, to a more respectable and credible 3% net. In line with competitors' margins, Colgate should also be able to take down 5% net on future new business. Foreign earnings should continue to grow at a creditable rate and cash acquisitions could also make a significant contribution.

Colgate's past policy was timid and now clearly appears to have been a serious mistake. If the company is completely successful in its plans, it could generate earning power of $4 a share by 1965-67. Given a more aggressive pose, it is difficult to see how Colgate will not be at least partially successful in improving sales and earnings. In time, this could result in substantially higher prices for the common.

Stuart Haupt Co. To Be Formed

Stuart Haupt & Co., 111 Broadway, New York City, members of the New York Stock Exchange, has been formed effective July 26. Partners are Stuart Haupt and Ira Haupt II, both members of the Exchange. Ira Haupt II was formerly a partner in Ira Haupt & Co.

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.

Allegheny Ventura Corp.
July 12, 1963 filed 37,231 outstanding common shares to be offered for subscription by stockholders of Allegheny Corp., parent, on the basis of one Ventura share for each 25 Allegheny shares held. **Price**—By amendment (max. $10). **Business**—Car rental. **Proceeds**—Allegheny will receive the proceeds and loan them to Ventura. **Address**—Washington National Airport, Washington, D. C. **Underwriter**—None.

• 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. **Note**—This registration was withdrawn.

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 Greetings Corp. (7/30)
July 1, 1963 filed $7,500,000 of con. subord. debentures due Aug. 1, 1983. **Price**—By amendment. **Business**—Manufacture of greeting cards, gift wrappings, and related items. **Proceeds**—For expansion, debt repayment, working capital, and other corporate purposes. **Office**—1300 West 78th St., Cleveland. **Underwriters**—Goldman, Sachs & Co., New York, and McDonald & Co., Cleveland.

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.

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 early August.

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.

Bay State Exchange Fund, Inc.
May 29, 1963 filed 10,000 $1 par capital shares to be offered in exchange for certain acceptable securities on the basis of one share for each $25 of deposited securities. Exchange is believed by counsel for the Fund to be tax-free for Federal income tax purposes. **Business**—A closed-end investment company seeking long-term growth of capital and income. **Proceeds** — For investment. **Office**—35 Congress St., Boston. **Underwriter**—Kidder, Peabody & Co., New York. **Note**—The exchange will not be consummated unless $25,000,000 of securities are deposited and accepted. This means that the Fund expects to issue a minimum of 1,000,000 capital shares. **Offering**—Indefinite.

Beneficial Standard Life Insurance Co. of N. Y.
June 28, 1963 filed 200,000 common. **Price**—By amendment (max. $4). **Business**—Writing of life, accident and health insurance. **Proceeds**—For general corporate purposes. **Office**—122 East 42nd St., New York. **Underwriter**—None.

Burns (William J.) International Detective Agency, Inc. (8/12-16)
July 17, 1963 filed 150,000 class A common. **Price**—By amendment (max. $28). **Business** — Company furnishes protective services to industrial and commercial clients, princpally by means of uniformed guards. **Proceeds**—For selling stockholders. **Office**—235 E. 42nd St., New York. **Underwriter**—Smith, Barney & Co., Inc., New York.

• Burroughs Corp.
June 28, 1963 filed 742,144 common being offered for subscription by stockholders on the basis of one new share for each nine held of record July 19. Rights will expire Aug. 5. **Price**—$23.75. **Business**—Production of a wide variety of business machines, business forms, and office accessories; also military products, primarily in the field of computation and control. **Proceeds**—For debt repayment. **Office**—6071 Second Ave., Detroit. **Underwriter**—Lehman Brothers, New York.

Canaveral Hills Enterprises, Inc.
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. **Offering**—In early August.

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.

• Chemair Corp. (8/5-9)
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.

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
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. **Offering**—Indefinite.

Coastal Chemical Corp.
June 26, 1963 filed 40,000 class A common; also 40,000 class D common to be offered by Mississippi Chemical Corp., parent. **Price**—For class A, $35; for class D, $30. **Business**—Manufacture of a variety of high analysis fertilizers, anhydrous ammonia, and other fertilizer materials and components. **Proceeds**—For working capital and other corporate purposes. **Address** — Yazoo City, Miss. **Underwriter**—None.

• Coleridge Press Inc.
June 19, 1963 ("Reg. A") 50,000 common. **Price** — $5. **Business** — General book publishing. **Proceeds** — For working capital and purchase of equipment. **Office**—60 East 42nd St., New York. **Underwriter**—Hannibal Securities, Inc., New York. **Offering**—In late August.

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

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.

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.

Cooper Tire & Rubber Co. (7/30)
June 18, 1963 filed 150,000 cumulative convertible preferred shares (par $20). **Price**—By amendment. **Business**—Manufacture of automobile and truck tires, and industrial rubber products. **Proceeds** — For debt repayment, inventories and working capital. **Address**—Findlay, Ohio. **Underwriter**—Merrill Lynch, Pierce, Fenner & Smith Inc.

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**—146 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, one unit 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.

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.

Dri-Zit Corp.
May 29, 1963 ("Reg. A") 115,056 common. **Price**—$2.50. **Business**—Manufacturer of dri-zit (a home product used to absorb odors and moisture); a cleaner for oven and barbeque grills; and a diaper garment for infants. **Proceeds** — For expansion, inventory and debt repayment. **Office**—2 Ryland St., Reno, Nev. **Underwriter** — First Nevada Securities Corp., Reno, Nev.

Duval Corp.
June 18, 1963 filed $10,000,000 of 4⅝% of convertible subordinated debentures due Aug. 1, 1983 being offered for subscription by stockholders on the basis of one $100 debenture for each 13 shares held of record July 18. Rights will expire Aug. 9. **Price**—At par. **Business**—Mining, milling and marketing of copper, molybdenum, and potash and the mining and marketing of crude sulphur. **Proceeds**—For construction, and other corporate purposes. **Address** — 1906 First National City Bank Bldg., Houston, Tex. **Underwriter**—None.

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.

Eagle's Nest Mountain Estates, Inc.
June 26, 1963 filed $400,000 of 8% subord. conv. debs. due 1983; also 400,000 common, of which 300,000 are to be offered by the company and 100,000 by stockholders. The securities will be offered in units of one $100 debenture and 100 shares. **Price**—$350 per unit. **Business**—Company owns a 781 acre tract in Haywood County, N. C., on which it plans to build houses, a motor lodge, restaurant and an amusement complex. **Proceeds**—For construction, debt repayment, working capital and other corporate purposes. **Office**—2042 South Atlantic Ave., Daytona Beach, Fla. **Underwriter** — Alpha Investment Securities, Inc., Atlanta, Ga.

● **Eastern Investors, Inc. (8/5-9)**
June 4, 1963 filed 100,000 class A shares. **Price**—$4. **Business**—A small loan company. **Proceeds** — For expansion and working capital. **Office** — 147 Northeast Main St., Rocky Mount, N. C. **Underwriter** — Paul C. Kimball & Co., Chicago.

Eberstadt Income Fund, Inc.
May 31, 1963 filed 2,000,000 capital shares. **Price**—Net asset value plus 8½%. **Business**—A new mutual fund seeking current income. **Proceeds**—For investment. **Office**—65 Broadway, New York. **Distributor**—F. Eberstadt & Co., Managers & Distributors, Inc., New York.

● **Electro-Optical Systems, Inc. (8/19-23)**
June 11, 1963 filed 403,000 common, of which 140,000 are to be offered by company and 263,000 shares by stockholders. **Price**—By amendment (max. $10). **Business**—Design and manufacture of optical systems for the Defense Department and for private industry. **Proceeds**—For debt repayment and working capital. **Office**—300 N. Halstead St., Pasadena, Calif. **Underwriters** — White, Weld & Co., Inc., and Kidder, Peabody & Co., Inc., N. Y.

● **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**—Postponed.

Enzyme Corp. of America (8/5-9)
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.

Equity Fundng 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**—To be named. **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.

Federal Services Finance Corp.
July 1, 1963 filed 64,000 common to be offered for subscription by stockholders. **Price**—By amendment (max. $20). **Business**—A holding company whose subsidiaries are engaged in the sales finance business and the writing of marine and credit life insurance. **Proceeds**—For redemption of outstanding second preferred stock, working capital, and other corporate purposes. **Office**—1701 Pennsylvania Ave., N. W., Washington, D. C. **Underwriter**—Mackall & Coe, Washington, D. C.

First American Israel Mutual Fund
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. **Offering**—Indefinitely Postponed.

Florida Jai Alai, Inc.
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. **Offering**—Indefinite.

● **Founders Life Insurance Co. of Florida (7/29)**
June 11, 1963 filed 800,000 common. **Price**—By amendment (max. $3). **Business**—Company plans to engage in the writing of life, accident and health insurance. **Proceeds**—For general corporate purposes. **Office**—Marine Bank Bldg. Plaza, Tampa. **Underwriter**—Pierce, Carrison, Murphey Inc., Jacksonville.

French Market Shopping Center, Inc.
June 24, 1963 ("Reg. A") $300,000 of 6% subordinated debentures due Aug. 1, 1978, and 30,000 common to be offered in units of one $500 debenture and 50 common. **Price**—$500 per unit. **Business**—Operation of a discount type department store in the Greater Kansas City area. **Proceeds**—For working capital, and other corporate purposes. **Address** — 95th & Metcalf Sts., Overland Park, Kansas. **Underwriter** — Midland Securities Co., Inc., Kansas City, Mo.

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**—Postponed.

● **Global Construction Devices, Inc. (8/15)**
June 29, 1962 filed 225,000 class A. **Price**—$3.25 **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. **Underwriter**—Charles Plohn & Co., New York.

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.

● **Hardee's Food Systems, Inc.**
June 21, 1963 ("Reg. A") $150,000 of 6½% subordinated convertible debentures due July 1, 1973; also 37,500 common. **Price**—For debentures, $10; for common, $4. **Business** — Operation of self-service, drive-in restaurants. **Proceeds**—For expansion, and working capital. **Office**—1901 Sunset Ave., Rocky Mount, N. C. **Underwriters**—Powell, Kistler & Co., Fayettville, N. C.; Allied Securi-

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NEW ISSUE CALENDAR

July 25 (Thursday)
Chesapeake & Ohio Ry.__________Equip. Trust Ctfs.
(Bids 12 noon EDST) $6,525,000
NuTone, Inc.__________Common
(Lehman Brothers) 75,000 shares

July 26 (Friday)
Uris Buildings Corp.__________Common
(Kuhn, Loeb & Co., Inc.) 50,000 shares

July 29 (Monday)
Founders Life Assurance Co. of Florida__Common
(Pierce, Wulbern, Murphy Inc.) 800,000 shares
Mutual Finance Co.__________Debentures
(Donald V. Stabell) $300,000
Scheib (Earl), Inc.__________Common
(Shearson, Hammill & Co.) 200,000 shares

July 30 (Tuesday)
American Greetings Corp.__________Debentures
Goldman, Sachs & Co. and McDonald & Co.) $7,500,000
Cooper Tire & Rubber Co.__________Preferred
(Merrill Lynch, Pierce, Fenner & Smith Inc.) 150,000 shares
Pacific Power & Light Co.__________Bonds
(Bids 11 a.m. EDST) $30,000,000
Pacific Power & Light Co.__________Preferred
(Bids 12 noon EDST) 100,000 shares
Tokio Marine & Fire Insurance Co., Ltd.__A. D. S.
(First Boston Corp.; Nikko Securities Co. Ltd.; and Shelby Cullom Davis & Co.) 400,000 shares
Trailer Train Co.__________Equip. Trust Ctfs.
(Bids 10:30 a.m. EDST) $4,800,000

July 31 (Wednesday)
Southern Bell Telephone & Telegraph Co. Debens.
(Bids 11 a.m. EDST) $70,000,000

August 1 (Friday)
Nippon Tel. & Tel. Public Corp.__________Bonds
(Dillon, Read & Co., Inc.; First Boston Corp.; and Smith, Barney & Co., Inc) $20,000,000

August 5 (Monday)
Chemair Corp.__________Units
(Price Investing Co.) $180,000
Eastern Investors, Inc.__________Class A
(Paul C. Kimball & Co.) $400,000
Enzyme Corp. of America__________Common
(Bristol Securities Inc.) $240,000
Investors Trading Co.__________Capital Shares
(Nemrava & Co.) 200,000 shares
Lord Jim's Service Systems, Inc.__________Common
(Keon & Co.) $100,000
National Fence Manufacturing Co., Inc.__Common
(Netherlands Securities Co., Inc.) $875,000
Top Dollar Stores, Inc.__________Common
(Van Alstyne, Noel & Co.) $1,200,000

August 6 (Tuesday)
Indiana & Michigan Electric Co.__________Bonds
(Bids 11 a.m. EDST) $45,000,000
United Aircraft Corp.__________Debentures
(Offering to stockholders—underwritten by Harriman Ripley & Co., Inc.) $42,884,000

August 7 (Wednesday)
Independent Shoe Discounters Association, Inc.__________Common
(Parker, Bishop & Hart, Inc.) $325,000
Minneapolis-Honeywell Regulator Co.__Debens.
(Eastman Dillon, Union Securities & Co.) $30,000,000

August 8 (Thursday)
Gulf, Mobile & Ohio RR.__________Equip. Trust Ctfs.
(Bids 12 noon CDST) $3,900,000

August 12 (Monday)
Burns (Wm. J.) Int'l Detective Agency Inc.__Cl. A
(Smith, Barney & Co., Inc.) 150,000 shares
Carolina Freight Carriers Corp.__________Common
(The Ohio Co.) 100,000 shares
Heck's, Inc.__________Common
(Charles Plohn & Co.) $450,000
Juniper Spur Ranch, Inc.__________Common
(V. E. Anderson & Co.) $300,000
Rollings Broadcasting, Inc.__________Common
(New York Securities Co.) 166,376 shares

August 13 (Tuesday)
Atlantic Coast Line RR.__________Equip. Trust Ctfs.
(Bids 12 noon EDST) $4,575,000

August 15 (Thursday)
Global Construction Devices, Inc.__________Class A
(Charles Plohn & Co.) $731,250

August 19 (Monday)
Bobbie Brooks, Inc.__________Capital Stock
(Bache & Co.) 201,150 shares
Electro-Optical Systems, Inc.__________Common
(White, Weld & Co., Inc., and Kidder, Peabody & Co., Inc.) 403,000 shares
Mohawk Rubber Co.__________Debentures
(Kidder, Peabody & Co., Inc.) $4,000,000
Natural Gas & Oil Producing Co.__________Common
(Peter Morgan & Co.) $900,000
Warwick Fund__________Units
(Wellington Co., Inc.) 300,000 units

August 20 (Tuesday)
Resort Corp. of Missouri__________Units
(R. L. Warren Co.) $1,000,000

August 27 (Tuesday)
Lone Star Gas Co.__________Debentures
(Bids 11 a.m. EDST) $35,000,000
New England Telephone & Telegraph Co.__Com.
(Offering to stockholders—no underwriting) 2,099,858 shares

September 4 (Wednesday)
Southern Pacific Co.__________Equip. Trust Ctfs.
(Bids 12 noon EDST) $7,500,000

September 5 (Thursday)
Iowa Public Service Co.__________Bonds
(Bids to be received) $12,000,000

September 9 (Monday)
Norfolk & Western RR.__________Equip. Trust Ctfs.
(Bids 12 noon EDST) $6,900,000

September 18 (Wednesday)
Northern States Power Co. (Minn.)__________Bonds
(Bids 11 a.m. EDST) $15,000,000

October 1 (Tuesday)
Chicago Burlington & Quincy RR.__Equip. Tr. Ctfs.
(Bids 12 noon CDST) $5,000,000
Jersey Central Power & Light Co.__________Bonds
(Bids 11 a.m. EDST) $18,525,000

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

October 15 (Tuesday)
Jersey Central Power & Light Co.______Debentures
(Bids 11 a.m. EDST) $9,000,000

October 22 (Tuesday)
Public Service Electric & Gas Co.______Debentures
(Bids 11 a.m. EDST) $40,000,000

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

November 19 (Tuesday)
New England Power Co.__________Bonds
(Bids to be received) $10,000,000
New England Power Co.__________Preferred
(Bids to be received) $10,000,000

December 10 (Tuesday)
Northern Pacific Ry.__________Equip. Trust Ctfs.
(Bids 12 noon EST) $4,800,000

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ties Corp., Greensboro, N. C.; McCarley & Co., Inc., Ashville, N. C.; Strader & Co., Inc., Lynchburg, Va.; Willis, Kenny & Ayres, Inc., Richmond, Va.; and Clark, Landstreet & Kirkpatrick, Inc., Nashville, Tenn. **Offering**—Imminent.

Heck's, Inc. (8/12-16)
June 12, 1963 refiled 180,000 class A common. **Price**—$2.50. **Business**—Operation of discount stores. **Proceeds**—To provide fixtures and inventory for a new store, and for working capital. **Office**—6400 MacCorkle Ave., S. W., St Albans, W. Va. **Underwriter**—Charles Plohn & Co., New York.

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.
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. **Note**—This registration will be withdrawn.

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).

● **Independent Shoe Discounters Association, Inc. (8/7)**
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 & Welsh, Inc., Oklahoma City.

Indiana & Michigan Electric Co. (8/6)
June 14, 1963 filed $45,000,000 of first mortgage bonds due 1993. **Proceeds**—For loan repayment, and other corporate purposes. **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**—Aug. 6 (11 a.m. EDST) at American Electric Power Service Corp., 2 Broadway, N. Y. **Information Meeting**—Aug. 1 (3 p.m. EDST), same address.

International Book Distributors, Inc.
June 24, 1963 filed 66,500 common. **Price**—By amendment (max. $4.50). **Business**—Sale of encyclopedias, dictionaries, atlases, etc. **Proceeds**—For working capital and sales promotion. **Office**—6660 Biscayne Blvd., Miami, Fla. **Underwriter**—Roman & Johnson, Fort Lauderdale, Fla.

● **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. **Note**—This registration was withdrawn.

● **Interstate Securities Co.**
May 13, 1963 filed 173,433 common being offered for subscription by common stockholders on the basis of one new share for each four held of record July 22. Rights will expire Aug. 6. **Price**—$7. **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.

Investors Inter-Continental Fund, Inc.
July 3, 1963 filed 3,000,000 capital shares. **Price**—Net asset value plus 7½%. **Business**—A new mutual fund which will succeed to business of Investors Group Canadian Fund Ltd., and invest in securities throughout the Free World. **Proceeds**—For investment. **Address**—1000 Roanoke Bldg., Minneapolis. **Distributor**—Investors Diversified Services, Inc. (same address).

Investors Realty Trust
May 31, 1962 filed 200,000 shares. **Price** — $10. **Business**—A real estate investment trust. **Proceeds** — For construction and investment. **Office** — 3315 Connecticut Ave., N. W., Washington, D. C. **Underwriter**—None.

Investors Trading Co. (8/5-9)
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).

"Isras" Israel-Rassco Investment Co., Ltd.
June 28, 1963 filed 60,000 ordinary shares. **Price**—$55. **Business** — A real estate development company which also owns citrus plantations. **Proceeds**—For general corporate purposes. **Address**—Tel-Aviv, Israel. **Underwriter**—Rassco of Delaware Inc., New York.

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).

● **Juniper Spur Ranch, Inc. (8/12-16)**
May 27, 1963 ("Reg. A") 300,000 common. **Price** — $1. **Business**—Construction of a gasoline and diesel oil filling station, a restaurant and allied facilities. **Proceeds**—For general corporate purposes. **Underwriter** — V. E. Anderson & Co., Newhouse Bldg., Salt Lake City.

Kelly & Cohen, Inc.
May 17, 1963 ("Reg. A") 90,000 common. **Price**—$2.75. **Business**—Retail sale of major household appliances at discount prices. **Proceeds**—For working capital, expansion and debt repayment. **Office** — 3772 William Penn Highway, Monroeville, Pa. **Underwriter** — Amsbary, Allen & Morton, Inc., Pittsburgh. **Offering**—Imminent.

Key Finance Corp.
June 7, 1963 filed 80,000 common. **Price**—By amendment (max. $5). **Business**—Operation of a small loan business in Puerto Rico. **Proceeds**—For loan repayment, expansion and other corporate purposes. **Address**—Rio Piedras, Puerto Rico. **Underwriters** — Morris Cohon & Co., and Street & Co., Inc., New York. **Offering**—Indefinite.

Krasnow Industries, Inc.
June 28, 1963 filed 125,000 common. **Price**—By amendment (max. $5). **Business**—Volume manufacture of inexpensively priced men's and children's belts. **Proceeds**—For debt repayment, sales promotion, and other corporate purposes. **Office**—33-00 Northern Blvd., Long Island City, N. Y. **Underwriter**—T. W. Lewis & Co., Inc., 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. **Offering**—Indefinite.

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. (8/5-9)**
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.
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. **Offering**—Indefinite.

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.

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).

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).

Middlesex Water Co.
June 5, 1963 filed 35,000 common. **Price**—By amendment (max. $36). **Business**—Collecting and distributing water in certain areas of New Jersey. **Proceeds** — For debt repayment. **Office**—52 Main St., Woodbridge, N. J. **Underwriter**—Kidder, Peabody & Co., Inc., New York. **Offering**—Indefinitely postponed.

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.**
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. **Note**—This registration has become effective. **Offering**—Imminent.

Minneapolis-Honeywell Regulator Co. (8/7)
July 16, filed $30,000,000 s. f. debentures due 1988. **Price**—By amendment. **Business**—Manufacture of automatic control instruments, and electronic data processing systems. **Proceeds**—For loan repayment and working capital. **Office**—2747 Fourth Ave., South Minneapolis. **Underwriter**—Eastman Dillon, Union Securities & Co., New York.

Mitsui & Co., Ltd.
July 9, 1963 filed 10,000,000 common (represented by 500,000 A. D. S.) to be offered for subscription by stockholders on the basis of one new share for each two held of record July 20. **Price**—$2.78 per A. D. S. **Business**—Domestic and foreign trading in a broad range of goods and commodities. **Proceeds**—For expansion of trading activities, and new investments. **Address**—Tokyo, Japan. **Underwriter**—None.

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.

Morton (B. C.) Realty Trust
June 21, 1963 filed 1,000,000 shares of beneficial interest. **Price**—$10. **Business**—A real estate investment trust. **Proceeds**—For investment. **Office**—141 Milk St., Boston. **Underwriter**—B. C. Morton Funds Underwriters Co., Inc. (same address)

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.

● **Mutual Finance Co. (7/29-8/2)**
June 10, 1963 ("Reg. A") $300,000 of 6% convertible subordinated debentures, series D, due July 1, 1978. **Price**—At par. **Business**—Engaged in various activities in the loan and discount fields. **Proceeds**—For working capital and other corporate purposes. **Office** — Wallace Bldg., Tampa. **Underwriter** — Donald V. Stabell, St. Petersburg, Fla.

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. (8/5-9)**
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.

National Memorial Estates
Oct. 11, 1962 filed 4,750,000 common. **Price** — $1. **Business** — Company plans to engage in cemetery develop-

ment 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.

Natural Gas & Oil Producing Co. (8/19-23)
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 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).

● **Nippon Telegraph & Telephone Public Corp. (8/1)**
July 3, 1963 filed $20,000,000 of 5½% guaranteed dollar bonds due 1978. **Price**—By amendment. **Business**—The company, wholly-owned by the Government, furnishes telephone, telegraph and related communication services in Japan. **Proceeds**—For construction. **Address**—Tokyo, Japan. **Underwriters**—Dillon, Read & Co., Inc., First Boston Corp., and Smith, Barney & Co., Inc., New York.

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.

● **NuTone, Inc. (7/25)**
July 3, 1963 filed 75,000 common. **Price**—By amendment (max. $25). **Business**—Manufacture of a wide variety of built-in household appliances including exhaust fans, electric heaters, kitchen appliances, door chimes, etc. **Proceeds** — For selling stockholders. **Address** — Madison and Red Bank Roads, Cincinnati. **Underwriter**—Lehman Brothers, New York.

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.

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).

Pacific Power & Light Co. (7/30)
June 14, 1963 filed 100,000 shares of preferred (par $100). **Proceeds**—To redeem outstanding 6.16% preferred, and to repay bank loans. **Office**—920 S. W. Sixth Ave., Portland, Ore. **Underwriters**—(Competitive). Probable bidders: Blyth & Co., Inc.-Smith, Barney & Co.-White, Weld & Co. (jointly); Kidder, Peabody & Co.-Eastman Dillon, Union Securities & Co. (jointly). **Bids**—July 30 (12 noon EDST) at Ebasco Services, Inc., 2 Rector St., New York. **Information Meeting**—July 25 (3:30 p.m.) at same address.

Pacific Power & Light Co. (7/30)
June 14, 1963 filed $30,000,000 of first mortgage bonds due 1993. **Proceeds**—To repay bank 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). **Bids**—July 30 (11 a.m. EDST) at Ebasco Services, Inc., 2 Rector St., New York. **Information Meeting**—July 25 (3:30 p.m.) at same address.

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.

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. **Offering**—Indefinite.

Philippine Oil Development Co., Inc.
June 11, 1963 filed 325,000,000 capital shares to be offered for subscription by U. S. resident stockholders on the basis of one new share for each two held. **Price**—By amendment (max. 1 cent). **Business**—Exploration for oil and gas in the Philippines. **Proceeds**—For debt repayment, and operating expenses. **Address** — Manila, The Philippines. **Underwriter**—None.

Pictronics, Inc.
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. **Offering**—Indefinite.

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.

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.

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).

Recreation Industries, Inc.
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 West 7th St., Los Angeles. **Underwriter**—Costello, Russotto & Co., Beverly Hills, Calif. **Offering**—Indefinite.

● **Resort Corp. of Missouri (8/20)**
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.

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. **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.

Roadcraft Manufacturing & Leasing Corp.
June 24, 1963 filed 100,000 common. **Price**—$12. **Business**—Manufacture of mobile homes and office trailers and the leasing of mobile office trailers. **Proceeds** — For working capital, inventory, sales promotion, and expansion. **Office**—139 W. Walnut Ave., Gardena, Calif. **Underwriter**—Rutner, Jackson & Gray, Inc., and Morgan & Co., Los Angeles. **Offering**—Expected in mid-August.

● **Rollins Broadcasting, Inc. (8/12-16)**
July 15, 1963 filed 166,376 common. **Price**—By amendment (max. $20). **Business**—Company and subsidiaries own seven AM radio stations, three VHF television stations and an outdoor advertising company. **Proceeds**—For selling stockholders. **Office**—414 French St., Wilmington, Del. **Underwriter**—New York Securities Co., New York.

● **Rona Lee Corp.**
Sept. 26, 1962 filed $250,000 of 6¾% debentures due June 30, 1973 and 50,000 common. **Price**—For debentures, par; for stock, $4. **Business**—Design, manufacture, and distribution of girl's blouses, sportswear, and coordinates. **Proceeds**—For debt repayment. Office—112 W. 34th St., New York. **Underwriter**—Reuben Rose & Co., Inc., New York. **Note**—This registration has become effective.

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.

● **Scheib (Earl), Inc. (7/29-8/2)**
June 28, 1963 filed 200,000 common. **Price**—By amendment (max. $12). **Business**—Company operates (through wholly-owned subsidiaries) a national chain of automobile paint shops. **Proceeds**—For selling stockholder, E. A. Scheib, President. **Office**—8737 Wilshire Blvd., Beverly Hills, Calif. **Underwriter**—Shearson, Hammill & Co., New York.

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.

Sierra Pacific Power Co.
June 7, 1963 filed 172,341 common being offered for subscription by stockholders on the basis of one new share for each 10 common shares held of record July 9. Rights will expire July 29. **Price**—$31. **Proceeds**—To repay bank loans. **Office**—220 South Virginia St., Reno, Nev. **Underwriter**—None.

Southern Bell Telephone & Telegraph Co. (7/31)
July 10, 1963 filed $70,000,000 of debentures due 2003. **Proceeds**—To refund a like amount of 5% debentures due June 1, 1986. **Office**—67 Edgewood Ave., S. E. Atlanta. **Underwriters** — (Competitive.) Probable bidders; Morgan Stanley & Co.; Halsey, Stuart & Co. **Bids**—July 31 (11 a.m. EDST) in Room 2315, 195 Broadway, New York.

● **Squire For Men, Inc.**
July 9, 1963 ("Reg. A") $135,000 of 8% convertible debentures due 1969. **Price** — At par ($100). **Business** — Manufacture and sale of custom hair pieces. **Proceeds**—For new products and working capital. **Office**—328 S. Beverly Dr., Beverly Hills, Calif. **Underwriter**—Samuel B. Franklin & Co., Los Angeles.

Stein Roe & Farnham Foreign Fund, Inc.
July 1, 1963 filed 1,000,000 capital shares. **Price**—Net asset value. **Business**—Company was recently formed and will succeed to New York Capital Fund, Ltd., a Canadian corporation. It will provide investors a means of investing in Canada, Western Europe and other foreign areas. **Proceeds**—For investment. **Office**—135 S. LaSalle St., Chicago. **Underwriter**—None.

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 150,000 common. **Price**—$5 **Business**—Company develops and sells teaching machines exclusively for Grolier Inc. **Proceeds**—For loan repayment and other corporate purposes. **Office**—221 San Pedro, N. E. Albuquerque. **Underwriter**—S. D. Fuller & Co., New York. **Offering**—Expected in late August.

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).

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.

Tokio Marine & Fire Insurance Co., Ltd. (7/30)
June 28, 1963 filed 400,000 American Depositary Shares. **Price**—By amendment (max. $25 per A. D. S.) **Business**—Writing of marine, fire and casualty and allied lines of insurance. **Proceeds**—For investment. **Address**—Tokyo, Japan. **Underwriters**—First Boston Corp., Nikko Securities Co., Ltd., and Shelby Cullom Davis & Co., N. Y.

● **Top Dollar Stores, Inc. (8/5-9)**
May 1, 1962 filed 200,000 common, of which 100,000 are to be offered by company and 100,000 by stockholders. **Price**—$6. **Business**—Operation of a chain of self-serv-

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ties Corp., Greensboro, N. C.; McCarley & Co., Inc., Ashville, N. C.; Strader & Co., Inc., Lynchburg, Va.; Willis, Kenny & Ayres, Inc., Richmond, Va.; and Clark, Landstreet & Kirkpatrick, Inc., Nashville, Tenn. **Offering**—Imminent.

Heck's, Inc. (8/12-16)
June 12, 1963 refiled 180,000 class A common. **Price**—$2.50. **Business**—Operation of discount stores. **Proceeds**—To provide fixtures and inventory for a new store, and for working capital. **Office**—6400 MacCorkle Ave., S. W., St Albans, W. Va. **Underwriter**—Charles Plohn & Co., New York.

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.
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. **Note**—This registration will be withdrawn.

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).

● **Independent Shoe Discounters Association, Inc. (8/7)**
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 & Welsh, Inc., Oklahoma City.

Indiana & Michigan Electric Co. (8/6)
June 14, 1963 filed $45,000,000 of first mortgage bonds due 1993. **Proceeds**—For loan repayment, and other corporate purposes. **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**—Aug. 6 (11 a.m. EDST) at American Electric Power Service Corp., 2 Broadway, N. Y. **Information Meeting**—Aug. 1 (3 p.m. EDST), same address.

International Book Distributors, Inc.
June 24, 1963 filed 66,500 common. **Price**—By amendment (max. $4.50). **Business**—Sale of encyclopedias, dictionaries, atlases, etc. **Proceeds**—For working capital and sales promotion. **Office**—6660 Biscayne Blvd., Miami, Fla. **Underwriter**—Roman & Johnson, Fort Lauderdale, Fla.

● **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. **Note**—This registration was withdrawn.

● **Interstate Securities Co.**
May 13, 1963 filed 173,433 common being offered for subscription by common stockholders on the basis of one new share for each four held of record July 22. Rights will expire Aug. 6. **Price**—$7. **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.

Investors Inter-Continental Fund, Inc.
July 3, 1963 filed 3,000,000 capital shares. **Price**—Net asset value plus 7½%. **Business**—A new mutual fund which will succeed to business of Investors Group Canadian Fund Ltd., and invest in securities throughout the Free World. **Proceeds**—For investment. **Address**—1000 Roanoke Bldg., Minneapolis. **Distributor**—Investors Diversified Services, Inc. (same address).

Investors Realty Trust
May 31, 1962 filed 200,000 shares. **Price** — $10. **Business**—A real estate investment trust. **Proceeds** — For construction and investment. **Office** — 3315 Connecticut Ave., N. W., Washington, D. C. **Underwriter**—None.

Investors Trading Co. (8/5-9)
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).

"Isras" Israel-Rassco Investment Co., Ltd.
June 28, 1963 filed 60,000 ordinary shares. **Price**—$55. **Business** — A real estate development company which also owns citrus plantations. **Proceeds**—For general corporate purposes. **Address**—Tel-Aviv, Israel. **Underwriter**—Rassco of Delaware Inc., New York.

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).

● **Juniper Spur Ranch, Inc. (8/12-16)**
May 27, 1963 ("Reg. A") 300,000 common. **Price** — $1. **Business**—Construction of a gasoline and diesel oil filling station, a restaurant and allied facilities. **Proceeds**—For general corporate purposes. **Underwriter** — V. E. Anderson & Co., Newhouse Bldg., Salt Lake City.

Kelly & Cohen, Inc.
May 17, 1963 ("Reg. A") 90,000 common. **Price**—$2.75. **Business**—Retail sale of major household appliances at discount prices. **Proceeds**—For working capital, expansion and debt repayment. **Office** — 3772 William Penn Highway, Monroeville, Pa. **Underwriter** — Amsbary, Allen & Morton, Inc., Pittsburgh. **Offering**—Imminent.

Key Finance Corp.
June 7, 1963 filed 80,000 common. **Price**—By amendment (max. $5). **Business**—Operation of a small loan business in Puerto Rico. **Proceeds**—For loan repayment, expansion and other corporate purposes. **Address**—Rio Piedras, Puerto Rico. **Underwriters** — Morris Cohon & Co., and Street & Co., Inc., New York. **Offering**—Indefinite.

Krasnow Industries, Inc.
June 28, 1963 filed 125,000 common. **Price**—By amendment (max. $5). **Business**—Volume manufacture of inexpensively priced men's and children's belts. **Proceeds**—For debt repayment, sales promotion, and other corporate purposes. **Office**—33-00 Northern Blvd., Long Island City, N. Y. **Underwriter**—T. W. Lewis & Co., Inc., 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. **Offering**—Indefinite.

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. (8/5-9)**
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.
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. **Offering**—Indefinite.

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.

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).

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).

Middlesex Water Co.
June 5, 1963 filed 35,000 common. **Price**—By amendment (max. $36). **Business**—Collecting and distributing water in certain areas of New Jersey. **Proceeds** — For debt repayment. **Office**—52 Main St., Woodbridge, N. J. **Underwriter**—Kidder, Peabody & Co., Inc., New York. **Offering**—Indefinitely postponed.

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.**
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. **Note**—This registration has become effective. **Offering**—Imminent.

Minneapolis-Honeywell Regulator Co. (8/7)
July 16, filed $30,000,000 s. f. debentures due 1988. **Price**—By amendment. **Business**—Manufacture of automatic control instruments, and electronic data processing systems. **Proceeds**—For loan repayment and working capital. **Office**—2747 Fourth Ave., South Minneapolis. **Underwriter**—Eastman Dillon, Union Securities & Co., New York.

Mitsui & Co., Ltd.
July 9, 1963 filed 10,000,000 common (represented by 500,000 A. D. S.) to be offered for subscription by stockholders on the basis of one new share for each two held of record July 20. **Price**—$2.78 per A. D. S. **Business**—Domestic and foreign trading in a broad range of goods and commodities. **Proceeds**—For expansion of trading activities, and new investments. **Address**—Tokyo, Japan. **Underwriter**—None.

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.

Morton (B. C.) Realty Trust
June 21, 1963 filed 1,000,000 shares of beneficial interest. **Price**—$10. **Business**—A real estate investment trust. **Proceeds**—For investment. **Office**—141 Milk St., Boston. **Underwriter**—B. C. Morton Funds Underwriters Co., Inc. (same address)

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.

● **Mutual Finance Co. (7/29-8/2)**
June 10, 1963 ("Reg. A") $300,000 of 6% convertible subordinated debentures, series D, due July 1, 1978. **Price**—At par. **Business**—Engaged in various activities in the loan and discount fields. **Proceeds**—For working capital and other corporate purposes. **Office** — Wallace Bldg., Tampa. **Underwriter** — Donald V. Stabell, St. Petersburg, Fla.

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. (8/5-9)**
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.

National Memorial Estates
Oct. 11, 1962 filed 4,750,000 common. **Price** — $1. **Business** — Company plans to engage in cemetery develop-

ment 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.

Natural Gas & Oil Producing Co. (8/19-23)
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 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).

● Nippon Telegraph & Telephone Public Corp. (8/1)
July 3, 1963 filed $20,000,000 of 5½% guaranteed dollar bonds due 1978. **Price**—By amendment. **Business**—The company, wholly-owned by the Government, furnishes telephone, telegraph and related communication services in Japan. **Proceeds**—For construction. **Address**—Tokyo, Japan. **Underwriters**—Dillon, Read & Co., Inc., First Boston Corp., and Smith, Barney & Co., Inc., New York.

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.

● NuTone ,Inc. (7/25)
July 3, 1963 filed 75,000 common. **Price**—By amendment (max. $25). **Business**—Manufacture of a wide variety of built-in household appliances including exhaust fans, electric heaters, kitchen appliances, door chimes, etc. **Proceeds** — For selling stockholders. **Address** — Madison and Red Bank Roads, Cincinnati. **Underwriter**—Lehman Brothers, New York.

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.

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).

Pacific Power & Light Co. (7/30)
June 14, 1963 filed 100,000 shares of preferred (par $100). **Proceeds**—To redeem outstanding 6.16% preferred, and to repay bank loans. **Office**—920 S. W. Sixth Ave., Portland, Ore. **Underwriters**—(Competitive). Probable bidders: Blyth & Co., Inc.-Smith, Barney & Co.-White, Weld & Co. (jointly); Kidder, Peabody & Co.-Eastman Dillon, Union Securities & Co. (jointly). **Bids**—July 30 (12 noon EDST) at Ebasco Services, Inc., 2 Rector St., New York. **Information Meeting**—July 25 (3:30 p.m.) at same address.

Pacific Power & Light Co. (7/30)
June 14, 1963 filed $30,000,000 of first mortgage bonds due 1993. **Proceeds**—To repay bank 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). **Bids**—July 30 (11 a.m. EDST) at Ebasco Services, Inc., 2 Rector St., New York. **Information Meeting**—July 25 (3:30 p.m.) at same address.

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.

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. **Offering**—Indefinite.

Philippine Oil Development Co., Inc.
June 11, 1963 filed 325,000,000 capital shares to be offered for subscription by U. S. resident stockholders on the basis of one new share for each two held. **Price**—By amendment (max. 1 cent). **Business**—Exploration for oil and gas in the Philippines. **Proceeds**—For debt repayment, and operating expenses. **Address** — Manila, The Philippines. **Underwriter**—None.

Pictronics, Inc.
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. **Offering**—Indefinite.

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.

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.

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).

Recreation Industries, Inc.
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 West 7th St., Los Angeles. **Underwriter**—Costello, Russotto & Co., Beverly Hills, Calif. **Offering**—Indefinite.

● Resort Corp. of Missouri (8/20)
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.

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. **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.

Roadcraft Manufacturing & Leasing Corp.
June 24, 1963 filed 100,000 common. **Price**—$12. **Business** —Manufacture of mobile homes and office trailers and the leasing of mobile office trailers. **Proceeds** — For working capital, inventory, sales promotion, and expansion. **Office**—139 W. Walnut Ave., Gardena, Calif. **Underwriter**—Rutner, Jackson & Gray, Inc., and Morgan & Co., Los Angeles. **Offering**—Expected in mid-August.

● Rollins Broadcasting, Inc. (8/12-16)
July 15, 1963 filed 166,376 common. **Price**—By amendment (max. $20). **Business**—Company and subsidiaries own seven AM radio stations, three VHF television stations and an outdoor advertising company. **Proceeds**—For selling stockholders. **Office**—414 French St., Wilmington, Del. **Underwriter**—New York Securities Co., New York.

● Rona Lee Corp.
Sept. 26, 1962 filed $250,000 of 6¾% debentures due June 30, 1973 and 50,000 common. **Price**—For debentures, par; for stock, $4. **Business**—Design, manufacture, and distribution of girl's blouses, sportswear, and coordinates. **Proceeds**—For debt repayment. Office—112 W. 34th St., New York. **Underwriter**—Reuben Rose & Co., Inc., New York. **Note**—This registration has become effective.

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.

● Scheib (Earl), Inc. (7/29-8/2)
June 28, 1963 filed 200,000 common. **Price**—By amendment (max. $12). **Business**—Company operates (through wholly-owned subsidiaries) a national chain of automobile paint shops. **Proceeds**—For selling stockholder, E. A. Scheib, President. **Office**—8737 Wilshire Blvd., Beverly Hills, Calif. **Underwriter**—Shearson, Hammill & Co., New York.

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.

Sierra Pacific Power Co.
June 7, 1963 filed 172,341 common being offered for subscription by stockholders on the basis of one new share for each 10 common shares held of record July 9. Rights will expire July 29. **Price**—$31. **Proceeds**—To repay bank loans. **Office**—220 South Virginia St., Reno, Nev. **Underwriter**—None.

Southern Bell Telephone & Telegraph Co. (7/31)
July 10, 1963 filed $70,000,000 of debentures due 2003. **Proceeds**—To refund a like amount of 5% debentures due June 1, 1986. **Office**—67 Edgewood Ave., S. E. Atlanta. **Underwriters** — (Competitive.) Probable bidders: Morgan Stanley & Co.; Halsey, Stuart & Co. **Bids**—July 31 (11 a.m. EDST) in Room 2315, 195 Broadway, New York.

● Squire For Men, Inc.
July 9, 1963 ("Reg. A") $135,000 of 8% convertible debentures due 1969. **Price** — At par ($100). **Business** — Manufacture and sale of custom hair pieces. **Proceeds**—For new products and working capital. **Office**—328 S. Beverly Dr., Beverly Hills, Calif. **Underwriter**—Samuel B. Franklin & Co., Los Angeles.

Stein Roe & Farnham Foreign Fund, Inc.
July 1, 1963 filed 1,000,000 capital shares. **Price**—Net asset value. **Business**—Company was recently formed and will succeed to New York Capital Fund, Ltd., a Canadian corporation. It will provide investors a means of investing in Canada, Western Europe and other foreign areas. **Proceeds**—For investment. **Office**—135 S. LaSalle St., Chicago. **Underwriter**—None.

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 150,000 common. **Price**—$5 **Business**—Company develops and sells teaching machines exclusively for Grolier Inc. **Proceeds**—For loan repayment and other corporate purposes. **Office**—221 San Pedro, N. E. Albuquerque. **Underwriter**—S. D. Fuller & Co., New York. **Offering**—Expected in late August.

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).

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.

Tokio Marine & Fire Insurance Co., Ltd. (7/30)
June 28, 1963 filed 400,000 American Depositary Shares. **Price**—By amendment (max. $25 per A. D. S.) **Business** —Writing of marine, fire and casualty and allied lines of insurance. **Proceeds**—For investment. **Address**—Tokyo, Japan. **Underwriters**—First Boston Corp., Nikko Securities Co., Ltd., and Shelby Cullom Davis & Co., N. Y.

● Top Dollar Stores, Inc. (8/5-9)
May 1, 1962 filed 200,000 common, of which 100,000 are to be offered by company and 100,000 by stockholders. **Price**—$6. **Business**—Operation of a chain of self-serv-

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ice retail stores selling clothing, housewares, etc. **Proceeds**—For expansion, equipment and working capital **Office**—2220 Florida Ave., Jasper, Ala. **Underwriter**—Van Alstyne, Noel & Co., New York.

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. **Underwriter**—American-Israel Basic Economy Corp., New York. **Offering**—Expected in August.

Trailer Train Co. (7/30)
June 20, 1963 filed $4,800,000 of equipment trust certificates due 1964-68. **Business**—Acquisition and furnishing of flat cars to railroads. **Proceeds** — Purchase of additional equipment. **Office** — 6 Penn Center Plaza, Philadelphia. **Underwriters** — (Competitive). Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Brothers & Hutzler; R. W. Pressprich & Co. **Bids**—Expected July 30 (10:30 a.m. EDST) at the company's office.

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.

● **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. **Note** — This registration has become effective. **Offering**—Imminent.

UMC Electronics Co.
June 19, 1963 ("Reg. A") $250,000 of 7% subord. conv. debentures due 1971 to be offered for subscription by stockholders of record June 15, 1963. Rights will expire July 31, 1963. **Price**—At par ($200). **Business**—A holding company for subsidiaries engaged in the manufacture of aircraft and missile testing equipment, audio teaching devices and torque motors. **Proceeds**—For equipment, debt repayment and working capital. **Office**—41 Haig St., Camden, Conn. **Underwriter**—Wm. H. Rybeck & Co., Meriden, Conn.

United Aircraft Corp. (8/6)
July 10, 1963 filed $42,884,000 subord. debentures due Aug. 15, 1988 to be offered for subscription by stockholders on the basis of $100 of debentures for each 15 common shares held of record Aug. 5. Rights will expire Aug. 20. **Business**—Manufacture of aeronautical engines, propellers and aircraft. **Proceeds**—For loan repayment. **Office**—400 Main St., East Hartford, Conn. **Underwriter**—Harriman Ripley & Co., Inc., New York.

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 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

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.

● **Uris Building Corp. (7/26)**
June 18, 1963 filed 50,000 common. **Price**—By amendment (max. $30). **Business**—Construction and operation of office buildings. **Proceeds**—For selling stockholders. **Office**—850 3rd Ave., New York. **Underwriter**—Kuhn, Loeb & Co., Inc., New York.

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.

Warwick Fund (8/19-23)
June 17, 1963 filed 300,000 units of participation in the Fund to be offered in exchange for certain acceptable securities on the basis of one unit for each $100 of deposited securities. **Business** — A new exchange type mutual fund which plans to continue indefinitely to exchange its units for additional contributions of securities, and to seek long term growth of capital and income. **Office** — 3001 Philadelphia Pike, Claymont, Del. **Distributor**—Wellington Co., Inc., Philadelphia.

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**—Indefinite.

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 pari-mutual 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.

Wyomont Petroleum Co.
May 10, 1963 ("Reg. A") 120,000 common. **Price**—$2.50. **Business**—Production and sale of petroleum products. **Proceeds**—For debt repayment, construction and working capital. **Address**—P. O. Box 670, Thermopolis, Wyo. **Underwriter**—Northwest Investors Service, Inc. Billings, Montana. **Note**—The SEC has issued an order temporarily suspending this letter.

Issues Filed With SEC This Week

★ **Bede Aircraft, Inc.**
July 16, 1963 filed 600,000 common. **Price**—By amendment (max. $3). **Business**—Company is engaged in the design and development of several airplanes, including a light sports plane. **Proceeds** — For debt repayment, product development, working capital and other corporate purposes. **Office** — 350 South Fountain Ave., Springfield, Ohio. **Underwriter**—Consolidated Securities Corp., Pompano Beach, Fla.

★ **Blandy Corp.**
July 12, 1963 ("Reg. A") 240,000 class A common. **Price**—$1. **Business**—Manufacture of ice cream and other dairy products. **Proceeds**—For equipment, inventory, working capital, and other corporate purposes. **Office**—4650 Idlewild Rd., Salt Lake City. **Underwriter**—None.

★ **Bobbie Brooks, Inc. (8/19-23)**
July 18, 1963 filed 201,150 capital shares. **Price** — By amendment (max. $28). **Business** — Manufacture of fashion apparel, primarily for girls and women. **Proceeds** — For selling stockholders. **Office** — 3830 Kelley Ave., Cleveland. **Underwriter**—Bache & Co., New York.

★ **Bradford Speed Packaging & Development Corp.**
July 22, 1963 filed 819,024 common to be offered to stockholders of Atlas General Industries, Inc., parent, on the basis of one Bradford share for each two Atlas shares held. **Price**—About $9.44 per share. **Business**—Company holds a 40% stock interest in Maryland Logging Corp., which conducts logging operations in Liberia and will acquire from Atlas, Kliklok Automated Packaging Division, engaged in the manufacture and leasing of packaging machinery. Bradford also owns 69,509 shares (9.59%) of Foster Wheeler Corp. **Proceeds**—For selling stockholder, Atlas General. **Office**—62 William St., New York. **Underwriter** — Burnham & Co., New York.

★ **Iowa Public Service Co. (9/5)**
July 19, 1963 filed $12,000,000 of first mortgage bonds due 1993. **Proceeds**—For loan repayment and other corporate purposes. **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. **Bids**—Expected Sept. 5. **Information Meeting**—Aug. 28 (3:30 p.m EDST) at 20 Pine St., New York.

★ **Israel Fund, Inc.**
July 18, 1963 filed 500,000 common. **Price**—$12.50. **Business**—A closed-end investment company which plans to invest in Israeli firms. **Proceeds**—For investment. **Office**—4200 Hayward Ave., Baltimore. **Underwriter**—Investors Planning Corp. of America, New York.

★ **Lewis Business Forms, Inc.**
July 22, 1963 filed $1,250,000 of convertible subordinated debentures due 1973. **Price**—By amendment. **Business** — Manufacture of a diversified line of business forms. **Proceeds**—For plant expansion, loan repayment and working capital. **Office**—243 Lane Ave., North, Jacksonville, Fla. **Underwriters**—Reynolds & Co., Inc., New York, and Saunders, Stiver & Co., Cleveland. **Offering**—Expected in late August.

★ **Mohawk Rubber Co. (8/19-23)**
July 19, 1963 filed $4,000,000 of convertible subordinated debentures due 1983. **Price** — By amendment. **Business**—Manufacture of tires for passenger cars, trucks, buses and earth moving equipment. **Proceeds**—For loan repayment, working capital and other corporate purposes. **Office**—1235 Second Ave., Akron, Ohio. **Underwriter**—Kidder, Peabody & Co., Inc., New York.

★ **Northwest Craftsmen, Inc.**
July 12, 1963 ("Reg. A") 150,000 common. **Price** — $1. **Business**—Design, manufacture and installation of store fixtures. **Proceeds** — For debt repayment, equipment, sales promotion and expansion. **Office**—9999 N. E. Glisan St., Portland, Ore. **Underwriter**—None.

★ **Recording Industries Corp.**
July 19, 1963 filed 297,000 common. **Price**—$5. **Business**—Company plans to engage in the recording and manufacture of phonograph records, and the publishing of sheet music. **Proceeds**—For construction of offices, working capital, and other corporate purposes. **Office**—801 Sixteenth Ave., South Nashville, Tenn. **Underwriter**—Tennessee Securities Inc., Nashville.

★ **Vermont Circle Corp.**
July 11, 1963 ("Reg. A") 25,100 common. **Price** — $10. **Business**—Operation of a year round resort. **Proceeds**—For construction, equipment, and operating expenses. **Office**—150 Old Country Rd., Mineola, N. Y. **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."

Burroughs Corp.
$25,000,000 of 4½% sinking fund debentures, due July 1, 1988 offered at 99½% and accrued interest; also 741,144 common being offered to stockholders at $23.75 per share, on the basis of one new share for each nine held of record July 19. Rights will expire Aug. 5. Lehman Brothers, New York, is underwriting both offerings.

Community Public Service Co.
$13,000,000 of 4½% first mortgage bonds due July 1, 1993 offered at 101.656% and accrued interest, to yield 4.40%, by Salomon Brothers & Hutzler, New York.

Continental Telephone Co.
400,000 common offered at $11 per share by E. F. Hutton & Co., Inc., and Allen & Co., New York.

Eaton Manufacturing Co.
$25,000,000 of 4⅜% debentures due July 15, 1988 offered at 99⅝% plus accrued interest, to yield 4.40%, by Merrill Lynch, Pierce, Fenner & Smith Inc., New York.

International Seaway Trading Corp.
$750,000 of 6¼% convertible subordinated debentures due June 15, 1975 offered at par plus accrued interest; also 140,000 common offered at $10 per share, by Hayden, Miller & Co., Cleveland.

Interstate Securities Co.
173,433 common being offered to stockholders at $7 per share, on the basis of one new share for each four held of record July 22. Rights will expire Aug. 6. A. G. Becker & Co., Inc., Chicago, is the principal underwriter.

Lease Plan International Corp.
139,044 common offered at $33 per share by Hayden, Stone & Co., Inc., New York.

Leeds Shoes, Inc.
90,000 common offered at $3.50 per share by Strathmore Securities, Inc., Pittsburgh.

Livestock Financial Corp.
200,000 common offered at $5 per share by Charles Plohn & Co., New York.

National Central Life Insurance Co.
125,000 common offered at $10 per share by Cantor, Fitzgerald & Co., Inc., Chicago.

Northern Illinois Gas Co.
$20,000,000 of 4⅜% first mortgage bonds due July 1, 1988 offered at 100.378% and accrued interest, to yield 4.35%, by Blyth & Co., Inc., New York.

Northwest Natural Gas Co.
100,000 common offered at $34.50 per share by Lehman Brothers, New York.

Therm-O-Disc, Inc.
124,072 common offered at $28.50 per share by Goldman, Sachs & Co., and McDonald & Co., New York.

Prospective Offerings

Atlantic Coast Line RR. (8/13)
July 16, 1963 the company announced plans to sell $4,575,000 of 1-15 year equipment trust certificates in August. **Office**—220 E. 42nd St., New York. **Underwriters**—(Competitive). Probable bidders: Salomon Brothers & Hutzler; Halsey, Stuart & Co. Inc. **Bids**—Aug. 13 (12 noon EDST) at above address.

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.

Canon Camera Co.
June 26, 1963 it was reported that the company plans to sell $5,000,000 of convertible bonds in the U. S. **Business** — Manufacture of cameras and other photographic equipment. **Proceeds**—For expansion. **Address**—Tokyo, Japan. **Underwriter** — Yamaichi Securities Co. of New York, Inc.

★ **Carolina Freight Carriers Corp. (8/12-16)**
July 5, 1963 the company applied to the ICC for permission to offer 100,000 common. Of the total, 24,000 will be sold by the company and 76,000 by stockholders. **Price**—By amendment. **Business** — A motor freight carrier operating in 13 states from Mass. to Florida. **Proceeds**—For working capital. **Address**—Cherryville, N. C. **Underwriter**—The Ohio Co., Columbus.

Chesapeake & Ohio Ry. (7/25)
July 16, 1963 it was reported that the company plans to sell $6,525,000 of equipment trust certificates due Aug. 1, 1964-78. This is the first instalment of a total $10,305,000 issue. **Address**—2813 Terminal Tower, Cleveland. **Underwriters** — (Competitive). Probable bidders: Salomon Brothers & Hutzler; Halsey, Stuart & Co. Inc. **Bids**—July 25 (12 noon EDST) at above address.

Chesapeake & Ohio Ry.
July 16, 1963 it was reported that the company plans to sell about $3,780,000 of equipment trust certificates in late September. This will be the second instalment of a total $10,305,000 issue. **Address** — Terminal Tower, Cleveland, O. **Underwriters** — (Competitive). Probable bidders: Salomon Brothers & Hutzler; Halsey, Stuart & Co. Inc.

Chicago Burlington & Quincy RR. (10/1)
May 20, 1963 the company announced tentative plans to sell $5,000,000 of equipment trust certificates in October. **Office**—547 W. Jackson Blvd., Chicago. **Underwriters**—(Competitive). Probable bidders: Salomon Brothers & Hutzler; Halsey, Stuart & Co. Inc. **Bids**—Expected October 1 (12 noon CDST) at above address.

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.

Connecticut Light & Power Co.
June 4, 1963 it was reported that the company is considering the issuance of about $25,000,000 of bonds in late 1963. **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.
May 22, 1963 the company stated that it will have to raise approximately $800,000,000 through the sale of securities, to finance its five-year construction program. In addition, it will have to refinance $52,000,000 of maturing bonds in the period ending 1967. **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 3rd quarter 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, 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

● **First National Bank of Toms River, N. J.**
July 24, 1963 it was reported that the bank is offering its stockholders the right to subscribe for an additional 24,000 common shares on the basis of one new share for each 19½ held of record June 26. Rights will expire Aug. 26. **Price**—$24. **Proceeds**—To increase capital funds. **Address**—Toms River, N. J. **Underwriter**—None.

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

Foote, Cone & Belding, Inc.
June 18, 1963 it was reported that the company is considering the public sale of about 25% of its stock. **Business**—Company is one of the leading advertising agencies in the U. S. with 1962 billings of about $130,000,000 **Office**—247 Park Ave., New York. **Underwriter**—To be named. It was reported that negotiations are being conducted with Merrill Lynch, Pierce, Fenner & Smith Inc., New York.

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.

Gulf, Mobile & Ohio RR. (8/8)
June 12, 1963 it was reported that this road plans to sell $3,900,000 of equipment trust certificates. **Office**—104 St. Francis St., Mobile, Ala. **Underwriters**—(Competitive). Probable bidders: Salomon Brothers & Hutzler; Halsey, Stuart & Co. Inc. **Bids**—Aug. 8 (12 noon CDST) at the company's Chicago office.

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 Telephone Co.
June 2, 1963 it was reported that the company plans to offer stockholders in October the right to subscribe for an additional $8,000,000 of common stock. **Office**—1130 Alakea St., Honolulu. **Underwriter**—Kidder, Peabody & Co., New York.

International Milling Co.
July 8, 1963 the company announced that it expects to file a registration statement covering its first public offering of common stock. The sale will include both a primary and a secondary distribution. **Business**—Company is one of the world's largest flour millers with operations in five countries. **Proceeds**—For expansion, research and debt repayment. **Address** — 1200 Investors Bldg., Minneapolis. **Underwriter** — Kidder, Peabody & Co., Inc., New York.

● **Iowa Power & Light Co.**
Jan. 16, 1963 it was reported that the company plans to sell $10,000,000 of bonds in the first half of 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.

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.

Jersey Central Power & Light Co. (10/1)
July 16, 1963 the company announced plans to sell $18,525,000 of first mortgage bonds due 1993. **Proceeds**—For construction and refunding of outstanding 5⅜% bonds due 1990. **Address** — Madison Avenue, 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. **Bids**—Expected Oct. 1 (11 a.m. EDST) at 80 Pine St., New York. **Information Meeting**—Sept. 26 (10 a.m. EDST) at same address.

Jersey Central Power & Light Co. (10/15)
June 12, 1963 company announced plans to sell $9,000,000 of debentures due 1988. **Proceeds**—For construction. **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. **Bids**—Expected Oct. 15 (11 a.m. EDST) at 80 Pine St., New York. **Information Meeting**—Oct. 10 (10 a.m. EDST) at same address.

Lone Star Gas Co. (8/27)
July 2, 1963 the company announced plans to file a registration statement covering $35,000,000 of sinking fund debentures due 1988. **Business** — Production and distribution of natural gas in Texas and Oklahoma. **Office**—301 South Harwood St., Dallas. **Underwriters**—(Competitive). Probable bidders: First Boston Corp., Halsey, Stuart & Co., Inc., Salomon Bros. & Hutzler. **Bids**—Expected Aug. 27 (11 a.m. EDST) at Chemical Bank New York Trust Co., 20 Pine St., N. Y. **Information Meeting**—Aug. 22 (11 a.m. EDST), same address.

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)
July 16, 1963 following the public offering of $40,000,000 of external bonds, it was reported that the Government is authorized to sell an additional $65,000,000 of bonds in the U. S. and abroad. **Underwriters**—Kuhn, Loeb & Co., Inc., and First Boston Corp., N. Y.

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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. (11/19)
July 10, 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. **Bids**—Expected Nov. 19.

New England Telephone & Telegraph Co. (8/27)
July 17, 1963 the company, 69.32% owned by A. T. & T., announced plans to offer stockholders the right to subscribe for about 2,099,858 common shares on the basis of one new share for each 12 held of record Aug. 27. Rights would expire about Sept. 23. **Proceeds**—To repay advances from A. T. & T., and for other corporate purposes. **Office**—185 Franklin St., Boston. **Underwriter**—None.

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.

Norfolk & Western RR (9/9)
July 2, 1963 it was reported that this road has scheduled the sale of about $6,900,000 of 1-15 year equipment trust certificates for September. **Office**—8 North Jefferson St., Roanoke, Va. **Underwriters**—(Competitive). Probable bidders: Halsey, Stuart & Co., Inc.; Salomon Bros. & Hutzler. **Bids**—Expected Sept. 9 or 10 (12 noon EDST) at the company's Philadelphia office.

Northern Pacific Ry. (12/10)
July 2, 1963 it was reported that this road plans to sell about $4,800,000 of equipment trust certificates in December. **Office**—120 Broadway, New York. **Underwriters**—(Competitive). Probable bidders: Halsey, Stuart & Co., Inc.; Salomon Bros. & Hutzler. **Bids**—Expected Dec. 10 (12 noon EST).

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.) (9/18)
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 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). **Bids**—Expected Sept. 18 (11 a.m. EDST).

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 Telephone & Telegraph Co.
June 19, 1963 the company stated that it will need $650 million of new money in the years 1964 through 1966 to help finance its $1.3 billion construction program. This means that the company must sell about $217 million of securities a year, it was stated. **Office**—140 New Montgomery St., San Francisco. **Underwriters**—To be named. The last issue of debentures on Feb. 16, 1960 was underwritten by Halsey, Stuart & Co. Inc. One other bid on the issue was tendered by Morgan Stanley & Co.

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.

★ Piedmont Natural Gas Co., Inc.
July 22, 1963 the company announced plans to offer stockholders this fall, the right to subscribe for about 140,000 common shares on a 1-for-10 basis. **Business**—Distribution of natural gas in North and South Carolina. **Proceeds**—For construction. **Office**—4301 Yancey R., Charlotte, N. C. **Underwriter**—White, Weld & Co., Inc., New York.

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 Co. of Colorado
June 4, 1963 it was reported that the company plans to sell $35,000,000 of 30-year first mortgage bonds in April, 1964. **Proceeds**—For construction. **Office**—900 15th St., Denver, Colo. **Underwriters** — (Competitive). Probable bidders: Halsey, Stuart & Co. Inc.; Harriman, Ripley & Co., Inc.-Eastman Dillon, Union Securities & Co.-Merrill Lynch, Pierce, Fenner & Smith Inc.-Dean Witter & Co. (jointly); First Boston Corp.; Lehman Brothers-Kidder, Peabody & Co.-White, Weld & Co. (jointly); Blyth & Co., Inc.-Smith, Barney & Co. (jointly).

★ Public Service Electric & Gas Co. (10/22)
July 23, 1963 the company announced plans to issue $40 to $50,000,000 of debentures due 1982 in October. **Proceeds**—To redeem $36,000,000 of outstanding 3% debentures maturing Nov. 1, 1963 and for construction. **Office**—80 Park Place, Newark, N. J. **Underwriters**—(Competitive). Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Smith Inc.-Lehman Brothers-Salomon Brothers & Hutzler (jointly); Blyth & Co.; Goldman, Sachs & Co.-Harriman Ripley & Co. (jointly); First Boston Corp. **Bids**—Expected Oct. 22 (11 a.m. EDST) at above address.

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.

Southern California Edison Co.
May 22, 1963, following the sale of $60,000,000 of first and refunding mortgage bonds due May 15, 1988, the company stated that it will need about $66,000,000 of new money to finance its 1963-64 construction program. A spokesman said that the company is considering the sale of a minimum of $50,000,000 of debt securities in the fall. **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).

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. (9/4)
July 23, 1963 it was reported that the company plans to sell about $7,500,000 of 1-15 year equipment trust certificates. **Office** — 165 Broadway, New York. **Underwriters** — (Competitive). Probable bidders: Salomon Brothers & Hutzler; Halsey, Stuart & Co. Inc. **Bids**—Sept. 4 (12 noon EDST) at above address.

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.

Ultronic Systems Corp.
May 28, 1963 it was reported that a registration will be filed shortly covering the first public sale of this firm's common stock. While the size of the offering has not been determined, it is said to be a relatively small deal, involving over 50,000 shares. **Business** — Manufacture, rental and service of the "Ultronic Stockmaster," a desk unit used to provide stock brokers with instantaneous information on stock and commodity market action of selected issues. **Proceeds**—For working capital. **Address**—Pennsauken, N. J. **Underwriter**—Bache & Co., N. Y.

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.

Utah Power & Light Co.
July 2, 1963 it was reported that this utility plans to sell about $20,000,000 of bonds and $10,000,000 of preferred stock in the second quarter of 1964. **Office**—1407 West North Temple St., Salt Lake City. **Underwriters**—(Competitive). Probable bidders (bonds): Salomon Bros. & Hutzler; Halsey, Stuart & Co., Inc.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Smith Inc. (jointly); White, Weld & Co.-Stone & Webster Securities Corp. (jointly); First Boston Corp.-Blyth & Co. (jointly); Eastman Dillon, Union Securities & Co.-Smith, Barney & Co. (jointly); Lehman Brothers-Bear, Stearns & Co. (jointly). (Preferred Stock) White, Weld & Co.-Stone & Webster Securities Corp. (jointly); First Boston Corp.-Blyth & Co. (jointly); Kidder, Peabody & Co.; Eastman Dillon, Union Securities & Co.-Smith, Barney & Co.-Salomon Brothers & Hutzler (jointly); Lehman Brothers.

Washington Gas Light Co.
July 2, 1963 it was reported that this utility plans to sell $20,000,000 of bonds in the second quarter of 1964. **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.
July 22, 1963 it was reported that the company had filed an application with the ICC for permission to sell $6,500,000 of convertible subordinated debentures and 400,000 class A shares. **Business**—A holding company for subsidiaries engaged in motor vehicle freight transportation, nationwide freight forwarding, truck leasing, etc. **Proceeds**—For loan repayment. **Office**—460 12th Ave., New York. **Underwriters**—Eastman Dillon, Union Securities & Co., and Hemphill, Noyes & Co., New York. **Offering**—Expected in mid-August.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Steel ingots and castings (net tons)	July 20	1,939,000	2,077,000	2,426,000	1,398,000
Index of production based on average weekly production for 1957-1959	July 20	104.1	111.5	130.2	75.0
Unofficial indicated steel operations (per cent capacity). The American Iron & Steel Institute discontinued issuing this data late in 1960	July 20	0.63	0.675	0.790	48.0
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	July 12	7,567,760	7,583,310	7,512,160	7,252,960
Crude runs to stills—daily average (bbls.)	July 12	8,845,000	8,802,000	8,749,000	8,591,000
Gasoline output (bbls.)	July 12	30,840,000	30,737,000	31,604,000	31,200,000
Kerosene output (bbls.)	July 12	3,146,000	2,966,000	2,545,000	2,751,000
Distillate fuel oil output (bbls.)	July 12	14,407,000	13,898,000	14,711,000	13,248,000
Residual fuel oil output (bbls.)	July 12	5,210,000	5,384,000	5,412,000	6,010,000
Stocks at refineries, bulk terminals, in transit, in pipe lines					
Finished gasoline (bbls.) at	July 12	192,181,000	194,473,000	195,352,000	184,480,000
Kerosene (bbls.) at	July 12	32,876,000	31,668,000	29,996,000	30,948,000
Distillate fuel oil (bbls.) at	July 12	128,666,000	123,258,000	108,949,000	127,972,000
Residual fuel oil (bbls.) at	July 12	48,714,000	46,966,000	46,239,000	48,005,000
Unfinished oils (bbls.) at	July 12	89,958,000	90,686,000	90,319,000	86,678,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	July 13	507,725	440,795	616,261	497,660
Revenue freight received from connections (no. of cars)	July 13	411,343	454,750	516,632	415,495
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	July 13	2,505,000	1,990,000	9,775,000	1,954,000
Pennsylvania anthracite (tons)	July 13	146,000	187,000	465,000	85,000
CONSTRUCTION ADVANCE PLANNING — ENGINEERING NEWS-RECORD—NEW SERIES (000's omitted):					
Total advance planning by ownership	July 18	$596,900	$648,300	$510,700	$294,200
Private	July 18	353,800	356,000	288,200	95,700
Public	July 18	243,100	292,300	222,500	198,500
State and Municipal	July 18	183,500	259,300	184,300	196,400
Federal	July 18	59,600	33,000	38,200	2,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1957-59 AVERAGE=100	July 13	100	93	126	96
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	July 20	18,501,000	17,437,000	17,369,000	16,759,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	July 18	230	273	274	286
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	July 15	6.279c	6.279c	6.279c	6.196c
Pig iron (per gross ton)	July 15	$63.33	$63.33	$63.33	$66.44
Scrap steel (per gross ton)	July 15	$25.50	$25.17	$25.83	$25.83
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	July 19	30.600c	30.600c	30.600c	30.600c
Export refinery at	July 19	28.450c	28.400c	28.400c	28.525c
Lead (New York) at	July 19	11.000c	11.000c	10.750c	9.500c
Lead (St. Louis) at	July 19	10.800c	10.800c	10.550c	9.300c
‡Zinc (delivered at)	July 19	12.500c	12.500c	12.000c	12.000c
Zinc (East St. Louis) at	July 19	12.000c	12.000c	11.500c	11.500c
Aluminum (primary pig, 99.5%) at	July 19	22.500c	22.500c	22.500c	24.000c
Straits tin (New York) at	July 19	115.375c	115.625c	117.125c	111.125c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	July 23	88.97	88.71	89.36	88.04
Average corporate	July 23	88.81	88.95	89.23	87.05
Aaa	July 23	91.77	92.06	92.79	90.9_
Aa	July 23	90.34	90.34	90.91	88.95
A	July 23	89.23	89.37	89.51	86.78
Baa	July 23	84.30	84.30	84.30	81.90
Railroad Group	July 23	87.05	87.18	87.32	83.53
Public Utilities Group	July 23	89.78	89.92	90.20	89.09
Industrials Group	July 23	89.64	89.78	90.20	88.54
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	July 23	3.95	3.99	3.88	3.93
Average corporate	July 23	4.50	4.49	4.47	4.63
Aaa	July 23	4.29	4.27	4.22	4.35
Aa	July 23	4.39	4.39	4.35	4.49
A	July 23	4.47	4.46	4.45	4.65
Baa	July 23	4.84	4.84	4.84	5.03
Railroad Group	July 23	4.63	4.62	4.61	4.90
Public Utilities Group	July 23	4.43	4.42	4.40	4.48
Industrials Group	July 23	4.44	4.43	4.40	4.52
MOODY'S COMMODITY INDEX	July 23	371.3	369.9	373.9	369.1
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	July 13	276,350	303,004	375,530	243,439
Production (tons)	July 13	229,828	263,443	372,869	243,508
Percentage of activity	July 13	63	69	97	71
Unfilled orders (tons) at end of period	July 13	547,283	510,204	518,102	506,033
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1959 AVERAGE=100	July 19	99.26	*99.04	112.36	99.06
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS					
Transactions of specialists in stocks in which registered—					
Total purchases	June 28	2,692,710	2,745,880	2,233,550	4,142,970
Short sales	June 28	526,220	527,600	438,730	939,180
Other sales	June 28	2,144,410	2,210,560	1,654,540	3,290,550
Total sales	June 28	2,670,630	2,738,160	2,093,270	4,229,730
Other transactions initiated off the floor—					
Total purchases	June 28	463,570	564,400	476,020	682,500
Short sales	June 28	48,050	62,300	39,200	140,800
Other sales	June 28	537,850	493,700	402,000	502,200
Total sales	June 28	585,900	556,000	441,200	643,000
Other transactions initiated on the floor—					
Total purchases	June 28	864,060	1,032,160	865,760	1,168,400
Short sales	June 28	147,210	160,000	94,320	225,980
Other sales	June 28	813,860	963,436	809,898	1,011,667
Total sales	June 28	961,070	1,123,436	904,218	1,237,647
Total round-lot transactions for account of members—					
Total purchases	June 28	4,020,340	4,342,440	3,575,330	5,993,870
Short sales	June 28	721,480	749,900	572,250	1,305,960
Other sales	June 28	3,496,120	3,667,696	2,866,438	4,804,417
Total sales	June 28	4,217,600	4,417,596	3,438,688	6,110,377
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	June 28	1,325,022	1,304,436	1,121,641	2,361,514
Dollar value	June 28	$70,615,112	$65,215,399	$60,125,974	$107,232,327
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—customers' total sales	June 28	1,638,244	1,648,781	1,475,226	2,003,386
Customers' short sales	June 28	17,817	11,358	11,673	119,886
Customers' other sales	June 28	1,620,427	1,637,423	1,463,553	1,883,500
Dollar value	June 28	$81,951,924	$77,951,924	$72,621,023	$99,232,327
Round-lot sales by dealers—					
Number of shares—Total sales	June 28	697,830	638,150	606,370	537,490
Short sales	June 28	------	------	------	------
Other sales	June 28	697,830	638,150	606,370	537,490
Round-lot purchases by dealers—Number of shares	June 28	304,860	315,660	261,200	878,380
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	June 28	925,560	1,026,760	733,820	2,218,400
Other sales	June 28	19,420,200	19,959,430	16,693,980	24,802,200
Total sales	June 28	20,345,760	20,986,190	17,427,800	27,020,600
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR—(1957-59=100):					
Commodity Group—					
All commodities	July 16	100.5	*100.6	99.9	100.3
Farm products	July 16	96.8	*97.1	94.3	96.4
Processed foods	July 16	102.3	*102.5	100.6	100.7
Meats	July 16	95.1	*94.3	90.6	97.5
All commodities other than farm and foods	July 16	100.6	100.6	100.6	100.7

*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. (a) Not available.

	Latest Month	Previous Month	Year Ago
AMERICAN HOME LAUNDRY MANUFACTURERS ASSOCIATION—Month of June:			
Total home laundry appliance factory unit sales (domestic)	452,240	382,649	407,603
Washers	358,614	310,979	334,864
Automatic and semi-automatic	302,499	248,795	267,345
Wringers and others	56,115	62,184	67,519
Combination washer-dryers	2,597	1,455	2,491
Dryers	91,029	70,215	70,248
Electric	59,375	46,815	49,701
Gas	31,654	23,400	20,547
AMERICAN RAILWAY CAR INSTITUTE—Month of June:			
Orders of new freight cars	2,349	6,074	3,411
New freight cars delivered	3,701	2,405	3,911
Backlog of cars on order and undelivered (end of month)	21,959	23,364	13,274
AMERICAN TRUCKING ASSOCIATION, INC.—Month of May:			
Intercity general freight transport by 343 carriers (in tons)	6,843,446	6,568,545	6,451,632
BANK DEBITS — BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM Month of June (000's omitted)	$299,600,000	$318,100,000	$291,800,000
BANKERS DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK—As of June 30:			
Imports	$535,773,000	$525,297,000	$472,814,000
Exports	806,908,000	808,398,000	751,011,000
Domestic shipments	20,832,000	15,688,000	24,783,000
Domestic warehouse credits	45,607,000	56,193,000	91,817,000
Dollar exchange	129,985,000	148,515,000	144,690,000
Based on goods stored and shipped between foreign countries	1,158,222,000	1,141,525,000	857,128,000
Total	$2,697,327,000	$2,695,616,000	$2,342,243,000
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR—Month of June (in millions):			
Total new construction	5,914	*5,463	5,826
Private construction	4,225	*3,970	4,112
Residential buildings (nonfarm)	2,647	*2,455	2,492
New housing units	1,844	*1,635	1,697
Additions and alterations	701	*720	686
Nonhousekeeping	102	100	109
Nonresidential buildings	923	871	971
Industrial	226	225	235
Commercial	402	372	433
Office buildings and warehouses	219	211	208
Stores, restaurants and garages	183	161	225
Other nonresidential buildings	295	274	303
Religious	79	74	82
Educational	53	49	50
Hospital and institutional	85	81	79
Social and recreational	54	50	68
Miscellaneous	24	20	24
Farm construction	140	130	137
Public utilities	495	*489	489
Telephone and telegraph	91	*96	88
Other public utilities	404	*393	401
All other private	20	25	23
Public construction	1,689	*1,493	1,714
Residential buildings	67	*68	79
Nonresidential buildings	476	*449	472
Industrial	Not avail.	*41	44
Educational	265	*246	265
Hospital and institutional	40	*39	34
Administrative and service	69	64	62
Other nonresidential buildings	61	*59	67
Military facilities	Not avail.	Not avail.	157
Highways	Not avail.	*488	618
Sewer and water systems	171	*163	159
Sewer	104	*99	98
Water	67	*64	61
Public service enterprises	41	40	44
Conservation and development	Not avail.	*141	151
All other public	36	*36	34
COAL EXPORT (BUREAU OF MINES)—Month of May:			
U. S. exports of Pennsylvania anthracite (net tons)	339,699	194,986	112,437
To North and Central America (net tons)	35,051	24,930	62,968
To Europe (net tons)	287,450	169,216	47,313
To South America (net tons)	11,366	632	168
To Asia (net tons)	5,325	------	1,988
To Australia (net tons)	507	------	------
COAL OUTPUT (BUREAU OF MINES)—Month of June:			
Bituminous coal and lignite (net tons)	39,250,000	41,210,000	37,673,000
Pennsylvania anthracite (net tons)	1,783,000	1,682,000	1,339,000
COKE (BUREAU OF MINES)—Month of May:			
Production (net tons)	5,056,197	*4,827,536	4,510,377
Oven coke (net tons)	4,963,844	*4,740,933	4,453,176
Beehive coke (net tons)	92,353	*86,603	57,201
Oven coke stocks at end of month (net tons)	2,791,516	*3,185,614	3,774,885
COMMERCIAL PAPER OUTSTANDING—FEDERAL RESERVE BOARD OF NEW YORK As of June 30 (000's omitted)	$2,049,000	$2,084,000	$1,878,000
INDUSTRIAL PRODUCTION—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM — 1957-59 Average=100—Month of June:			
Seasonally adjusted	125	124	118
Unadjusted	127	*125	120
NEW YORK STOCK EXCHANGE—As of June 30 (000's omitted):			
Member firms carrying margin accounts—			
Total customers net debit balances	$4,930,000	$4,762,000	$3,637,000
Credit extended to customers	32,000	24,000	32,000
Total of customers free credit balances	1,152,000	1,166,000	1,374,000
Market value of listed shares	382,998,000	382,082,000	298,969,472
Member borrowings of U. S. Govt. issues	687,000	547,000	482,000
Member borrowings on other collateral	4,218,000	3,909,000	2,325,000
PORTLAND CEMENT (BUREAU OF MINES)—Month of May:			
Production (barrels)	34,497,000	29,314,000	33,719,000
Shipments from mills (barrels)	34,913,000	29,918,000	33,398,000
Stocks at end of month (barrels)	40,704,000	*41,416,000	40,076,000
Capacity used (per cent)	86	75	88
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of June:			
Net sales	------	------	$8,718,000
Net purchases	$73,860,400	$656,202,500	------

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above June, 1962's total output for the year's first half being almost 59,600,000 tons or 5,509,000 more than January-June, 1962.

For the eighth week in a row this year, the cumulative total output of ingots and castings since Jan. 1 topped the year-ago period with a total of 65,462,000 net tons (*121.2%) which is 12.1% above the Jan. 1-July 21, 1962 production of 58,419,000 net tons.

District—	*Index of Ingot Production for Week Ending July 20	July 13
North East Coast	93	103
Buffalo	92	92
Pittsburgh	96	103
Youngstown	91	96
Cleveland	114	127
Detroit	149	157
Chicago	107	117
Cincinnati	126	133
St. Louis	89	104
Southern	117	118
Western	106	113
Total industry	104.1	111.5

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

Market Adjustments Not as Bad As Steel Originally Feared

The threat of a railroad strike started a minor flurry of protective action by steel users last week, *Steel* magazine said.

Some users asked for faster deliveries. Others requested that shipments be rerouted from rail to truck. On the East Coast, there was genuine concern—especially where shipments were for export, with ships already in port or scheduled for early arrival.

A rail strike would force some steelmakers to shut down immediately. Trainmen on some of the switching lines that move raw materials and hot metal inside the plants would probably walk out. Result: Steel production would cease even if raw materials were abundant.

For many metalworking firms, *Steel* said the immediate impact would be felt mostly in outgoing shipments rather than in obtaining raw materials. Most of them have 30 to 60 day raw material inventories.

Strike fears didn't trigger additional buying of steel. Chicago mills reported a slight pickup in sales but attributed it simply to seasonal trends. Orders normally start climbing in late July because vacations are tapering off and automakers are starting to buy steel for delivery after model changeovers.

Steelmakers have absorbed most of the cancellations and setbacks they were destined to receive, and the adjustments haven't been quite as bad as they feared.

July will probably be the year's low month for order entry, with bookings 25 to 40% less than last month's.

Shipments will probably hit bottom in August. Since July shipments of finished steel products will be roughly equivalent to consumption (around 6 million tons), liquidation of consumer stocks won't start until August.

Ingot output this week will be less than the 2,020,000 tons that *Steel* estimated the industry poured last week. Operations are close to 65% of unofficial capacity.

Scrap Prices Move Up

Scrap prices moved upward last week. *Steel's* price composite on No. 1 heavy melting advanced 84 cents to $25.67 a gross ton, the first gain since May 1, reflecting increases in Pittsburgh and Chicago.

Price strength is attributed to curtailed generation of material due to widespread shutdowns of plants for vacations, a pickup in shipments to Eastern ports as exporters try to accumulate cargoes prior to a possible rail tieup at monthend, and indications that steelmaking operations will increase soon.

Business in the metalworking industry is so active this month that it may be tops for any July on record, *Steel* said. Its index of industrial production is soaring well above any other July, and it should continue to cruise 20% above July, 1962. The index components: Steel output, electric power output, freight carloadings, and auto assemblies.

Steel Shipments Will Drop Sharply in July and August

July steel shipments will drop sharply from the year's high of 8 million tons shipped in May and in June, reported *Iron Age*, the national metalworking weekly.

Mill shipments of finished steel this month are expected to fall to 6 million tons. August will see another 1 million ton drop, to 5 million tons.

Even so, 1963 still shapes up as the best steel shipments year since 1957 when mills shipped nearly 80 million tons in another good auto year. And it is certain to top the 71 million tons shipped in 1960, the best year since then.

The magazine estimated first-half shipments totaled 41 million tons. This means second-half shipments need reach only 30 million tons to match 1960.

But there is every chance the steel industry will be able to top that figure by as much as 2 million tons, *Iron Age* said. This would raise total steel shipments for the year to 73 million tons, a level exceeded only 4 times in the past 13 years.

Optimism is based on the general strength of the economy and the continuing high level of steel consumption.

Particularly encouraging is the outlook for the auto industry. Mills are beginning to raise their estimates of the amount of steel the auto plants will consume this year. One mill has added 400,000 tons to its earlier auto estimate and 1 million tons to its overall estimate.

By October the auto plants should be rolling in high gear as the industry begins to fill its pipelines with '64 models. And production usually remains good into early December, *Iron Age* notes.

Mill reports vary widely regarding incoming orders — the rates range from 20% to 50% of capacity. The large drop-off orders is due to seasonal factors and continued liquidation of inventories built up as a hedge against a steel strike earlier.

But there are indications the rate of inventory liquidation will not be as severe as a year ago. Nor is it expected to be spread over as long a period.

Mills are getting reports from the field that miscellaneous customers are continuing to buy steel. A year ago many of them just dropped out of the market and lived off inventories.

Delivery estimates have just about returned to normal for all steel products. This varies from 3 to 5 weeks for cold-rolled sheets, for example, depending on the district. But all products are expected to be back to normal by September.

Year's Auto Output to Date Exceeded Only Once Before In 1955

The 7,000,000th 1963 model passenger car was produced in U. S. assembly operations end of last week according to *Ward's Automotive Reports.*

The statistical service said that only once before in industry history—in the 1955 model term—did output reach such a level. Sometime this week the 1963 model count will overtake the 7,130,000 cars made in the record 1955 model period.

Ward's noted a surge in output last week which it characterized as a "rush-out," rather than a gradual phaseout, of model making this year.

Despite "runouts" reached by several car makes, industry output last week was programmed at 158,642 units, less than a 2% decline from 161,854 cars made last week and comparing with 148,308 cars made in the corresponding week last year.

For General Motors Corp., it was the biggest production week in history, reflecting a sharp increase in Chevrolet division output, which was also at a high. Chevy, which has already accounted for over 2.1 million units of industry '63 production, added about 6,200 cars to its weekly program and last Saturday's overtime operations took place in 10 of its 14 plants.

Ford Motor Co. had eight assembly plants working last Saturday, continuing a schedule incepted after production losses in a May strike. Almost, entirely, the Ford Saturday slate was devoted to assembly of the regular Ford car; elsewhere, the company's Mahwah (N. J.) and Kansas City lines were closed for the week, and plants at Metuchen (N. J.) and San Jose were closed last Friday only.

Plants completing 1963 output during last week included the Buick Special line at Flint (Mich.), Ford's Lincoln-Thunderbird plant at Wixom (Mich.) and Chrysler Corp.'s Detroit Jefferson Ave. facility, exclusive source of Chrysler, Imperial and Dodge 880 cars. All other "Big 3" assembly plants, along with American Motors at Kenosha (Wis.) worked five day programs. Studebaker Corp. wound up Lark-Hawk output in the final week of June.

Of output last week, GM planned 58.5%; Ford 22.3%; Chrysler Corp. 12.8% and American Motors 6.4%. Studebaker output was nil.

Rail Loadings Up 11 Weeks in a Row Over Year-Ago and Ton Miles 6.6% Over Last Year

Loading of revenue freight in the week ended July 13, which included the second week of the coal miners' annual vacation, totaled 507,725 cars, the Association of American Railroads announced. This was an increase of 66,930 cars or 15.2% above the preceding holiday week.

The loading represented an increase of 10,065 cars or 2.0% above the corresponding week in 1962, a gain for the 11th week in a row over 1962's counterpart weeks, but a decrease of 65,581 cars or 11.4% below the corresponding week in 1961. The coal miners' annual vacation affected loadings in the 1963 and 1962 weeks but not the 1961 week.

Ton-miles generated by carloading in the week ended July 13, 1963, are estimated at approximately 10.8 billion, an increase of 6.6% over the corresponding week of 1962 but a decrease of 2.4% below 1961.

There were 13,084 cars reported loaded with one or more revenue highway trailers or highway containers (piggyback) in the week ended July 6, 1963 (which were included in that week's over-all total). This was an increase of 1,625 cars or 14.2% above the corresponding week of 1962 and 4,153 cars or 46.5% above the 1961 week.

Cumulative piggyback loadings for the first 27 weeks of 1963 totaled 404,202 cars for an increase of 47,929 cars or 13.5% above the corresponding period of 1962, and 108,966 cars or 36.9% 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 60 one year ago and 58 in the corresponding week in 1961.

Truck Tonnage 2.5% Above 1962-Week Marks Fourth Weekly Rise in a Row

Intercity truck tonnage in the week ended July 13 was 2.5% ahead of the volume in the corresponding week of 1962, the American Trucking Associations announced. For the fourth consecutive week, truck tonnage has shown a gain on a year-to-year basis. These reports have reflected steady increases over the 1962 level, and the latest report shows the most substantial gain since the second week of this year. Truck tonnage was 16.6% ahead of the volume for the previous week of this year. The sharp week-to-week tonnage increase was due largely to a return to normal following the Independence Day holiday which occurred on Thursday of the preceding week of this year. This tonnage increase is consistent with that experienced during comparable periods in past years.

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.

The terminal survey for last week showed increased tonnage from a year ago at 22 localities, with 12 points reflecting decreases from the 1962 level. Truck terminals at Detroit, Oklahoma City, and Birmingham registered tonnage gains of 17.9, and 17.7, and 10.1%, respectively. Omaha and Jacksonville terminals experienced the largest decreases—off 22.8 and 13.9%, respectively.

Compared with the immediately preceding week, 33 metropolitan areas registered increased tonnage, while one area, Los Angeles, was down 0.9%.

Lumber Production Plunges 12.3% Below 1962 Week

Lumber production in the United States in the week ended July 13 totaled 173,282,000 board feet compared to 197,588,000 in the year-ago week according to reports from regional associations.

Compared with 1962 levels, output dropped 12.3%; new orders fell 5.2% and shipments fell 2.2%.

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

	July 13 1963	July 6 1963	July 14 1962
Production	173,282	146,777	197,588
Shipments	199,315	181,399	203,800
New orders	207,504	186,471	218,953

Electric Output Soars 10.4% Over Last Year's Level To a Record High

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, July 20, was estimated at 18,501,000,000 kwh. according to the Edison Electric Institute. Output was 1,064,000,000 kwh. more than the previous week's total of 17,437,000 kwh., and 1,742,000,000 kwh. above the total output of the comparable 1962 week or an increase over the year ago week of 10.4%.

Wholesale Commodity Price Index Remains Low Despite Fractional Rise in Latest Week

Continuing a downward drift, the general wholesale commodity price level ebbed on Tuesday last week to the lowest trough since March but then inched up to register the first week-to-week rise in two months, reported Dun & Bradstreet, Inc. Most of the upward movement came from steel scrap, where slow scrap collections and low carryover inventories have resulted in steady to good demand, and from higher quotations for rubber and hogs. The over-all commodity increase was fractional, however, since the advances were counter-balanced by continuing declines in grains and in cotton—the current crop is flourishing in most favorable growing conditions.

The daily wholesale commodity index edged to 268.11 on Monday, July 22, from 268.09 a week earlier, but remained appreciably below its month-ago level of 269.75 and fell considerably short of the 271.74 on the comparable Monday last year.

Wholesale Food Price Index Rebounds to New 1963 High

The Wholesale Food Price Index, compiled by Dun & Bradstreet, Inc., bounced back after slipping a week ago to reach a new 1963 peak of $5.98 on July 23. Up 0.8% from $5.93 in the prior week, the index exceeded by 1.4% the $5.90 registered on the similar date of 1962. An upward trend from comparable year-ago levels has now persisted for two months.

Sizable increases in wholesale cost wer chalked up for lard, eggs, currants and hogs. As well, barley, hams, bellies, butter, sugar were quoted slightly higher. The combined price gains held an edge over the total of 10 foodstuffs quoted lower at wholesale markets: flour, wheat, rye, oats, cottonseed oil, cocoa, potatoes, raisins, steers and lambs.

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.

Business Failures Slide in Latest Week

After an upspurt in the prior week, commercial and industrial failures fell back to 230 in the week ended July 18 from 273 a week earlier, reports Dun & Bradstreet, Inc. This downturn brought casualties almost as low as in the July 4 holiday week and dropped them substantially below the 286 and 343 occurring in the comparable weeks of 1962 and 1961. Some 8% fewer businesses failed than in the similar week of 1939 when the pre-war toll stood at 251.

Nearly all of the week's downswing was concentrated in retail trade where the toll was off to 115 from 152 a week ago. Meanwhile, casualties among manufacturers held steady at 40. The construction toll inched to 32 from 30, and wholesaling slipped to 23 from 27 and service to 20 from 24. Mortality remained well below 1962 levels in all functions.

Canadian failures edged up to 38 from 35 in the preceding week and 37 in the similar week of 1962.

Dun & Bradstreet Weekly Round Up of Consumer Buying Unavailable This Week But Will Be Next Week for Period Ending July 24

Nationwide Department Store Sales Rise 4% Above Last Year's Level

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index were up 4% (adjusted) for the July 13-ending week compared with the like period in 1962. This impressive leveling out (last week's gain over the year-ago week market the same rate of increase) marked the eighth encouraging weekly trend in a row.

In the four-week period ended July 13, 1963 sales gained 7% over last year's level for the comparable period for the country's 12 leading department store districts.

According to the Federal Reserve System, department store sales in New York City for the week ended July 13, gained 16% over the comparable year-ago week's figure. New York City's department store sales were up 15% for the four week-period ending July 13.

A *flash figure* for New York City's sales for the July 20-ending sales week revealed a plus 5% increase. In every week since June 1, there has been a gain for the N. Y. C. department stores notwithstanding the N. Y. City sales tax hike from 3% to 4% commencing last June 1. No one can surmise, however, how much higher it might have been in the absence of the sales tax rise. The four-week N. Y. C. flash figure was plus 9% over a year ago.

So far this year (Jan. 1 to July 13), the 12 department store districts' retail dollar volume increased 4% (adjusted) over that rung up for corresponding period a year ago.

A broader set of data encompassing *total* retail sales, compiled by the Bureau of the Census, U. S. Department of Commerce, put the week's total sales 4% above a year ago, the same gain registered by department stores alone, the latest statement week ending July 13. The year-to-year contrast for the latest four-week period showed a gain of almost 5%—or two percentage points less than department store sales for the same period.

An Analysis of Major Japanese Industries—1963

The Sanwa Bank, Ltd., Tokyo, in a recent analysis of the economic outlook for Japan's industries, commented in part as follows:

Last year, virtually every industry in Japan had to face adjustment problems, drastic capital cost increases, personnel expenditures and the many and varied influences of trade liberalization. As a result, industry suffered severely from a stagnation of sales, serious declines in profit and an ever-widening gap between the successful and unsuccessful industries.

In order to overcome these problems a strong movement was initiated toward the establishment of a more enlightened management policy, a strengthening of sales functions and improvement in the stability of enterprises. 1962, therefore, was a year of self-examination—even for those industries enjoying success. A trend towards the merging of enterprises is clearly evident as the Government moves towards promoting such amalgamations in the marine industry and in the preparation of bills which would help develop and bolster those industries not especially strong in international competition.

Although these problems still exist there is every confidence that solutions to each will be found this year. Nonetheless, a slightly favorable and brighter future is predicted for 1963 despite the fact that the peak has been reached.

The following is a summary of the 1963 forecast, shared by most industries in general.

(1) Both demand and production will grow at a low rate, but this growth will be evident towards the latter part of the year.

(2) Continuous over-production cannot be avoided, even through production control.

(3) Market becoming active. Competition, however, is getting keener and actively is oppressed by the over-investment in capital goods.

(4) The increase in personnel expenditures, in capital investment on plants and in the price of material is set off against the industrial rationalization.

(5) Strong thirst for investment among fundamental and successful industries will result in tremendous increase in investment, but the demand for plant capital is diversified, depending on the kind of business.

(6) The demand for operating capital will increase according to the expansion of production.

(7) Preparation for competing in the International market, and a reorganization and establishment of a cooperative system among enterprises is needed.

(8) Minor industries facing a critical stage due to influence of increasing salaries and keener competition.

(9) The big influence effected by the liberalization of trade for miscellaneous goods, copper, sugar and wool.

(10) Manufacturers as well as merchants should be prepared to reorganize and rationalize the distribution systems from manufacturers to consumers.

The following is a summarized breakdown by industry (outstanding characteristic is the upward trend of the chemical and textile industry and the decline of steel and machinery):

The Trend of Production

Favorable: Automobile, domestic electric tools, synthetic resin, synthetic fiber.

Unfavorable: Coal, chemical fertilizer, rayon.

Slow upward climb from deep botton: Steel, nonferrous metals, cotton, wool, textile.

Declining (because of decrease in plant investment): Industrial machinery, heavy machinery.

Declining (because of decrease in demand): Soap, oil paint, reinforced silk and motion pictures.

Demand and Supply

Recovering: Textile and chemical products.

Steel, nonferrous metals, industrial machinery will have hard time for a while.

Over-supply expected to continue in chemical fertilizer, paper and pulp industries.

Profit

Profit is seen improving in the petroleum, chemical and synthetic resin industries due to operational improvements, and due to the market recovery, soda, cotton and wool industries will be profitable.

Steel and nonferrous metal industries are too remote from profits, in spite of an increase over last year. The increase of demand brings profits to cement, domestic electric tool and drug industries, although profit ratios are declining slowly.

Investment on Capital Goods

Tremendous increase in investment on capital goods will be seen in petroleum, electricity, automobile, petroleum chemistry and synthetic fiber industries.

On the other hand, steel, machinery, rubber, paper and pulp industries will be slowed.

WASHINGTON AND YOU

BEHIND-THE-SCENES INTERPRETATIONS FROM THE NATION'S CAPITAL

WASHINGTON, D. C.—It has been said publicly and privately on numerous occasions that no man is really big enough to be President of the United States because the problems and responsibilities are so great.

The past two weeks has clearly emphasized some of the responsibilities of the Chief Executive of this country.

In an effort to avoid the possibility of a great monetary crisis somewhere down the road, President Kennedy has taken some bold action by proposing that the United States Government levy a tax on foreign securities because of the alarming outflow of capital.

There is expected to be other steps taken that will curb the outflow if the double-barreled action taken in Washington does not adequately do the job.

The Federal Reserve Board's increase in its discount rate had been expected for days, but the "Interest Equalization Tax," designed to keep U. S. dollars at home is clearly a break with traditional policy.

Qualified Washington sources maintain that while there is no reason to suspect that our country is immediately faced with a severe monetary crisis, a definite crisis is building up unless something is done to stop the outflow.

Too Many Outgoing Dollars

The worst possible thing that could happen to the economies of this country and our Allies would be for the world to lose confidence in the American dollar. Nevertheless, the simple facts are our gold reserves are dwindling all the time. The loss last year was more than $875,000,000. The President told Congress that the 1963 outflow is rubbing substantially below last year.

Even so the long-range picture is disturbing unless the balance of payments position is improved. The way to improve the position is to keep the United States from living beyond its income overseas and at home.

For example, we are providing billions in foreign assistance and foreigners are not spending nearly as much of their income in the United States as we would like for them to spend.

Frightening Dollar Holders

The proposed tax on foreign securities no doubt would curb the floating of bonds in this country by other countries. The bold action of the President may result in some apprehension from foreign countries.

For instance, foreign individuals as well as countries might feel that they better take their money out of the country while they can because later on—one year or five years from now—they might not be able to do it with complete freedom.

There is speculation on Capitol Hill and at the Pentagon that there will be other actions taken designed to stop the outflow of U. S. dollars.

For instance, a substantial amount of the billions of dollars Congress appropriates each year for the Department of Defense winds up overseas.

Financing G. I.'s Abroad

Perhaps from a percentage standpoint not many citizens of this country realize that our Army today is composed of 16 divisions. Eight of those divisions are overseas—five in Europe, two in Korea and one on Okinawa.

Many of those soldiers in those eight divisions have their families living with them overseas. Because they are living abroad, it is taking hundreds of millions of dollars to support them. This is a big drain and outflow.

Also perhaps not many people realize it but we are also supporting 42 Army missions scattered around the world. It is true that they are small units, but it all counts up. Our current authorized Army strength is 975,000 officers and men, but our present actual strength is about 960,000.

It would not be surprising that the Pentagon before long, assuming the world picture gets no darker, will bring at least one or two divisions and their families back to the United States.

Patman Poised for Battle

Meantime, the action by the Federal Reserve Board is going to have repercussions on Capitol Hill. Representative Wright Patman, chairman of the House Banking and Currency Committee, a critic of Wall St. and a proponent of low interest rates, plans to do some verbal jabbing at the Federal Reserve Board.

Chairman William McChesney Martin is invited to appear before Chairman Patman and his Committee.

Keyserling's Blast

One of the sharpest critics of the Federal Reserve Board's action thus far has been Leon H. Keyserling, who was President Truman's chairman of the Council of Economic Advisers.

Mr. Keyserling maintains that the action by the Treasury Department to raise further the short-term interest rates to cut the gold outflow "ignores a decade of experience."

The Washington economist insists that it is not feasible to raise short-term interest rates for long without subsequent pressures on all interest rates.

Mr. Keyserling's philosophy in monetary and economics have been challenged before, but he has a following in Washington who rely on his wisdom. A few days ago he reiterated what he has said on other occasions: The paramount way to solve our balance of payments situation is to improve our economic conditions. Higher interest rates and tighter money stifle economic growth and increase unemployment, Mr. Keyserling contends.

Latest "SEC" Report

The past week was a rough one from an official Washington standpoint in the broad field of securities, with three separate actions.

The second segment of the market study by the Securities and Exchange Commission was filed with Congress. The report, of course, was expected, but portions of the SEC's special study group's criticisms of some aspects of the exchange markets was somewhat surprising.

In his letter of transmittal on behalf of the SEC, which accompanied the report to Congress, despite the criticism of some of the alleged undesirable practices that have been taking place at the various markets, Chairman Cary said:

"As we stated in our first letter of transmittal, this report should not impair the public confidence in the securities markets, but should strengthen it as suggestions for raising standards are put into practice."

[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.]

"These new 1963 phone numbers have so many digits that by the time I get a customer I've forgotten what you wanted me to tell him about his stock!"

COMING EVENTS

IN INVESTMENT FIELD

Sept. 11-13, 1963 (Pebble Beach, Calif.)
Investment Bankers Association Board of Governors Meeting at the Del Monte Lodge.

Sept. 22-26, 1963 (Colorado Springs, Colo.)
National Security Traders Association Annual Convention at the Broadmoor Hotel.
CHRONICLE's Special Pictorial Supplement Oct. 17.

Sept. 27, 1963 (Philadelphia, Pa.)
Bond Club of Philadelphia 38th annual outing and field day at the Huntingdon Valley Country Club, Huntingdon Valley, Pa.

Sept. 27, 1963 (New York City)
Municipal Bond Club of New York 2nd Annual Fall Sports Outing at the Sleepy Hollow Country Club, Scarborough-on-Hudson, New York.

Oct. 20-24, 1963 (Bal Harbour, Miami Beach, Fla.)
National Association of Bank Women 41st annual convention at the Americana Hotel.

Dec. 1-6, 1963 (Hollywood Beach, Fla.)
Investment Bankers Association of America Annual Convention at the Hollywood Beach Hotel.
CHRONICLE's Special Pictorial Supplement Dec. 19.

Dec. 2-3, 1963 (New York City)
National Association of Mutual Savings Banks 17th Mid-Year meeting at the Commodore Hotel.

April 8-9-10, 1964 (Houston, Tex.)
Texas Group Investment Bankers Association Annual Convention at the Shamrock Hilton Hotel.
CHRONICLE's Special Pictorial Section April 30.

May 16-24, 1964 (N. Y. City)
National Association of Mutual Savings Banks 44th Annual Meeting at the Commodore Hotel.

Dec. 7-8, 1964 (New York City)
National Association of Mutual Savings Banks 18th Annual Mid-Year meeting at the Commodore Hotel.

May 17-18-19, 1965 (Washington, D. C.)
National Association of Mutual Savings Banks 45th Annual meeting at the Washington Hilton Hotel.

May 16-17-18, 1966 (Philadelphia, Pa.)
National Association of Mutual Savings Banks 46th Annual meeting at the BellevueStratford Hotel.

May 22-23-24, 1967 (Boston, Mass.)
National Association of Mutual Savings Banks 47th Annual meeting at the Hotel America.

Halsey Appointed In Fund Drive

Van R. Halsey, partner in the investment banking firm of Carlisle & Jacquelin, has been named Vice-Chairman of the Hospital Trustees Division of the 1963 United Hospital Fund campaign, according to announcement by Frederick D. Forsch, Chairman of the Division. Mr. Forsch is with the investment firm of Kuhn, Loeb & Co.

Mr. Halsey will assist Mr. Forsch in leading 700 hospital trustees in Manhattan and The Bronx in raising their share of the Fund's $3,000,000 campaign goal. The money raised will be distributed to the Fund's 79 voluntary hospitals in proportion to the free and below-cost care they will give to the medically needy in 1963.

Mr. Halsey is Treausrer and Trustee of St. Luke's and Woman's Hospitals. He is also a Trustee of Excelsior Savings Bank and Director of Hanson-Van Winkle-Munning Company.