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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—greatly affected members of the larger and well entrenched unions. But he would be naive indeed, whether a union member or just a

A Questioning Glance at Some Municipal Bond Financing Trends

By Alan K. Brown*, Vice-President, Bank of America

Leading municipal financing expert who represents one of the largest investors and investment bankers in municipalities appraises state and local officials of significant pitfalls in tax-exempt financing, including advance refunding. Discussion first outlines record growth and accompanying financing problems, and conjectures on future borrowing costs. Current developments probe range from trend toward revenue bonds with a waruing 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 offices 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.

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 our 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 like also 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 expanding responsibilities placed on our state and local governments. Likewise, there is no doubt as to the strains which these demands have placed upon 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, "The growing role of state and local units within the area of public action:" "The expected increase in the demand for public (Continued on page 29)
The Security I Like Best...

A continuous flow in which, each week, a different group of exports in the leading and advisory field from RIC will be sought to participate and give their reasons for favoring a particular security.

PAUL HEICHERER
Research Dept., RIC, Singer & Co.,
New York City

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

Insurance in force of RIC has increased from $122 million in 1961 to $418 million in 1962; an increase of $296 million. Earnings of its subsidiaries has shown the effects of the excellent management team RIC provides. RIC's investments of approximately $68,000,000 in its subsidiaries has risen from $20,000,000 in 1961 and $20,000,000 in 1962, respectively.

With reserves such as those cited above, it is assumed that future growth and earnings will show a similar increase.

American increased its life insurance in force from $175 million to $229.2 million in the 12 month period Dec. 31, 1961 to Dec. 31, 1962. 

Since the advent of the new management, the backlog of work and the open and cooperative attitude of the new management team have been taken advantage of. The high standards of the company's operations are reflected in the company's earnings.

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What Is a Sound Dollar?

By Felix Edgar Werner, Consulting Mining Engineer, New York Post and Times, former Assistant Secretary of the Interior; Director, U. S. Chamber of Commerce; Farmer 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 as many men rather than (us) who should know better are uninformed and/or aesthetic about basic monetary fundamentals, and are content and care for the dollar's growing predicament. In examining fallacious and correct concept of what constitutes a sound dollar, and its importance, Mr. Werner raises and answers such questions as whether Federal Reserve data since 1933 have been better than those prior to that year, and what has happened to our more managed dollar's purchasing power, gold reserves, and the extent of Federal spending and power, and Franklin D. Roosevelt's "sound dollar" goal. The writer disagrees with Federal Reserve Chairman Martin's statement that the dollar has been "sound" and with the GED'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 virulent, 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 had no dollar as one in which the value is maintained in terms of stable prices, and which is so supported by fiscal and other government policies that literally all foreign governments everywhere have full confidence in it. I can find little difference between this definition and the sound dollar's conception of a sound dollar and the declaration of President Franklin Delano Roosevelt. Roosevelt some 30 years ago that the objective of government policy should be to give the people a dollar whose value in terms of purchasing power would be stable. This could be done by government bonds, savings accounts and insurance policies and be sure that, if at any time over, the purchasing power of the dollar would not be impaired and the value of your investments would not be injured by a depreciated dollar.

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 of wholesale prices). Life insurance holders, pensioners and savers are 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 referred to 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 raising the price level, the policy implied an enormous increase of govern-ment intervention in our national and local economy. I did not think it could succeed then, nor now. But, as one distinguished bank said when we destroyed the right of any citizen to own a gold coin, "haven't you any confidence in your mone¬tary 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 1922-1929 when we had an exceptionally stable price level and seemingly sound currency? You know what happened in 1929. I hope the current 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, possibly the development of the "new" or Keynesian economics classifying gold as a "barbarous relic". Continued on page 24.
A topical comment on railway operations, earnings, prospects in the search for greater efficiency and cut in cost, and some definite needs for tighter and more cost conscious management, may be illustrated by the appointment of Mr. Saunders, who has been working for the Norfolk and Western, as President of Pennsylvania as most significant.

Increased competition, and the todays' railway operator with a brilliant record for maintenance and development of railways and water ways, and his competence in and zeal for, mergers are well known and readily accepted in the industry. The Pennsylvania and "Central" are on their way to a major merger, if not the most. This merger might create savings of over $75 million a year or $50 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 a group of individuals who are a Democratic group than the Big Society. This group is given far more power than is the average Democrat. In the newspapers it is treated with importance as a long established political party.

The Goldwater supports while not amused are not alarmed. He has taken a hard line. The Rockefeller tirade is not likely to make it appear that the John Birch Society is about to go over the Republican Party—has made you decent in the Goldwater strength, which, with considerable reason, they say is far-flung across the country. They have not been stamped into making hard charges against the New York Governor, who are known to do their intention to make. Their alliance may be more ominous for Senator Goldwater in the Presidential nomination.

One point they do make: that no such tirade has ever come from Governor Rockefeller had it not been apparent that Senator Goldwater was way out in front in the 1963 summer book on the line of the Republican who must be halted. Their alliance may be more ominous for Senator Rockefeller in the Presidential nomination.

In two of Senator Goldwater's recent speeches, the Senator 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 York governor is the leader of the Republican liberal wing of the party. The Goldwater流行的 bite, 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 our financial and the country's economy.

The Goldwater, checking with appreciation at the Rockefeller attack on the champions of the Republic, admitted that "there is no more criticism of the Republican Party than the Democratic Party, and that the Goldwater, "there is no more criticism of the Republican Party than the Democratic Party."

The Democrats see the Republican Governor of a great state undermining and besmirching: the honors on the most severe criticism of the Kennedy Administration—the President's most cut-throat attack. President Kennedy is getting help from the Republican Governor of the biggest state of the country. The Rockefeller, in the political picture, just as the President says he always does, to get some of his New Frontier measures through Congress.
CONSTRUCTIVE ATTITUDE TOWARD REFORM

The early reactions to the newly released sections of the Special Study of Securities Markets of the Securities and Exchange Commission have been giving a false and unwarranted impression of the basic attitude of the Commission in regard to the commission, as represented in many recent headlines, has allegedly brought in an indictment against the Securities and Exchange Commission. It has purportedly accused it of all-over abuse and fraud. Furthermore, concern is being voiced over the fact that the Commission is ignoring the comments and recommendations that have been made by those who are most intimately concerned about its operations.

Actually, it is difficult to see how the Securities and Exchange Commission statements could have done more toward forestalling such illusions — since it has carried no responsibility for those head-line writers. Certainly, many eminent people have failed in the statement of the study Group's letter of transmittal, and particularly in the context of the 210 pages of supporting data contained in the 10 preceding pages, which have been examining the following volumes. "The facts and deleted disclosures in the study do not call for abolition, but to the basic integrity of the securities markets but neither do their permit of commission frauds nor does it go on to provide for the propriety of seeking alternative rules and regulations needing needed remedies, following with the endorsed claim of the Exchanges involved in "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 power, and danger of violation are largely unwarranted. The Chairman has formally promised hearings for and needs the exchanges of information and parties to be affected by any proposals.

Mr. Cary spells out this in his letters of Tuesday (July 22) to Chairman Farwell, to the Committee and Chairman Robertson of the Senate Banking and Currency Committee. "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 improper for us to speak definitively on various of the questions presented which involve such changes in our rules and the rules of the self-regulated agencies. In most cases we are required to solicit and consider the views of interested persons and to make any final decisions. Moreover, we believe that the responsible course is to subject these discussions with the securities industry before taking action. In the second place, we note that the problems discussed in the study are complex and rest on an array of facts and are 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 Commission, who are in charge of the study. The study was initiated and carried out, and to whom it is delivered in the first instance, will be farsighted interest in and the right to review the Commission's implementations, for the government's attitude.

Although, it is not yet clear how Chairman Harris and his staff will deal with the Commission's report to the act, beyond the holding of hearings after receipt of the proposed rule and the American and reasonable that they will walk the line with care and make its implementation and disposition entirely in the Commission's hands.

Confidence and Market Performance
Chairman Cary in his letter in support of the existing emittants 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 operation.

This constructive expectation is thoroughly justified by major precedents following the enactment of the New Deal's reform legislation, stemming from the seminal damaging abuses revealed by the Peconic Investigation, via the Securities Exchange Act with the establishment of the SEC in 1934. Thereafter the stock market advanced by 85% over the next seven years (its 1934 base was already double that of the 1929 low). The Bullmarket Hearings in March, 1955, with their airing of preceding market "excesses," were followed by a 40% market rise over the next 18 months.

FUNDAMENTALS GLOSSED OVER
Officialdom's current bow to investors in the New York Stock Exchange once again highlights another basic area in which the Commission glossed over a fundamental question. Surely, there is grave doubt whether the super-luxury trading markets in stocks which are outstanding—not only in a statistical sense but as a result 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 represents the situation 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 verbal handling of the Senate's remuneration process, does the report overlook the real basic problems raised in the routine of commission rates—the fees paid to a member of an exchange for effecting transactions? The Senate report 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 basis and business background for commission rate regulations; reciprocals business arrangements; special services and fees; the demand that the tax to yields to maturity of bonds, it surely does not apply to the 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. * * * for example "Voling Common Stocks Here and Abroad," Observations, Nov. 5, 1951.

N. Y. Appellate Div.
Tax Case Decision
On July 15, 1953, the Appellate Division of the New York Supreme Court, Second Department, rendered its judgment in a case brought at the instance of the New York State by sweeping, Hamill & 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 commodity transactions of partners' individual accounts which have been subordinated pursuant to the requirements of Rule 323.

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 conflict of interest between the professional order solicitor-adviser and the lay client — 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-losses for his integrity.

Furthermore, in an industry-wide scope, the remuneration system leads to inordinate business—pressuring down the line. Helpful to remedying such conflict of interest would be the issuance 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 counseling fee.

In any event, surely, this context of the commission should bring into proper action the SEC's and its preservation by the investing community.

It is to be hoped, at least, that this situation will be importantly remedied by a 1953 amendment to the Securities Act of 1934, which has come to be explored at some future time in other areas of SEC.*

NOMENCLATURE AND THE TAX ON FOREIGN INVESTMENT

We feel constrained to add to the preceding another observation:'s Kennedy's plan to tax investment in foreign securities by pointing out the fallacy involved in an official name, "Interest Equalization Tax."
Tax-Exempt Bond Market

BY DONALD D. MACKEY

Notwithstanding a cleavage of opinion within the Federal Reserve Board, which has brought out in testimony before the House Banking Committee, the Board's action in raising the reduction rate from 3½% to 3% and raising the maximum interest rate that member banks may continue to offer on time deposits and certificates with maturities from 90 days to a year to 4%, has been the subject of much attention not experienced in municipal bond circles. 

Rising rates have been so pronounced during the past month that the level of new issue bidding has been far above 1964 standards. The level of new issue bidding is better by far from 15 to 15 basis points and a wide interest in secondary market blocks of bonds has developed wherever active interest has been shown in the weeks before. While institutional buyers and investors maintain the market and report renewed accumulation during the past month, the market has gradually sold down. The bond market, despite the heavy volume of payments and a reduction in rate interest income not experienced in years, has not re-attained a level of price obtainable in the municipal bond market. As a result, inventories built up at the beginning of the month have been reduced to an almost normal level and dealers are attempting to hold their inventories of reduced price issues. The price weakness has been exaggerated by a high, excepting in unusual circumstances.

The Unsized Catalyst

Although the state and municipal bond market seems to have been looking for a low for 1965 a week ago, there appeared to be some of the bonds that had perhaps been reached at least for the time being. This notion was not difficult to come by since market data tends to be much better when the market conditions could have had a stronger and more pronounced effect on the liberalization of the time deposit rate. This little glimmer was lost in the past few days, however, and for it the state and municipal bond boys should be expressively, reverently, as there was no relief up to here in all kinds of market trouble.

Market Up Substantially

Some indication of the market's rather strong movement during the past few days is to be found in the Commercial and Financial Chronicle's high rate 30-year bond index yield. A week ago, this index was at 3.472%, and currents 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 550,000,000 in 3½% general market rate.

There is further significance to be found in the yield decline in that both the bond offerings utilized for the most part show a pronounced rise of the utility as an investment as readily as the new issue blocks. The one-half points increase 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 Poured

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 light calendar of new issues combined, along with the imbalance of payments crisis, to undermine general bond market conditions. With the change in the supply and demand balances and conditions, inventory and volume problems have to some extent been reduced. While the dealers, offering as shown in the Blue List have been reducing, i.e., 550,000,000 to $650,000,000 for some months, there is recent indication that the average rate of offering has been reduced. For the first time since March the Blue List total has been reduced below $500,000,000. Wednesday's (July 24) total was under the rather symbolic $500,- 000,000 mark.

Business on the Horizon

The volume of new issues has reached a record breaking level for 1965. This has, of course, taxed the market's receptivity, particularly in view of the fact that the New York bond volume has been reduced below competitive conditions.

Relatively, the volume of new issues and municipal financing has been less this year than any in our memory. This calendar of 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, the calendar is considerably below the original schedule to be sold.

Under the negotiated issue heading, the $225,000,000 Grand County, Washington, U. D. 27 (Wanapum Hydro-Electric Revenue Refunding 1971-1984) and $300,000,000 bonds appear likely to be reoffered on Tuesday (July 30), the syndicate headed by John neo-

New York, State, etc.

California, State, etc. 3% 1962 $20,000,000

New Jersey Bwy, Auth, Gtd. 3% 1962 $10,000,000

New York, State, etc. 3% 1962 $10,000,000

Pennsylvania, State 3% 1962 $10,000,000

Delaware, State 3% 1962 $10,000,000

New Hampshire, State (N. Y., N. H.) 3% 1962 $10,000,000

Los Angeles, California 3% 1962 $10,000,000

Halfninth, Pennsylvania 3% 1962 $10,000,000

Ohio, State 3% 1962 $10,000,000

Chicago, Illinois 3% 1962 $10,000,000

New York City, 3% 1962 $10,000,000

July 24, 1965. Issue: $3,097,000

Large 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 15 (Thursday)

Brownstown Sch. Bldg. Corp., Ind. 1,643,000 1965-1994 2:00 p.m.

Kingston Sch. Dist., N. Y. 1,045,000 1964-1972 2:00 p.m.

Winchester, Ky. 2,333,000 1965-1987 11:00 a.m.

July 20 (Saturday)

Bay County, Mich. 4,250,000 1965-1972 2:00 p.m.

Gooch Creek Sch., Texas 2,400,000 1965-1981 2:00 p.m.

Grant County FUD No. 2, Wash. 200,000,000 1971-2009

Sundance and Upper John N. Deere, Inc., Res., Blyth & Co., Inc., Kiddar, Peabody & Co., Merrill Lynch, Pierce, Fenner & Sm. Inc. and A. C. Allmy & Co. has been temporarily reduced by an issue of $8,000,000 of New York City Transit Authority bonds. As with previous applications on this Index, the sale will be headed by Phelps, Fens & Co.

Dollar Issues Move Up

The long-term dollar quoted toll road, toll bridge and public transportation bonds have steadily improved in price during the past week. In the midst of the recent confusion, the Commercial and Financial Chronicle's revenue bond Index went to a 3.472% high on Monday, July 23, and Wednesday's (July 24) index is 3.445%. There were no spectacular price changes on this Index, and rates were up as much as one-half of one point. The single largest gain was reported in the Portland (Or.) in the Portland (Or.) market. This marks a new high quotation on the Index. For the past year the Index has been over 3 3/4% and this year an increased 1% over June of 1962. At the same time it was reported that the new vehicle sales have been up as much as one-half to one point.

Good Forecast

In earlier years the enthusiasm of you readers may recall, we sensed that the market might go by about the average of $650,000,000. As the betting observed by last summer's state and municipal bond market, smaller prices these levels a year ago are comparable, this appears to be an ideal eventuation. Thus far this guess seems to be working out. The market's reaction to the July 21 index is to point at better prices as we move into August.
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 reader, drawing and equalization tax proposal to curb Americans' purchases of foreign stocks and bonds are stolidly churlish for being "too little and too late". But Dr. Einzig has also been internationally supporting the dollar; (2) issue bonds against foreign government debt with coinciding maturity dates to be jointly guaranteed by the U.S. and foreign government, and, if need be, (3) extend the equalization tax to existing American holdings of foreign securities to foster re-sales or re-adjustments in the Treasury, should that become necessary. He also pointed out that the half-monthly measures will do too little to head off the dollar exchange crisis.

LONDON, England—The first re-action in London to the measures taken or proposed by the United States authorities to reinforce the defences of the dollar was one of relief. A last, long, official circular in New York was beginning to realize the gravity of the present situation and are beginning to raise their heads which were until now comfortably buried. The second reaction was that even now the Administration and the Federal Reserve were underestimating the impression that half-monthly half-measures are sufficient. There is a strong feeling over here that Paul Nau's verdict condoning the inadequate measures is almost a half-sentence. 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, in the sense that they may only be to slow down the outflow instead of arresting it.

Less Than Impeccable Cure

Take the example of the Federal Reserve discount rate by half of 1%. It is less than impeccable. In order to provide a sufficient material and psychological effect, an increase by 1% would have been needed. That might have inspired sufficient confidence in the dollar to stop the outflow in foreign rates which would have made it profitable to transfer funds to New York and thereby help to stabilize the exchange. It would have effectively checked the outflow of production and cost of living to the benefit of the balance of payments. I suppose sooner or later there will be another half percent increase. But why do it in two installments?

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 credit arrangements and swap arrangements and short-term credit arrangements might be better put to paper over the cracks instead of effectively dealing with them.

The proposed equalization tax on foreign borrowing is a totally different matter. It deals 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 to capital outflow. If they wish to transfer their money abroad it is understandable. The Administration is reluctant to adopt exchange control measures.

In order to relieve anxiety about the prospects of the American gold stock the Administration has written off a large proportion of payments deficit that can be cured, sooner or later some such a treatment will have to be reserved to it. Once this is realized, the only question is whether it would not be much wiser to reserve it to them while the gold reserve is still at its present level of $34,500,000 instead of waiting until its decline has advanced further.

Roberts, Rutter & Co.

Forming in NYC

Cady, Roberts & Company and Rutter & Co., New York investment advisory firms and broker-dealer houses, will merge to form Roberts, Rutter & Co., effective Aug. 1, it has been announced. The new firm, it is understood, 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 do 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 George Cady, Rutter & Co. was founded in 1919 by J. Wood Rutter, Joseph O. Cady, and 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 484 Madison Avenue, New York City.

Newcomb, Gillogly & Associates

WASHINGTON, D.C.—Robinson Newcomb and David K. Gillogly have formed Newcomb, Gillogly & Associates with offices at 150 West Street, N. W. to act as economic and financial counsel and market analysts. Mr. Newcomb was formerly head of the Newcomb Robinson Associates. Mr. Gillogly was associate economics director of the National Association of Home Builders and is subject to the levy of ad valorem taxes to pay the Bonds and the interest thereon, without limitation as to rate or amount. The above Bonds are offered at, or if issued and resold in the City, and subject to the levy of ad valorem taxes to pay the Bonds and the interest thereon, without limitation as to rate or amount. The above Bonds are offered at, or if issued and resold in the City, and subject to the levy of ad valorem taxes to pay the Bonds and the interest thereon, without limitation as to rate or amount.

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Aerospace—Report with particu-
lar reference to McDonnell Air-
craft and Lockheed Aircraft—
Stanley Heller & Co., 44 Wall
Street, New York, N. Y.

Equities—Report—Hirch & Co., 23 Broad Street,
New York, N. Y.

Automobile Industry—Review—
Goodbody & Co., 2 Broadway,
New York, N. Y., 1904.

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

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

Electric Utilities—Study—Jul.
Oliphant & Co., 61 Broadway,
New York, N. Y., 1906.

Fire and Casualty Insurance
Company Stocks—11th annual
edition of brochure of data on 32
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30 Broad Street, New York 5,
N. Y. Also available is the 11th
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Continued on page 13

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Wall Street Transcript

Dept. 928
54 Wall Street
New York, N. Y.
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 consequences. He argues that to be consistent with the proper inflationary policy of the United States, a country which maintains a currency, penalizes worthy countries rather than unworthy ones, imposes a charge on equity capital in certain instances, fosters proper capital rates abroad, we must pursue a profound objective to keep rates low, and discoursus further financial investments here.

July 18, 1963, could well be the most important date in American history. On that day the President of the United States, in a message to the Congress, regarding the "Balance of Payments" problem, may have unknowingly abrogated American policy vis-à-vis foreign countries. Mr. MacRae says that President Kennedy may have upset and destroyed the delicate balance between confidence and distrust in the American Dollar. Only three days later—and on (and on a Sunday) the Treasury Department announced that certain provisions affecting new security issues by Canada would be modified. Carefully written legislation should not need emergency changes.

See Resultant Opposite Effect

President Kennedy suggested a tax of 15% of the value of foreign stocks and 25% of 15% of the value of foreign bonds when acquired by a U.S. citizen from a foreign-owned company. Transactions in any foreign security between two American citizens are completely exempt from this proposed taxation. On the surface this seems a rather ingenious proposal and hardly one that could, in its application, be as disastrous to America's future. The purpose of this suggested tax is to slow down and ease the exodus of American capital largely in the form of capital to foreign nations. In its practical application, however, it is difficult to imagine a more certain method to bring about the downfall of the American currency.

Although President Kennedy claims that direct capital controls would be inept and improper, 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 us then recall how it was—pains taken lightly—that in the past, imposition of any restriction on the use of a currency depressed the value of that currency. History so clearly shows that restrictions once imposed are seldom removed—rather they are multiplied until a free currency passes only that value that Government of issue cares to give to it. A nation with a restricted currency is a nation without liberty at home, or respect abroad. 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 yield no profit with no physical drain on the U. S. Gold stock. But in this example, too, the American would be required to remit $1,500 to the Federal Reserve. 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 may be passed by the Congress before it is taken 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 within his power, to the discretion as to the worthiness of each Canadian new issue. The next announcement (again canonical) that on this date is not law) has the Treasury Department revoked all 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 the well before any recognition of action on the merit of the Presidential proposal can be approved.

Predicts Still Higher Interest Rates Abroad

Last week the "rediscunt rate" was raised from 3% to 31/2% in order to discourage American gold and capital to the higher rates available in Europe. If America is to make foreign financing here more costly, not impose a 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 the United States have to further increase the domestic "rediscunt rate" in order to protect our gold? If we do not follow this policy we can create the same conditions that forced the recent rediscunt rate change. If we follow any one of these rates, however, we can still maintain the cherished moderate interest rate pattern considered so necessary for our national 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 national holdings of claims over $20 billion against our $31 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 tangible, land, or equities of well managed corporations seems our best solution. The very foreign securities our Government and the American investor wishes to keep beyond our reach, by a 15% tax, may also be among our best property investments.

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

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The Company is offering these shares for subscription by its Common Stockholders, subject to the terms and conditions set forth in the Prospectus. Subscription Warrants will expire at 3:00 P.M., E.D.S.T., on August 5, 1963. The several㎜ day offer is made to Common Stockholders pursuant to the terms and conditions set forth in the Prospectus.

Copies of the Prospectus may be obtained in any State only from such of the underwriters, including the underwriters, as may lawfully offer the securities in such State.

By

Burroughs Corporation

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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 slight easing and steadying of deposit rates taken. Administers credit of Fed's major policy to cease believing the balance of payments position will wither away of its own accord, contending that stability is not yet a point taken. States that Fed's previous discount rate was not a part of the world-debt-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 decide whether the Board approving changes in Reserve Bank discount rate was a proper one and increasing the rate payable by member banks on certain time deposits. I want to submit for inclusion in this paper a copy of the Board's official announcement of these actions.

By way of introduction, let me first express a personal view as to the merits of the Reserve Policy. In my judgment, the 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, whatever relevant factors are in support of my view.

Cites Eight Supporting Facts

First, bank credit has continued to expand reasonably. Commercial banks extended an additional $1 billion in credit in the first six months of this year, an annual rate of growth of 10%. About half of the growth 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 saving deposits, which for the first half-year grew at an annual rate of 14%. At the same time, the narrowly defined measure of demand deposits has continued to grow, an annual rate 2.5% somewhat lower than the rate for last year as a whole.

Third, consumer and mortgage credit have both expanded rapidly, and in fact, at rates higher than usual. In the last 12 months we estimate that consumers borrowed an additional $22 billion to finance purchase of homes, autos and other durable goods.

Fourth, credit for purchases of equity shares has risen more than $10 billion in less than a year.

Fifth, member bank excess re-

erves are still substantial, and member bank borrowings are moderate. For more than three years, the banking system has had more excess reserves (and 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, on which the base for bank credit expansion, have continued to rise. After allowing for reserve requirements and increase in the first half of 1963 was $265 million, an annual rate of increase of 12%.

Seventh, a 3% deposit rate is not high in relation to discount rates elsewhere in the world, and in fact are lower than the rate payable on certain time deposits. I want to submit a copy of the Board's official announcement of these actions.

All this hardly seems to me to add up to a situation in which excess reserves are constrained—tight or restrictive. On the contrary, credit-financed expansion of the credit and playing a very important role in stimulating the domestic economy and in underscoring it in some areas.

The statistics I have just cited gains in employment by the observa-

tions of both lenders and borrowers. I cannot recall a time in recent years when lenders have been so aggressively seeking em-

ployment for their funds. In every part of the country, including businessmen, engaged in both large and small workings, tell me that banks and other financial institutions are actively urging pro forma loans to temporarily expand their operations.

Improving Economic Conditions

Economic conditions have con-

tinued to improve. Industrial pro-

duction has been rising rapidly, high at mid-year, one-fourth of the way up to a level well above the level generally anticipated at the turn of the year. And industrial production is rising fast, according to the Bureau of Economic Advisers in its January report. The index of industrial production has risen at an annual rate of 8% in the past six months, and increased at an annual rate of 6% in January. The current expansion is comparatively strong.

Where Action Taken May Be Helpful

These flows of dollar-denominated funds are responsive to moderate changes in interest-rate expectations. And if changes are large enough to bring about changes in reserve requirements, and interest-rate expectations in other countries, it will be the case that the U.S. rate of change in the base may be expected to be raised to a level higher than the rate at which the funds may have flowed in the past.
Our Reporter on

GOVERNMENTS

BY JOHN T. CHIPPENDALE, JR.

The tax proposals presented by President Kennedy on the purchase of foreign securities by Americans from 1965 to cut down on the outflow of dollars, along with modest changes in some of the expenditures abroad, together with the use of the credit facilities of the International Monetary Fund and the high short-term rates are apparently the steps 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 reify our unfavorable balances of payments problem in a shorter period of time, has created an air of confidence in the financial district. Nevertheless, as far as 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 3 1/2% 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 were to give substance to the opinions that have been expressed before hand many times that when it comes 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 detract from these issues. The most liquid Government obligations with a yield that is now high enough to make them competitive with the rate of interest available in other free money centers short term issues should give some less dependent on the balance of payments problem. As long as the differential between money market rates here and in the United Kingdom, Canada and other free world centers continues 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 give and make our future monetary policy very much less dependent on international monetary developments. This recent upward trend in the Central Bank rate is not entirely by the need to protect the dollar and our holdings of gold which having the discount rate raised or lowered based on domestic economic conditions.

Capital Market Calm

The long term bond market of the capital market was also very well prepared for the rise in the discount rate from 3% to 3 1/2%. 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 a period of these issues that have been publicly offered because most of these obligations have been overpriced, it appears that the market will be in good shape again soon, with the rise in near-terms 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 3 1/4% interest and maturing in 15 months. Books will be opened during the week of July 28-31.

Atmosphere Clouded

Although the money and capital markets have taken the increase in the Central Bank rate pretty much in stride, at the same 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 questions involved in this important change in monetary policy bought about by the raising of the discount rate as well as the other measures to be taken for the near-term to be accepted in a cut and dried fashion. Accordingly, there is still some caution 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. Mr. Goldstein was formerly a general partner of Jones 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 techniques and has lectured on subjects different from monies at New York University and the New School. During the current year he has moderated seminar conducted at the Institute of Commercial Finance — the education division of the National Commercial Finance Conference, Inc., national trade association for the commercial financing industry.

An Initial Sale of TVA Power Notes

Investing a bid submitted at the first offering of TVA Power Notes of the Tennessee Valley Authority are, left to right, Walter E. Mars of Lehman Brothers, Financial Adviser to the Authority; G. O. Wessman, 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. E. S. Member

CLEVELAND, Ohio — Merrill, Turben & Co., Union Commerce Building, has purchased a seat on the American Stock Exchange, for a directorship of the company is now one of the few locally owned investment organizations to be a full member on both the New York and American exchanges. Merrill, Turben has been a member of the NYSE since 1855 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 firm's executive committee. Claude F. Turben is Chairman of the Board, with Lewis C. Williams is President. The company maintains offices in Ashland, Canton, Columbus, Dayton, Youngstown, Cleveland Heights, and in the Nationwide Bank in the Cleveland Heights office.

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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. Three-fold beneficial impact depends on the extent of abroad changes, makes 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 stability of U.S. gold reserves and the President's proposed tax reductions.

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

Most economists undoubtedly believe that a tax cut without an equivalent reduction in government spending would lead to inflationary buying by the public and distrust of the currency. If our presentation here being employed under maximum capacity, this posture would serve the best interests of the country. In the past six years, however, American business has operated at no more than 80% of plant capacity in non-recession years, a period in which plant additions have not been made. 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 weakness, and would not prejudice the argument of those who advocate greater government spending to hasten economic growth. This 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 well worth examination.

A tax reduction would have certain salutary effects besides stimulating the economy that would 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 signaling the end of our balance of payments problem. (See Table I.) Even though U. S. and other steel companies would eliminate the competitive advantage of low cost European steel, most of the European countries are increasing faster than productivity, with resultant inflation. Industry in Europe is anathema toward the long-term bond market and Europe today is no longer a market of the future as the countries are turning to the U. S. to secure their capital requirements. Many American industrialists are ready purchasers of European issues. Inflation investors are also buyers, but the bulk of capital derives from U. S. governmental sources, and at the Central Bank into the national currency create a potential gold outflow. The balance of payments in Europe, there will be increasing pressures to administer credit and make draining in the U. S. even more economically as the interest gap widens.

Corporate tax reductions will make the United States a more attractive in and encourage foreign investment capital. The increased profits of industry will make them more attractive, and in turn encourage foreign investment capital.

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

The Joint Economic Committee of the Congress has estimated that the proposed tax reductions would reduce our annual Gross National Product by $40 billion. This sort of depression is defined by Keynesians as greatly expand the need for credit and provide the basis for higher interest rates. This is the single most important cause of gold losses. The proponents of "easy money" policies will have 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-flow from retained earnings and depreciation allowances are needed for growth in capital spending. As a practical matter the distribution of these funds is in the hands of individuals who have large excesses which are available for short-term investment while others have insufficient funds to finance capital improvements. We are therefore this has been a double edged problem.

First, those companies with large excesses sought short-term investments which thereby reduced the downward pressure on short-term interest rates. This situation was mitigated by commercial banks issuing interest-bearing negotiable certificates and large corporations beginning in 1961 (see Table II). At Dec. 5, 1962, the total amount outstanding stood at over $5 billion versus $2 billion in early 1962. Purchases by individuals and others who invest in these businesses accounted for almost $4 million, thus reducing the pressure on short-term interest rates.

Second, those companies with inadequate funds from internal sources were able to take advantage of their lower U. S. Steel is a good case in point. In the period 1958-1961, inclusive, the U. S. Steel Corporation increased its capital spending by $355 million through depreciation, utilization, and depletion, and amortization; and $648 million by debt-increase. (See Table III.) If U. S. and other steel companies are going to compete effectively with foreign steel they will have to reduce their internal costs from the current $2 billion. Increased corporate profits from tax reduction will facilitate the necessary capital expansion and our export promotion programs enabling U. S. steel to compete more effectively and eventually improve the balance of payments of the United States.

The foregoing has been confined to one aspect of the President's proposed tax reductions with regard to the gold problem. There are other considerations which are not dealt with here, but the general conclusion is, in our opinion, applicable to the Federal Reserve System. There are several other factors which might increase our gold reserves, including the favorable exchange value of the dollar, and the continued improved balance on the current account.

TAX-EXEMPT BOND MARKET

Continued from page 6

headed by Bank of America N. T. & S. A. on a net interest bid of 2.150%. The runner-up bid was made by the Blyth & Co., Inc. at a net interest bid of 3.036%

Other members of the winning bond group are the Eastman Dillon, Union Securities & Co., Kidder, Peabody & Co., and the Donaldson, Lufkin & Jenrette.

The bonds were referred to yield from 1.80% to 3.30%. The highest bid on $100,000,000 was $3,545,000.

Monday, also witnessed the sale of $3,000,000 Akron, Ohio Limited Tax (1964-1983) bonds to the First National City Bank, Inc. syndicate on a net interest bid of 3.040%. The winning bid was made by the First Boston Corp. group on a 3.112% net interest bid.

Other members of the winning group are Phelps, Penn & Co., White, Weld & Co., Blair & Co. and Blyth Eastman Dillon & Co., Inc.

The bonds were referred to yield from 2.60% to 2.35%. The remaining balance is about $10,000,000.

Monday's largest sale involved $13,500,000, Dallas, Texas Waterworks Refunding First Tax (1964-1983) bonds. The bonds were awarded to the First National City Bank, Inc. syndicate on a 2.958% net interest cost. The winning bid was made by the First Boston Corp. group on a net interest cost of 2.024%.

First National City Bank, Inc. was the only bidder on the $1,200,000 New Housing Authority (P. H. A.) offering set for Aug. 14, 1963. The bonds matured from 1974 to 1983 are referred to yield from 2.5% to 3.10%. Balance at press time is about $1,275,000.

The bonds were awarded to the First National City Bank, Inc. syndicate on a 2.024% net interest cost. The winning bid was made by the First Boston Corp. group on a 2.958% net interest cost.


Ira Haupt Co.

Proposals for new stock exchange...
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, that monetary conditions and tax-cut to tackle what he believes to be the kernel of our payments problem—i.e., increasing the basic attractiveness of the U. S. as a place to charge 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 cost is the least disadvantage” in these conditions.

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. of a reduction in the balance of payments resulting from a discount rate increase would be too small to be considered worthy of a tax increase, by its potential effects on our domestic economic growth and employment. I am concerned that an increased discount rate and its consequences will create some problems for our economy in the long run even if what still needs to be a stimulative monetary environment here at home, and I feel that the discount rate increase will contribute to unemployment. At the same time, it is my conclusion that the rate increase will have only trivial effects on international capital flows.

Available Reserve’s Amenpleness Defeats Discount Rate Rise

In the short-term capital area, it is arguable 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 case in historical experiences as between U. S. short rates and those in the United Kingdom and Canada, where 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 is in balance of payments bank loans abroad, and I would 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 differential existing between foreign and U. S. rates of return on long-term credit and equity capital are so great as to far exceed the effect of any moderate rate adjustment.

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

Increasing Domestic Investment Attractiveness

There is not any doubt but that we are living through a troublesomely balanced situation, for a time, at least. It is not the problem of 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 effort to diminish the persisting causes of the deficits. The President’s message on this score is characteristic. Thursday contained much that gave me heart. But the most directly applicable steps be attended to even more speedily if we hope to secure some substantial improvement, here in Congress and throughout the Administration. At all levels of government, we must carry through an “aggravized” rate reduction in federal and military objectives, and the extent to which they have to involve what are essentially unremunerated dollars 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 benefits of a competitive position we have already won through our commercial policies. As long as the discount rate remains high, it will be impossible to help the funds available to us have their intended influence. I feel that the most that can be achieved on this front is to have a rate reduction that will allow a more significant increase in the volume of funds available for direct overseas operations. This is the time to use the most potent of all economic tools to work forces in this country, in good part because it is one of the most important. It can be effective only in damping 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 several years, it might have been to our advantage that both rates of interest in short-term and long-term markets would have been reduced. This sort of stimulation, however, cannot be achieved if monetary policy is designed to hold up short-term rates and drive 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 to drive down the interest rates on short-term and long-term credits, which would sustain the basic deficit, can create domestic drags that can delay fundamental market adjustments and create an unfavorable attention from the basic problems, and create a later backlash of reactions that can conceivably worsen our balance of payments statistics in future months.

Establishing a Real Basis for Rates

There is no question but that the real basis of the world’s economies, in the seriousness of the dollar is not the gold in Fort Knox of the balance of payments statistics, but real economic strength of the American economy. Hence, there is a compelling need for invigorating our economy, putting our people, our materials and our productive potential into operation in an expanding, competitive, noninflationary environment, with the capital inflows to the United States to exercise its role of leadership in 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 achieved, the necessity of making an appropriate charge in the maximum interest rates payable by commercial banks on time deposits is 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 halved or even reversed.

Regulation Q Rise

During the past two years, rapid expansion of time deposits has led banks to substantially extend these investments in mortgage, 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 growth. Even if gold in Fort Knox did not attain 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.

Starlnection—Mr. Robertson before the House Banking and Currency Committee hearings in September and October of 1963.

Dealer-Broker Recommendations

Continued from page 8

Kistler & Co., 110 Old Street, Fayetteville, N.C.
Savannah Sugar Refining Corp.—Analyst—VanNoord, Chilohm & 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 & McGUIRE Bros., 235 Bay Street, Toronto, Ontario, Canada.
See Line Railroad—Report—Har vir, Upham & Co., 120 Broadway, New York, N. Y., 10005. Also available are lists of stocks which are particularly interesting and a list of 20 candidates for stock splits or large stock dividends.
Weyerhaeuser Company—Analysis—Stern, Frank, Meyer & Fox, Union Bank Building, Los Angeles, Calif, 90014.

200,000 Shares
Livestock Financial Corporation
(An Insurance Holding Company)

Common Stock
[
Price $5 per Share

Copies of the Prospectus may be obtained from the underwritten only in those States in which the underwriting agreement may legally offer those securities, in compliance with the Securities laws of the respective States.

CHARLES PLOHNO & CO., Members
New York Stock Exchange American Stock Exchange
Pan Am Building, 200 Park Avenue, New York 17, N. Y.

Telephone TN 7-9000

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

July 19, 1963
Silver Futures Trading

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

Workings of the new trend 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 above $1.2929—at least for now.

After a lapse of some 30 years, the $750 a contract and at least $500 in silver must be maintained.

Price Factors

It is interesting to note that after almost a month's trading the highest futures price has been $1.2813 ($1.0415) per ounce for the June, 1964, contract. Low on the June contract of the same period was $1.0926. Silver in the spot market was 128.9 on the same day that the June contract reached 131.3. This compares with $1.2925, 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 any commodity futures markets, is to afford protection to the legitimate user of silver (for example, a company producing silverware) against the price changes. On the other hand, a speculator can buy or sell silver, whereby he can hedge himself against the risk of loss due to price changes in silver. 

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 above or below the previous day's level. Data are close. Minimum initial margin is available for non-Communist countries showing that consumption has exceeded production by more than 100 million ounces a year on the average. Again, if this trend continues, it is possible to realize weekly clearings at rates of $1.4950 to $1.4970 for the corresponding week last year. Our preliminary totals stand at $1.4950 for the week of July 22.

Our comparative summary for the current year shows the principal money centers follow:

<table>
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<tr>
<th>Week End.</th>
<th>1963</th>
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<td>New York</td>
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Steel's 6.6% Decline Marks 7th Drop in Past 8 Weeks But Stays 39.8% Above Year-Ago Week

Data released by the National Bureau of Economic Research on July 13th showed that silver futures had contracted from the American Iron and Steel Institute, production for the week ending July 13th, $1,150,000 tons (39.8%) as against $2,770,000 tons (111.5%) in the July 13th ending week. The week to week production dropped 6.6%, for the week ended July 6th, compared to the 11.6% drop in the July 4th-holiday week, and it marks the seventh decline in a row since the last eight weeks. Last week's decline edged below the 2 million tons mark in the first time since Feb. 2 of this year, 23 weeks ago.

The yearly high was 2,428,000 net tons, observed May 25th, equal weeks unequaled in the past two years and last equaling the 2,428,000 mark on July 20th ending week's output exceeded last year's week by 36.7%.

Out of the 20 weeks of this year's steel output, production declined 9 in those weeks and rose for 13 consecutive weeks from the week ending Feb. 2 through April 26. But since the steel output advances in 1963. During those 13 weeks of production increases, output advanced 36.8% (1,660,000, to 2,548,000 net tons). Not since 1954 has the steel industry experienced such a long sustained sequence of consecutive weekly increases as from the week ending May 25th. But week's ending week's output exceeded last year's week by 36.7%.

The weekly decline was 2,428,000 net tons, and the 25-ending week unequalled in the past two years and last equaling the 2,428,000, mark on July 20th ending week's output exceeded last year's week by 36.7%.

"The failure of interest rates paid by borrowers to decline more is attributable, in part, to 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 available 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 Market... And You

BY WALLACE STRIEKE

Attribution continued to shade stock prices in this week's market and, as a matter of fact, among the chattering speculators were promulgated that, at least temporarily, brought a true bearish exchange authority to the Securities and Exchange Commissioners. As long as 1934, legislative action was sought to end the practice since, in the face of record high prices, the securities authorities have long maintained that floor speculators tend to accentuate price swings either way. This is diametrically opposed to the industry 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 lingering 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 rocking up half a score of declines in a row, meanwhile 15 stocks continued their upward course. On any particular occasion, the 50 stocks in the industrial average produced from one to six losers running a point or more, some wider ones in that range. This picture was exaggerated by the losses to the Dow.

But it was basically an orderly correction, with volume low and the market not excessively broad. The cumulative index had stretched to two score points. But that, matched against the 140 points this index had scored 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 to the $110.50 level. Sentiment was hopeful for the most, particularly since the first half earning reports were running flood tide and are well dotted with record exceeding operations by assorted companies. Then, too, the fate of the disputes between the labor and management unions should be resolved one way or the other within a week to remove that uncertainty from the scene.

Foreign Investment Uncertainties

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

The chance for a major correction has been greatly diminished, however, on the face of the price action. It seems to have been a necessary exercise to release the pressure around 950, the level around which the market has gained much of its recent gains.

The market has been essentially a buying field, with the market showing very few signs of a pullback. This has been a buying field, with the market showing a broad improvement in the market. The market has been showing a broad improvement in the market. The market has been showing a broad improvement in the market.

Next Week's Outlook

Next week's outlook is for a bullish market, with a broad improvement in the market. The market has been showing a broad improvement in the market. The market has been showing a broad improvement in the market.

Hitachi Receives Payment in Stock Sale

Chikara 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 Frederie H. Brandi (center), Chairman of Dillon, Read & Co., Inc. At right is Konosuke Koike, Chairman of the Finance Committee of Yamashiri Securities Co. of New York, Inc. The shares consisted of $57,560 American Depositary Shares of Hitachi, Ltd., representing 75,000 shares of the company's common stock, par value 50 Japanese yen per share. The American Depositary Shares were offered publicly July 9 at $32.25 per share through an underwriting group headed jointly by Dillon, Read & Co., Inc. and Yamashiri 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, which began in 1919 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.

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, 1984 to 1985 inclusive. The group was appointed the underwriters at competitive sale on bid of $99.72999900 for coupons of 3.10%, 2.90% and 2.3%, setting annual net interest cost of $142,552. On reoffering the bonds are scaled to yield from 1.5% in 1984 to 3.3% in 1985.


National Central Life Insurance Company

($1.00 per par value)

Common Stock

Price $10.00 per share

Copies of the Prospectus may be obtained in any State only from such of the undersigned and others as may lawfully offer these securities in any State.

Center, Fitzgerald & Co., Inc.
The Bank of America, San Francisco, has announced the resignation of Glenn C. Cremer. Mr. Cremer has been a Director of the bank since 1950.

The Comptroller of the Currency James J. Saxon, Jr., has announced the resignation of two new directors, both still to be called out in 1963 and 1964.

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

Initial capitalization of the new bank will amount to $300,000, and it will be operated under the title New London National Bank.

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As We See It

plain everyday citizen with the good of his country at heart, who left the matter there. A situation in which there are actually over four million people unable to find work at all while a favored element in the population is drawing down nearly $2.50 an hour for some 40 hours of work—or at least that amount of time spent at the cion of work—would 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 critical by the twin facts that large additions to the labor force are in the offing and the powers that be are taking 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 one is impressed with the aspects of the course of affairs scene. 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 labor required in the production of the good things of life. And we never tire of talking about automation, mechanization, and the like. It is 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 relief, we are shrinking in the need of wage earners and sharp increases in supply realized and in the offering, a labor monopoly has succeeded in keeping wages and other costs of their services rising, the hours of work tending to diminish, in the absence of any 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 a success if it has led to the bringing real benefits to all wage earners, and did so without undue burden upon the remaining population. To date it has been successful only in the sense that it has brought a measure of real benefit to a limited ele-}

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. Talks on investment—mindless folks in New Mexico, Arizona and Southern California—never all of them holders of stocks and mutual funds—and you soon discover that their prime interest is in the stock market.

The stock boom of the 1950's pales by comparison, if you can believe the sights and scenes as you travel from 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 brick market and a fresh batch of customers is drawn daily from the West, 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 devoutly asks whether bargains still abound or the respondent, noting that the purchaser at this juncture will be paying sharply higher prices, usually reasons that even higher levels will be attained because of infatuation. However, financial experts agree that the period of very liquid profits in the stock market is going to be over.

Mitchel, Schreiber & Co.

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.

DIVIDEND SHARES

A mutual fund owning stocks selected for investment quality and lowo posibilities held through registered investment dealers. Ask your doctor for Bulletin 1441 and 1541.

CAlVIN BULLOCK, LTD. Established 1894

CALVIN BULLOCK, LTD. Established 1894

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BANK AND INSURANCE

STOCKS

This Week — Insurance Stocks

THE LINCOLN NATIONAL LIFE INSURANCE COMPANY

The Lincoln National Life Insurance Company, which was formed in 1965, is one of the nation's largest writers of life insurance. The company writes both participating and non-participating ordinary and group life insurance as well as accident and health coverage through 49 states and the District of Columbia in this country, Canada, the 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 non-participating policies, which provide significant advantages in insuring of sub-standard risks. In the latter area, Lincoln National pioneered many new coverages with non-participating consideration to be beneficial in this field. 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 insurance 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 company. Lincoln became a factor in the Canadian life insurance industry with the purchase of a majority interest in Dominion Life Insurance Company of Waterloo, Ontario, in 1958. The Lakeside 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 developed in that state and entered the New York market itself to avoid the restrictions which that state imposes upon non-participating underwriting and investing. The new affiliate has attained over $46 million in life insurance in force in its two years of operation.

Late last year, in line with the insurance industry's trend towards all-life insurance underwriting, Lincoln purchased over 90% of the stock of American States Insurance Company. The latter, which has assets of $525 million, has its head office in Chicago.

The company was 100% non-participating in 1962, while 64% of its new business was non-participating in 1963.

In 1963, the company opened a life insurance office in Singapore and purchased a 20% interest in the Reliance Life Insurance Company of Canada, which is now being managed out of Toronto.

In the year 1964, the company plans to enter the life insurance markets of Japan and Canada. It is expected that the past year's underwriting and investment policies will be continued and that the company's growth in terms of life insurance will continue.

In 1963, the company's assets amounted to $1.9 billion, an increase of over 20% over the 1962 figure of $1.5 billion. The company's book value of $1.1 billion increased almost 20% in the same period.

The company has a strong investment portfolio, with approximately 20% of its assets in Government securities, 40% in corporate stocks, 20% in mortgages and 20% in other investments. The company's investment policies are conservative, with a long-term horizon.

The company's management has consistently held that the most important aspect of any life insurance company is the quality of its underwriting. The company's underwriting standards are strict, with a focus on the health and financial stability of the insured.

The company's results in 1963 were strong, with a net income of $135 million, an increase of over 20% over the 1962 figure of $110 million. The company's investment income increased by over 15% in 1963, while its underwriting income increased by over 20%.

The company's management is committed to maintaining a strong, conservative investment policy, with a focus on long-term growth and stability. The company's future will continue to be characterized by strong underwriting and investment practices, with a focus on the health and financial stability of its insureds.
50% Natural Gas Growth
Over 1962 Seen by 1972

Inclusive, 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 and oil derived gas. Nale is taken to assess current status of pricing procedure that has been lifted and that there has been no letting up in supplying country's needs.

Prospects for unworried healthy growth in this industry is confirmed by The Northern Trust Company in its current monthly Financial Outlook.

According to the Chicago Bank's Business Comment, for July, sales by pipeline distributing 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 11% from 1961, while operating revenues advanced 17% to $61 billion. Last year's gains were somewhat below annual average increases over the past decade with the demand and revenues expanded at rates of 7% and 12%, respectively. The large expansion of the pipeline companies revenues primarily reflects rapid increases in sales, however, there was also a rising trend in rates charged. The number of customers, using natural gas, reached a new high of 53.1 million at the end of 1962, a 25% gain over a year earlier.

Three Major Segments of Industry

“All three segments of the industry—pipeline distribution, wholesale, and retail distribution companies—have been expanding in the natural gas usage. An important factor in this rapid growth has been the increased number of customers using natural gas for home heating. Over the past decade, the number of gas house heating customers has grown from 9 million in 1952 to nearly 23 million, while the proportion of non-residential customers using gas for heating has increased from 11% to 27%. To provide for the growing demand for gas from all types of customers, the pipeline companies have spent $73 billion for new and equipment during the past decade, in addition to the 1962 alone construction expenditure totaling $4 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 production increased by 2 billion cubic feet, despite a record production of 13.7 billion cubic feet. In 1962 brought total output to 27.3 billion cubic feet, a new all-time high. Relatively, the 1962 production indicates a 20-year supply of stored gas. These gas fields and periodic upward revisions of previous estimates of recoverable reserves suggest that the nation's gas supply will last many more years. Large supplies of gas are available from Canada and are already being drawn upon for economic production. Research efforts to produce pipeline-quality gas from oil fields is a 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 capacities during the summer months when demand for space heating is generally low. Additional supplies are then available to support the flow during periods of heavy demand from space heating customers. In 1962 the industry had 250 storage facilities, and with total reservoir capacity of 4.1 billion cubic feet.

Progress on Regulatory Problems

Along with growth in reserves and new pipeline projects, the industry is also making in the solution of several of the industry's important problems. Local distribution companies are regulated primarily by States, but the Federal Power Commission is granting authority to the Federal Power Commission. On September 1, 1964, the FPC also has 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 accumulated. Some of this element of cases was important in placing pipeline revenue earning power in a position as against the whole company and in reducing the cost of gas to the ultimate consumer. Of the 52 pipeline rate cases involved in the FPC in 1962, involving approximately $100 million of annual contingency revenues, 13 cases have been settled in the near future.

A more recent development occurred in the sales of the Supreme Court majority indicated no disagreement with the new FPC management of prices for the wellhead. The wholesale price of gas as an commodity product in interstate commerce will now be determined on an area or georaphic basis, depending on individual cost of service basis. In effect, the new policy sets lower prices for remote producing areas, and should allow a greater margin of the current backpacking of price increases, as well as deal more effectively with the problem of delivering gas to the remote areas. In another recent effort to stabilize the cost of gas, the FPC has proposed to implement interstate electric company clauses in purchase contracts, but the courts and pipelines, although this measure is not yet have jurisdictional.

Research for New Uses

“With most of the nation's metropolitan areas near 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 $1 million next year on research programs. These include engineering research on new appliance sales and customer satisfaction, such as heating and air conditioning units, as well as the development of new and improved gas-burning equipment for both the home and industry. Other major sources of research include industry-sponsored research on fuel cells using natural gas as an energy source, and experimental work by several companies to include storage gas-fired 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 1962, with the large supplies presently available, and new additional reserves being made available in the future, to assure a position to provide a significant portion of the nation's energy requirements of our growing economy. In addition, the recent improved international conditions have reduced the cost of commercial gas below $27.75 per thousand cubic feet.

Livestock Financial Corp.

Common Offered

Charles Plohn & Co., New York, as sole underwriter, is making the initial sale of Livestock Financial Corp., a holding company, and its subsidiaries, which are or are expected to be engaged in the business of insurance and insurance agencies, and have been authorized to engage in the business of insurance on the lives of animals and particularly thoroughbred horses, and pedigreed cattle.

The company proposes to use the proceeds from this stock offering as a capital investment in its business and the business of insurance in New York Co., a New York corpora-

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

Jay B. Rappaport, Chairman of the Board; James N. Pollnick, President; and Arthur Joel, Vice-President, General Manager, and Director; Joseph T. P. Sullivan, Chairman of Executive Committee and Director; Monroe Chapman, Jr., Director; George C. Bogdard, Director; Fred W. Olesen, Director; 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 as officers of the company: Mary Elizabeth Whitney Tippett, Herbert Palestine, Charles Plohn, Bruce W. Tuttle, and Theodore Goodman.

PUBLIC UTILITY SERVICES
BY OWEN ELY

El Paso Electric Company

El Paso Electric with annual revenues of $32 million is one of the smaller Texas electric utilities. A rapid growth in the past decade, however, has given it this over-counter stock a market status not far below that of one of its major rivals in that area. The company is showing an average annual gain of 18% in the last five years. Earnings have grown at an average gain of nearly 6% in the past decade. Since the stock first came into the hands of the public in 1961, there have been three 2-for-1 stock splits, a 6% stock dividend and four "rights" offerings of stock.

El Paso Electric serves electricity in El Paso and 18 other communities in the state of Texas, with a total area of 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-fourths is in metropolitan El Paso. The 140-mile transmission line is located along the Rio Grande River Valley, a belt about 15 miles long. El Paso, the largest city on the Mexican border and fifth largest city in the United States, is a hub of a thriving farm and ranch economy but also has diversified interests including a dependency on Latin America for a multi-billion dollar import-export business. It is a city of 152,000 persons, which provide transportation, and other commerce.

El Paso has been the largest maker of cotton clothing in the world, and the city is important in the growing of fields of irrigation, producing three times the national average acreage, including the world-famous extra-long staple Supima. El Paso is the operating head office, and it is from this office which supplies gas to 11 western states, and it is one of the largest communities in the southwest's largest oil re-

Laws for the sale of shares have more than doubled in the past decade, from 46 cents in 1952 to 95 cents in 1962 and an estimated $2.85 for 1967. The credit for interest on construction is exceeded by the estimated $3.50 in 1962, $255,000 in 1963, $341,000 in 1966 and $350,000 in 1967. The credit for construction borrowed is not to be extended for the current year.

The credit for insurance coverage is available for the current year only, however, it is expected that this year, $31,000 in 1964, $25,000 in 1965, $25,000 in 1966, and $25,000 in 1967. The company does not plan to do any permanent financing in 1963 or 1964. In June 1963, the company sold private 40,000 shares of $4.50 preferred stock to retire the company's 7% sinking fund shares, with an estimated $23,000 in 1964.

The company'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 $2.85 for 1967. It is not a sure thing whether or not the company will increase the dividend, and 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 & Co., Inc. 1 Chase Manhattan Plaza, New York City, members of the New York Stock Exchange. Mr. Burns is in charge of the Syndicate Depart-
SECURITY SALESMAN'S CORNER

“YOU OWE IT TO YOURSELF!”

The security salesman who makes mistakes that are costly to his clients, who has subscribers that he takes 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 procedures that will eliminate many avoidable errors. The investment business is a long one, reaching a point where investment men will counsel clients rather than sell. No doubt, in fact, the most successful registered representatives and salesmen now take this approach. Not to such matters, suggested to a client that is not thoroughly considered from the standpoint of his welfare. If you want to avoid mistakes, ask yourself this: If you were to make a recommendation to a customer, “Is this the best thing for him to do if he should go ahead. If not, don’t advise it. That is step number one.

The Longer View

When you are making an effort to manage their portfolios in such a manner that they are well satisfied with your advice, you will be taking an important factor in building your business. Here are four steps that can be helpful in accomplishing this much to be desired objective.

(1) When you are in doubt regarding future market trend, do not worry about the term outlook for the stock market (or the bond market) advise clients to take the right position. Many clients are not ready to hold their portfolios. Never offer an investment that does not meet the objective of the customer. Growth stocks for those who can use them, income stocks for those who have the income mind; this is the formula.

(2) Correct some of your mistakes. MISTAKES are part of the investment business. If you think you are on the wrong track—change trains.

(3) Be very selective in your recommendations. Leopards very seldom change their spots,” when you are considering common stocks perhaps, you will have to find common stock portfolios of clients. A business is no better than the men who work for it. A salesperson in management can remake a company. Be aware of this possibility but remember that only too often have salespeople made a poor record in the past will continue to drag its feet, no matter how many excuses management will make in its favor.

(5) Recommend common stocks that have a quality record of past income production, and that are in a position of proving disbursements to stockholders because of aggressive and prudent management. A general rule, avoid non-dividend paying stocks in a speculative situation, with other affirmative factors that indicate a possible dividend in the near term, change in the outlook.

Work With Clients

Arrive at an understanding with your clients. Let them know how that they can 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 travel is a long one. In accomplishing this objective there are many turns and detours. There will be times when a period of adjustment in assets will be unavoidable. Income is often a major point of importance to people. When this is the prime objective, help to realize that if your expectation are available that offer steady and generous income and also outstand opportunity for capital enhancement and growth. Many clients are not aware of this.

Endangers that are not as well informed as professionals, traders, large security buyers, and those who make investments for granted. Go over your client’s objections regularly. Restate them when you are their 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 are not playing games. All the regulations in the book will not help you to make sound decisions if you accept statements literally which are made in disregard of the available facts. Be hard boiled with your clients, but then they are hard boiled too. They look to the sidelines. When you like a situation, and you believe your belief in its value more than you be over-positive. Never over-sell, even when you believe in something as it is. But work at your job and work with your clients. Those who are interested enough to listen to you, 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

SECURITY SALESMAN’S CORNER

Questioning Glance at Some Municipal Bond Trends

Continued from page 2

Investment counselors recognized that new regional and area problems will require efforts on the part of state and local government to secure the cooperation of citizens in general to render more effective the instruments of government in the development of the states and local entities to meet the new and increasing heavy burdens.

President Kennedy in the economic report transmitted to the Congress, January, 1963, has emphasized the need 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 intergovernmental framework with the states, cities, school districts, and other units of local government are particularly of concern to Congress. The first impacts fall — of rapidly expanding populations, of bias in the distribution of; of mushrooming new urban areas; of the increased demands that arise, in their transport; of the demands for more and better education; of the problems of crime and delinquency; of new opportunities to combat ancient problems of physical, social, and mental health; of recreational and cultural needs of an urban society. To meet these responsibilities, the total of state and local government expenditures has exceeded 24% of the national income in 1962, compared with 16% in 1957. The law of the land whether or not the government is a government to be the level of this interest? Is there any cause for concern over a tax cut? Is money spent with respect to the national interest? Probably not, but there are all of these factors and others too, there are some bearing on the market.

Future Borrowing Conjectures

What can we look forward to in the way of new issues? Probably the volume of new issues will continue to be at a record pace. Bond elections have been held recently, and it is the fact that some $131 billion in new bonds, data released back to prior bond elections, remain unpaid. However, the level of the market will reflect some of the uncertainties with rates tending to rise. Should there be any trend in the market, small businesses, and if money could be in short supply — rest assured the expansion of the municipal bond market will slow to a halt. — What is now needed by investors to meet a rising loan demand and if time deposits cease to grow as rapidly as in the past several years in the 1962-1963 period to date.

As many banks have increased their holdings of municipal bonds in the 19 to 20 year range, increased demands for funds could necessitate some liquidation if funds could not be raised through the sale of government securities, material obligations and cash. Obviously, this would result in some pressure on the market for both municipals and industrials, giving effect to higher yields.

Having established that there are some problems of local government, reviewed the growth in total debt and the increased issuance of new issues and conjectured on relative yielding. Let us discuss some of the current develop issues in municipal bond financing which should touch on some of the existing market developments and trends and which should test the current develop issues in municipal bond financing which should be touched upon and which could have an influence on the yields.

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 Political Aspects of the Economic Problems of the Searing Sixties" in which I stated:

"A trend which I believe requires a great deal more attention on the part of local unit governments and which could conceivably become the number one social and economic problem is the recognition by financial officials that they are no longer primarily concerned with the income and budgetary needs of the taxpaying public on their tax and revenue sources.

"The need for taxes and revenue sources are the least of a source of state and municipal funds, revenues which are tied up in levying and collecting. We should not be satisfied with providing adequate, efficient public taxa are not sufficient to bridge the gap during depression years, in which case continued high, reducing or eliminating anticipated surpluses, Local governments, they have fewer available sources of revenue than those in an even more difficult time to make ends meet.

"Pressures for public improvements on the one hand and voter dissatisfaction on the other are bringing about methods of public finance that have the effect of weakening. Forms of lease-purchasing, financing, creation of non-voluntary income tax bonds, the Federal loans out 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 an indelible impression on me. A Century of Experience, published in 1936, was intended to present depression. It was generally believed that municipal defaults belonged irreversibly to the past. The explanation of a railroad subsidiaries had become an increasingly connected, and we are doing our part in the realm of forgotten limbs. The present position of municipal governments as bond men and investors grew up with a genuinely honest and implicit faith in the "public interest," character of "municipal." Pre-depression bond literature of the present century was replete with evidence of such faith; likewise, local officials knew little of past generous bond sale periods, the soaring prices, increasing revenues and general business prosperity. The idea of default payment, so that a borrower's day of reckoning is "something unpleasant to think of." The depression era 1929-1938, with an almost unattainable Wall Street, municipal defaults, has taught municipal officials, bond men and investors that the traditional "way of the business cycle has made them default-conscious; and for the 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 that strengthened our cities and their ability to meet the impact of debt contingencies. However, with so much reliance on the "business cycle" source of revenue, with the always playing a larger role in the financial affairs of our communities to "the button" to push. Federal aid programs at least we have a basil. Aid to local government as well as what would be left to our cities if we had a real depression?

"The fact is that we are going; and, while doing so have better think seriously about the consequences of credit s that we do not repeat the errors of the past.

1) Tax Exemption

(B) Tax Exemption and Tax Reduction

I am sure all heads of municipalities will have heard the decision handed down May 3, 1960 by the Court of Appeals in the State of Oklahoma, involving the question of the Validity of the Life Insurance Company Income Tax Act of 1959. It is ex¬

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Continued from page 21

rather than investing the deposit. And the attractiveness of these higher
interest rates might well encourage banks to buy bonds or some of the advance refi-

cunding bonds. The possibility of putting their funds to work in this manner in many
years such refundings were to be either advantage or disadvantage. However, any
bond indentures which precluded certain necessary ac-

tivities. This is in the case where a public agency
sold its bonds far in advance of the
proceeds because it feels that the market is presently "favorable" to bond selling. It may be
higher if the sale is delayed until the
money is needed. If the pre-
sale sales are not made in bonds
in some cases) the public
bonding statutes put no limit on
that would have paid if the
sale had been made later. The
public works, may result in
less on the market,
both
savings are guaranteed but the
bonding against a future market
thereafter, and the bond refi-
unding had been delayed until
the bonds are callable, an even
savings might have been
made.

(3) Advance Refunding, if
widely used, may defray as
field as future use is concerned. To
the extent used the market sup-
pliy of tax-exempts is doubled dur-
ing the period until the call of
the original bonds. Hence wide-
spread advance refunding may itself drive interest rates up
making further advance refund-
ings and usual normal refundings, impractical.

(4) If advance refunding be
comes 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-ex-
empt interest and Government
such an extension would cer-
tainly seem improper.

Collateral Legal Problems

In connection with legal prob-
lems: (1) Advance refunding is
probably legal under most stat-
utes. In any event, if the state and munic-

bonds out the old bond, to save the
interest on the new bond. How-

ever, many state and local bonds
may cause collateral legal prob-
lems. (3) If there is a percentage debt
limitation applicable to the
public agency, a legal problem will
exist. (4) Refunding claims that
refunding bonds exceed the limit.
Most percentage debt limits do not apply to refund-

sion for the refunding situation.
However, in the case of a normal refi-

sion and a normal refunding
are not violated even though
there may be a brief period
in which two issues are
both the total of the two (but not

tions and make the refunding
wider use of this device might
Congress to create an
exception which in turn might be another
in the issuance of.
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 on the honeymoon 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; John Johnson; Kazuo Tukuno, Manager, Foreign Dept.; and Tetsushi Ushioda, Managing Director.

On the banking fraternity in the community and their ability to continue to buy bonds and meet the credit requirements, we are well aware of our present condition. (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 $32 million or more reach the competitive bidding block.

Single bidders and relatively small groups of bidders have been frequent bidders for these large issues, often buying them in contrast to the large groups that have been the traditional competitors. This manifestation is no doubt, in part, a reflection 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 bidders and relatively small groups of bidders is a concern to the city which sees profitable business being enjoyed by dealers tied to traditional syndicate groups cannot take advantage of. My usual policy is that a bond such small groups in time will grow larger while the larger groups may go through the process of "splitting." 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 the existing rules. The bonds are tendered to him - the obvious requirement is that the bidder do have the funds and haven't 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 reserve account against the successful bidder and some evidence of net worth sufficient to support the margin requirements and the de-financing the pick-up and re-delivery of the bonds.

Suggested Cautionary Protection

Here is some additional regarding that might be appropriate:

Each bid shall also be accompanied by a personal or corporate 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 total price of the bonds herein offered for sale.

Each bidder shall have personally signed a check and such certificate of financial responsibility, must be evidenced by a letter addressed to the (Public Official).

If the purchase price is not paid in full at the time the successful bidder shall have no right in or to said bonds or by reason of said deposit - recovery of said deposit accompanying said bid, or to any allowance or credit by reason of said deposit unless it shall appear that the bonds were purchased at a price which, if delivered to the person or to the member thereof in the event of such non-payment the issuing (body) reserves any and all rights granted by law to recover the purchase price of the bonds, and in addition any damages suffered by the (issuing body)

While there is no reason to prevent anyone from submitting a bid in accordance with the notice of sale, the limits the impact on the investing public and underwriters. This is in a sense when the successful syndicate cannot honor their contract.

Broadening the Market for Municipal Bonds No discussion of financing local government would be complete without a mention of the Environmental Bankers Association's Commitment Committee on municipal securities. This committee is dedicated to broadening the market for municipal bonds, in a variety of ways such as training investment personnel on how to finance local government projects so people will be more active in the market.

In passing, I should like to mention that the Federal government employs funds liquidating holdings of municipal bonds in a variety of ways, including mortgage and such others as public and service bonds.

While there may be reasons why municipal bonds are sold or bought usually because of investment limitations, there is no need for tax-exemption or other advantages from the government and the Treasury. It is in the interest and worthy of state and municipal officials.

(M) Municipal Employee Pension Fund Investments In pasing, I should like to mention that the Federal government employs funds liquidating holdings of municipal bonds in a variety of ways, including mortgage and such others as public and service bonds. While there may be reasons why municipal bonds are sold or bought, usually because of investment limitations, there is no need for tax-exemption or other advantages from the government and the Treasury. It is in the interest and worthy of state and municipal officials.

(N) Law and Order It is interesting to note that Provision No. 5 of the Japan Income Tax Law, June 9, commented on a subject which I would like to emphasize any local government has "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, in truth, it is significant to point out the collateral benefits and to examine the virtues and the shortcomings of local laws and order on municipal credit.

Municipal bonds shall be issued to have to buy any particular municipal bond or bonds. At any given time they can make a selection from available offerings representative of each Government of 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 revenue bonds, the creditors, if the bonds are attractive, must offer many things - such as attractive yield, appropriate purpose, maturity and their interest rate, a sufficient amount, adequate credit status, and possibly some local tax-advantage.

Now investors are not peculiar any more to the possibility of favorable publicity surrounding the issuing of bonds. Be it earth- quake, hurricanes, floods, or die- mands of the investing public and related problems. An investor may sway or he may sell his bonds because of a depressing effect on the market for the bonds. In each case there must be a reason, whether a buyer who is satisfied with the bonds but he exerts a penalty by lowering the bidding price.

Thus, the bond market can re- flect on the interest that lead to overt acts. There is also the indirect effect growth. The market is the location, the increased cost of maintaining law and order and the funding of property damage. All of which can add up to a credit impact which may be reflected in the bond market.

scheduled to be held at the National Union of Television Broadcasting Companies, Japan, in the beginning of a cyclical downturn.

Mr. Johnson made the statement: "In recent years, a growing number of Japanese business firms, industrial companies and government used the Federal government's Investment Tax Credit. In the United States, he was a member of a group of mutual funds and other investment advisors 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 5 times current earning." Nevertheless, the true potential of business earning power should be seen in two respects. The newness of the industries is perhaps one of the reasons for the time being.

However, there are some shares that will offer safe and broader participation in the economy, particularly the utilities, insurance, and other-than-manufacturing firms, Mr. Johnson, whose firm sponsors and manages Eaton & Howard, said. Eaton & Howard Stock Fund, which combined net assets of $40,000,000, had the opportunity not only of discussing key problems with the Japanese delegation, but also of a dozen leading Japanese companies, but also visited several industrial areas which was briefly and had the opportunity of questioning officials of the government's Economic Planning Agency regarding its position on some problems and investors. He was also interviewed by a large body of the Japanese press.

"In many ways Japan reminds one of the U.S. If 40 to 50 years ago".

Among the companies Mr. Johnson visited in Tokyo were: Hitachi Ltd., major manufacturer of consumer goods; Tokyo Electric Power Co., the country's largest electric utility; Yawata Steel Co., Ltd., major steel manufacturer of major importance. Mr. Johnson was also present at a half-dozen other areas which was briefly and had the opportunity of questioning officials of the government's Economic Planning Agency regarding its position on some problems and investors. He was also interviewed by the Japanese press.

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What Is a Sound Dollar?

Continued from page 3

relic." Some "modern economists" would have you believe that our present-day lost causes or antediluvian eco-

cnomics is much ado about nothing. All this is by way of implying that you should avoid using dollars in.
gold. After all, they say, look at our gross national product, our household incomes, our detect grave unevenness under

Nowadays we become enemies of the people when we hold gold coins or bullion. This prohibition would be offense-

Some Worrisome Stirrings

But is it safe to assume that the mass of the American people are as yet generally ig-

Consider the great prosper-

The hottest topic in the new-

Canadians Can Own Gold Coins

Our Canadian neighbors can li-

I wonder how many have read

I wonder how many have read

For example, if I had to make a
testament at the end of World War II, that might be the way you and I. It seems to me that a monetary system based upon the price of gold has been highly considered sound. I think it is the nearest thing to a sound monetary system we have, and the nearest thing to an international monetary system on our part.

Territorial banks in lieu of Federal Reserve banks. We all know that the present dollar crisis

Deceptive Federal Reserve Note

I wonder how many have read the inscription in extremely fine type that appears on every Fed-

I think we should take a careful look at what we are doing with our money, and at what we should be doing with it.

It is a most important fact that the inflationists have been making much ado about nothing. All this is by way of implying that you should avoid using dollars in gold. After all, they say, look at our gross national product, our household incomes, our detect grave unevenness under thoughtless.

The most horrid threat to the 

even Germans, courageous rooster is Sparks, Nevada, a law firm against which there are set, the emphasis is apparently 

Making money regardless of its desirability.

The hottest topic in the new-African countries can own gold, but we cannot. Our gold bill has been tied to the dollar through a bilateral obligation 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 below, they do not wish to.

Considering the great prosper-

This is by no means a trivial subject. The American people are losing confidence in the gold standard, and the situation is not comparable to previous periods. In addition, there are signs that the current situation may be worse than in the past.

Why Foreigners Hold Interest-Free Gold

This brings us to another impor-

I think many will agree that we Americans ought to have the finest kind of money that thousands of years of human evolution have shown to be the best. The ques-

We should look at a few of the reasons why the Federal Reserve System exists, why it was created, and why it is not redeemable in gold. It is a good idea to understand the nature of the Federal Reserve System and its role in the economy.

Let us consider the situation today. The Federal Reserve System has been in existence for over a hundred years, during which time it has experienced numerous changes and challenges. Currently, it is composed of 12 Reserve Banks located throughout the United States, which serve as the central bank for their respective districts.

Federal Reserve Notes

I wonder how many have read the inscription in extremely fine type that appears on every Federal Reserve Note. The Federal Reserve System is not a legal tender for all debts, public and private, current and future. It is not redeemable in lawful money at the United States Treasury, or at any Federal Reserve Bank. It cannot be used as a means of payment or as a measure of value.

In conclusion, we must recognize that the dollar is a complex monetary system, which operates in a variety of ways. It is not simply a matter of holding gold or silver in one's purse, but rather it is a system of transactions, agreements, and values that helps to maintain the economy and society as a whole.

The Commercial and Financial Chronicle... Thursday, July 25, 1963
Brown Brothers Harriman Appts.

The banking firm of Brown Brothers Harriman & Co., 5 Wall Street, New York City, has announced the appointment of Peter M. F. Jenkins as chairman of the board. Robert C. Montgomery was elected president. Mr. Jenkins, who has been with the firm since 1956, served as president of the New York Stock Exchange and as chairman of the New York Stock Exchange Clearing House. Mr. Montgomery succeeded Mr. Jenkins as president in 1964.

Customers’ Brokers Committee Chairman

The association of customers’ brokers has appointed the following as chairman of the committee for the coming year:


The SECURITY I LIKE BEST...

Continued from page 2

on domestic sales of $327 million, a net margin of less than 1%. On convention spending, however, sales were equalized $1.94 a share in 1962 and 1963, but product advertising and flat earnings performance. Investors have not been willing to place significant value on the yield of these earnings increases. Foreign earnings gains, which are now offsetting the increased head winds, will also start showing up more clearly in consolidated share earnings. (The foreign assets that have been identified as the $1.1 million in 1961 gains has been reduced $1.5 million in recent years and bolstered by new production and marketing efforts. Extraneous results are expected to continue at that rate in 1965, too.)

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 company’s marketing machinery. This was translated into spending substantially more in 1962 on product marketing. The budget was upped to $5 million in 1961 and upped again to $25 million in 1962. An increase of $20-$30 million in 1963 and still another increase of $31 million (equal to 1961 sales) in 1964, is expected. The new advertising spending should level off at the amount spent in 1964. Colgate has no product yet through the company’s higher spending program with the greater year-to-year gains expected.

(4) Research breakthroughs rarely occur in detergents and toilet articles. It is not too difficult for one competitor to duplicate a competitor’s product, feature for feature, and the same is true for products that are possible out of the research laboratories for companies like Colgate. The most effective approach has been to continue to grow at a creditable rate and to make such a significant contribution.

Stuart Hauo Co. To Be Formed

Stuart Hauo Co., 111 Broadway, New York City, members of the New York Stock Exchange, has announced that Mr. F. J. Hauo, an effective July 28, has been appointed as Chairman of the New York Stock Exchange. Mr. Hauo, formerly a partner in F. J. Hauo & Co., has been a member of the Exchange since 1961, and Mr. Hauo was a director of the Exchange for the past year.

Ira Hauo II, both members of the Exchange. Ira Hauo II was formerly a partner in Ira Hauo & Co.
Securities Now in Registration

Airway Hotels, Inc.

Allegeny Venture Corp.
July 12, 1963 filed 37,221 outstanding common shares to be offered for subscription by stockholders of Allegeny Corp., parent, on the basis of one Ventura share for each 25 Allegeny shares held. By amendment (max. $10). Business—Car rental. Proceeds—Allegeny 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 40,000 corp., subord., debentures due 1977. Price—at par. Business—Company and subsidiaries engaged in residential and commercial real estate development, and are involved in the construction of shopping centers, hospitals and office buildings. Proceeds—For repayment of debt. Office—230 Park Ave., N. Y. Underwriter—To be named. Note—This registration was withdrawn.

American Banque Corp.

American Mortgage Insurance Co.

Atlanta International Corp.

Atlas Management Co.

Bay State Exchange Fund, Inc.
May 29, 1963 filed 10,001 $1 par capital shares to be offered for subscription by stockholders of the company on the basis of one share for each $25 of deposited securities. Proceeds—For the Fund to be tax-free for Federal Income tax purposes. Business—A Delaware corporation seeking long-term growth of capital and income. Proceeds—for investment. Office—130 Congress St., Boston. Underwriter—Kearney, Bundy & Co., New York. Proceeds will not be consummated unless $25,000,000 of securities are sold. Business—The Fund expects to issue a minimum of 1,000,000 capital shares at $10 per share.

Beneficial Standard Life Insurance Co. of N. Y.

Burns (William J.) International Detective Service, Inc.

• Cullumber Brokerage Corp.

Colorado Imperial Mining Co.

Commercial Life Insurance Co. of Missouri

Common Market Fund, Inc.

Community Health Associations, Inc.
April 22, 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, and distribution to partners and unitholders. Office—4000 Aurora Ave., Seattle, Wash. Underwriter—None.

Continental Reserve Corp.

Cooper Tire & Rubber Co. (7/30)

Dynamap Systems Corp.
Sept. 28, 1963 filed 100,000 common shares with attached warrants to purchase an additional 120,000 shares to be offered for subscription by stockholders of the company on the basis of one warrant for each $15 preferred stock held. Office—105 Old Country Rd., Mineola, N. Y. Underwriter—None.

Dynamap Systems Corp.
Sept. 28, 1963 filed 100,000 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, and distribution to partners and unitholders. Office—4000 Aurora Ave., Seattle, Wash. Underwriter—None.

Encore Securities Ins. Co.

Equity W. A. Ins. Co., Inc.
Sept. 28, 1963 filed 100,000 common shares with attached warrants to purchase an additional 120,000 shares to be offered for subscription by stockholders of the company on the basis of one warrant for each 5% preferred stock held. Office—105 Old Country Rd., Mineola, N. Y. Underwriter—None.

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in over-the-counter securities

...specializing in

all NEW ISSUES
Bought—Sold—Quoted

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Established 1912
Members of New York Security Dealers Association
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Direct Wire to R. H. Henderson & Co., Inc., Los Angeles

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NEW ISSUE CALENDAR

July 25 (Thursday)
Chesapeake & Ohio Ry.
Customer Trust Clfs.

July 26 (Friday)

Ur. Buildings Corp.

July 29 (Monday)

Founders Life Assurance Co. of Florida

July 30 (Tuesday)

American Greetings Corp.

August 1 (Friday)

Nippon Tel. & Tel. Public Corp.

August 5 (Monday)

Chein Corp.

August 7 (Tuesday)

United Aircraft Corp.

August 8 (Tuesday)

Independent Shoe Dealers Association, Inc.

August 9 (Wednesday)

Gulf, Mobile & Ohio RR.

August 10 (Thursday)

Burns (Wm. J.) Int'l Detective Agency Inc.

August 12 (Monday)

TCI (Telecommunications Corp. of America)

August 13 (Tuesday)

Atlantic Coast Line RR.

August 15 (Thursday)

Globe Construction Co., Inc.

August 16 (Friday)

Nippon Tel. & Tel. Public Corp.

August 17 (Saturday)

Bobbie Buhaigis

August 18 (Monday)

Mowah Rubber Co.

August 19 (Tuesday)

Natural Gas & Oil Producing Co.

August 20 (Wednesday)

Resort Corp. of Missouri

August 21 (Thursday)

Resort Corp. of Missouri

August 22 (Friday)

New England Telephone & Telegraph Co.

August 24 (Sunday)

Lake Shore Bank & Trust Co.

August 25 (Monday)

United Oil Co.

August 26 (Tuesday)

The New York Stock Exchange

August 27 (Wednesday)

New England Telephone & Telegraph Co.

August 28 (Thursday)

Bridgeton Banking Co.

August 30 (Saturday)

Lake Shore Bank & Trust Co.

September 2 (Monday)

New York Stock Exchange

September 3 (Tuesday)

Bridgeton Banking Co.

September 4 (Wednesday)

Southern Pacific Co.

September 5 (Thursday)

Iowa Public Service Co.

September 6 (Friday)

Norfolk & Western R.

September 7 (Saturday)

Northern States Power Co.

October 1 (Tuesday)

Chicago Burlington & Quincy RR.

October 2 (Wednesday)

Northern Western R.

October 3 (Thursday)

Columbia Gas System, Inc.

October 8 (Tuesday)

Wisconsin Public Service Co.

October 9 (Wednesday)

Central Power & Light Co.

October 10 (Thursday)

Public Service Electric & Gas Co.

November 7 (Thursday)

Georgia Power Co.

November 19 (Tuesday)

New England Power Co.

December 10 (Tuesday)

Northern Pacific Ry.

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Israel American Diversified Fund, Inc.

Israel-Rusсо Investment Co., Ltd.

Jacq Inc.

Juniор Spur Ranch, Inc. (8/12/63)

Krasnow Industries, Inc.

Kraft (John) Sesame Corp.

Krasnow Industries, Inc.

Lambert & Company

Lunar Films, Inc.

Management Investment Corp.

Marshall Press, Inc.

Medic Corp.
May 3, 1962 filed 1,000,000 class B common. Price—$1.25. Business—A holding company for three life insurance companies, mutual and stock, and other companies. Proceeds—For expansion and investment in other insurance concerns. Address—714 Medical Arts Bldg., Oklahoma City. Underwriter—Lincoln Securities Co. (same address).

Medicus Industries Inc.

Medical Video Corp.

Meridian Fund, Inc.

Middlesex Water Co.

Midwest Technical Development Corp.
Feb. 28, 1963 filed 100,000 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.

Midwest National Bank, Inc. Denver.

Mill National Corp.
Kelly & Co.

Mohave—Nevada—Arizona—Wyoming—Colorado—Utah—Eastern California Stock Exchange, Inc. (8/7)

Molson & Co., Ltd.
July 9, 1963 filed 10,000 common (represented by scrips) for distribution to members of public. Drilled into by stockholders on the basis of one new share for each two held of record July 20, 1963. Business—Foreign trading in a broad range of goods and commodities. Proceeds—For expansion of trading activities. Office—Tedy and Miyako, Tokyo, Japan. Underwriter—None.

Mobile Life Tax Development Corp.

Morton (B. C.) Realty Trust

Morton Investment Trust Fund, Series B
April 28, 1961 filed $15,000,000 (15,000 units) of interests, series B. Business—The fund will invest in tax-exempt bonds of states, counties, municipalities and territories of the U.S. Proceeds—For general corporate purposes. Office—540 Fifth Ave., N. Y. Underwriter—Associated Underwriters Group, Inc.

Morgan Guaranty Trust Co.

National Equipment & Plastics Corp.

National Fence Manufacturing Co., Inc.

National Memorial Estates
A.

Japan.

Blyth

D.

power

Bldg.,

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26, 1963

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price

Edwards

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Underwriter—None.

200,000

Shareholders.

Franklin

5/8.

Bldg.,

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**Independent Shoe Discounters Association, Inc.**


**Indiana & Michigan Electric Co.**

Mar. 17, 1963 filed 200,000 common, of which 80,000 are preferred. Price—$2.50. Proceeds—For loan and general corporate purposes. Office—1101 Young & Barron, N. W., Washington, D. C. Underwriter—None.

**Kraft (John) Sesame Corp.**

Mar. 21, 1963 filed 3,600,000 common and 3,000,000 debentures, due 1972, and 150,000 common, to be offered in units consisting of $100 debenture and 300 shares. Price—$10 per unit. Business—Company plans to construct and operate manufacturing and sales facilities. Proceeds—For construction, equipment, and working capital. Address—Beach, Nebraska. Underwriter—None.

**Kraus Industries, Inc.**


**Lake States Funds Development Corp.**


**Morton (B. C.) Realty Trust**


**National Mutual Fund (C. J. 29/2-8)**


**National Equipment & Plastics Corp.**


**National Fence Manufacturing Co., Inc.**


**National Memorial Estates**

Oct. 11, 1962 filed 4,750,000 common. Price—$1. Business—Company plans to engage in cemetery develop-
National Mortgage Corp., Inc.

Philadelphia Oil Development Corp., Inc.

Power Cam Corp.

Power Line Corp.

Provident Stock Fund, Inc.

Princeton Research Labs, Inc.

Profitable Farming Corp.

Property Corporation

Public Broadcasting System

Public Service Fund

Pulitzer, Inc.

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**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."

**Issues Filed With SEC This Week**

**Western Steel, Inc.**
- 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.

**Western Union International, Inc.**
- Proceeds - For debt payments, General Motors, and working capital.

**William Penn Racing Association**
- Proceeds - For debt payments, General Motors, and working capital.

**Wolf Corp.**
- Proceeds - For debt payments, General Motors, and working capital.

**Wyomont Petroleum Corp.**
- May 10, 1963 filed $200,000 common. Price - $2.50.
- Business - Production and sale of petroleum products.

**Bede Aircraft, Inc.**
- July 16, 1963 filed 600,000 common. Price - $1.00.
- Proceeds - For debt payments, General Motors, and working capital.

**Bobbie Brooks, Inc.**
- Aug. 18, 1963 filed 201,000 common. Price - $1.00.
- Proceeds - For stock repurchase and working capital.

**Bradford Speed Packaging & Development Corp.**
- July 22, 1963 filed 500,000 common. Price - $1.00.
- Proceeds - For debt payments, General Motors, and working capital.

**Iowa Public Service Co.**
- Proceeds - For debt payments, General Motors, and working capital.

**Israel Fund, Inc.**
- Proceeds - For debt payments, General Motors, and working capital.

**Burroughs Corp.**
- July 18, 1963 filed $4,500,000 of 6 1/2% sinking fund debentures due July 1, 1988 offered at 99% and accrued interest; also 741,144 common being offered to stockholders at $22.75 per share, on the basis of one new share for each nine held of record July 18. Rights will expire Aug. 5. Lehman Bros. 182, 360, New York, is underwriting both offerings.

**Community Public Service Co.**
- 12,000,000 of 4 1/2% first mortgage bonds due July 1, 1983. Offered at 99% and accrued interest; to yield 4.50%, by Salomon Brothers & Hutner, New York.

**Contingent Telephone Co.**
- $1,100,000 of 3% first mortgage bonds due July 1, 1988, offered at 98% plus accrued interest, to yield 4.60%; by Merrill Lynch, Pierce, Fenner & Smith Inc., New York.

**Fonat Manufacturing Co.**
- $200,000 of 3% first mortgage bonds due July 15, 1988, offered at 98% plus accrued interest, to yield 4.90%; by Merrill Lynch, Pierce, Fenner & Smith Inc., New York.

**International Seaway Trading Corp.**
- 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. Leiter & Co., New York, is underwriting.

**Lease Plan International Corp.**
- 139,044 common offered at $33 per share by Hayden, Stone & Co., New York.

**Leds Slices, Inc.**
- 90,000 common offered at $3.50 per share by Stratmore & Co., New York.

**Linchestinal Financial Corp.**
- 200,000 common offered at $15 per share by Charles Plohn & Co., Inc., New York.

**National Central Life Insurance Co.**
- 150,000 common offered at $10 per share by Cantor, Fitzgerald & Co., New York.

**Northern Illinois Gas Co.**
- $20,000,000 of 4 1/2% first mortgage bonds due July 1, 1988. Offered at 98% plus accrued interest; to yield 4.50%, by Blyth & Co., Inc., New York.

**Northern National Real Estate & Development Co., Inc.**
- $8,000,000 of 6% first mortgage bonds due July 1, 1988. Offered at 98% plus accrued interest; to yield 4.90%, by Blyth & Co., Inc., New York.

**Therm-O-Disc, Inc.**
- Filed for $12.50 per share by Lehman Brothers, New York.
Prospective Offerings

Atlantic Coast Line RR. (8/13)
July 16, 1963, the company announced plans to sell $4,750,000 of 3% equipment trust certificates due Aug. 16, 1943, in the state of Florida. The certificates will be sold to stockholders. Proceeds—For expansion. Address—404 Second Ave., N. Y. N. 

Carolina Freight Carriers Corp. (8/12-16)
July 5, 1963, the company announced plans to sell 8,523,500 of equipment trust certificates due Aug. 16, 1943, in the state of Florida. The certificates will be sold to stockholders. Proceeds—For equipment. Address—2831 Terminal Tower, Cleveland. Underwriters—(Competitive). Probable bidder: Salomon Brothers & Hutzler, Inc.

Chesapeake & Ohio Ry. (7/25)
July 16, 1963, the company announced plans to sell $3,820,000 of equipment trust certificates due Aug. 16, 1943, in the state of Florida. The certificates will be sold to stockholders. Proceeds—For expansion. Address—120 East 41st Street, New York, N. Y.

Chrysler Burlington & Quincy RR. (10/1)
May 20, 1963, the company announced tentative plans to sell $5,000,000 of equipment trust certificates due Oct. 1, 1963, in the state of Illinois. The certificates will be sold to stockholders. Proceeds—For expansion. Address—120 East 41st Street, New York, N. Y.

Columbia Gas System, Inc. (10/3)
May 30, 1963, the company announced tentative plans to sell $25,000,000 of debentures in October to raise money for construction purposes. Address—120 East 41st Street, New York, N. Y.

Communications Satellite Corp. Feb. 28, 1963, a group of incorporators of incorporation have been filed for this company, in Washington, D. C., and other states. Proceeds—For the development of television and radio equipment and other non-communications concerns. The company intends to issue 50,000 shares of $1 par value, will be divided into two series. Series A will be issued to the existing owners, and Series B, for the development of communications equipment and other non-communications concerns. The series B will be issued to FUC-approved companies. Series B will have no voting rights, but Series A will have full voting rights. Proceeds—For the development of communications equipment. Address—3400 Wisconsin Ave., Washington, D. C.

Connecticut Light & Power Co. June 4, 1963, it was reported that the company had authorized the sale of $1,000,000 of debentures in the last quarter. Proceeds—For construction. Address—Bols, N. Y. 

Connecticut Yankee Atomic Power Co. April 23, 1963, it is rumored that the company which jointly owns 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 6% preferred stock. The company plans to sell $3,000,000 of debentures in May to help finance its construction program. Address—15 Rockefeller Plaza, New York City.

Gloucester Utilities Co. Jan. 29, 1963, the company announced plans to sell 100,000 of its 6% preferred stock (par $100) in the second half of 1963. Proceeds—For 25 Liberty Ave., Beacon, N. Y.

Hartford Electric Light Co. April 30, 1963, the company announced plans to sell $51,000,000 of construction bonds in the first half of 1963. Proceeds—For expansion. Address—First Boston Corp., New York, N. Y.

Hawaiian Telephone Co. June 2, 1963 it was reported that the company plans to sell an additional $8,000,000 of common stock. Proceeds—For expansion and capital improvements. Address—Kidder, Peabody & Co., New York, N. Y.

International Milling Co. July 25, 1963, it is announced that it expects to file a registration statement covering its first public offering of common stock. Address—Kidder, Peabody & Co., New York, N. Y.

Kentucky Power Co. Feb. 18, 1963, the company announced plans to sell $10,000,000 of bonds in the first half of 1963. Proceeds—For expansion. Address—Institute of Electrical & Electronic Engineers, Inc., New York, N. Y.

Lake States Utilities Corp. Aug. 28, 1963, the company announced plans to sell 1,000,000 of the firm's 5% preferred stock (par $100) in the first half of 1963. Proceeds—For expansion. Address—295 Madison Ave., New York, N. Y.

Lamp-No. 2 Coal Co. (10/15)
June 12, 1963, company announced plans to sell $5,000,000 of 3% mortgage bonds in the first half of 1963. Proceeds—For expansion. Address—5th Ave. & 23rd St., New York, N. Y.

Massachusetts Electric Co. Jan. 16, 1963, it was reported that this company plans to sell $25,000,000 of common stock in the first half of 1963. Proceeds—For expansion. Address—5th Ave. & 23rd St., New York, N. Y.

Mexico (Government of) July 18, 1963, it was reported that the Government was authorized to sell an additional 5,000,000 of its 5% bonds. Proceeds—For expansion. Address—5th Ave. & 23rd St., New York, N. Y.
Continued from page 21

Federal Reserve Bank of St. Louis


Southern Pacific Co. (9/4) March 23, 1963 it was reported that the company plans to sell $10,000,000 of preferred stock and $30,000,000 of common stock in September. Proceeds—For expansion. Office—300 Travis St., Houston. Underwriters—(Competitive). Probable bidders: Eastman Dillon, Union Securities Corp. & Smith, Barney & Co.; and Smith, Barney, Hammontree,Jones & Co. (jointly); White, Weld & Co.-Shields & Co. (jointly). Bids—To be named. The last sale of $100,000,000 in stocks in the same series was handled by Kuhn, Loeb & Co. Underwriters—Indefinite.


Union Electric Co. March 19, 1963 the company stated that it plans to issue $50,000,000 of preferred stock and $40,000,000 of bonds by the end of the year. Underwriters—(Competitive). Probable bidders: Prentice & Co.; Blyth & Co. (jointly); Lehman Brothers-Blyth & Co. (jointly); White, Weld & Co.-Shields & Co. (jointly); Kidder, Peabody & Co. (jointly); Smith, Barney, Hammontree, Jones & Co. (jointly); and Smith, Barney & Co. (jointly). Bids—May 19.

Washington Gas Light Co. July 2, 1963 it was reported that this utility plans to sell $75,000,000 of 10-year bonds in the second half of 1964. Office—1100 H St., N.W., Washington, D.C. Underwriters—(Competitive). Probable bidders: Eastman Dillon, Union Securities Corp. & Smith, Barney, Hammontree, Jones & Co. (jointly); Kidder, Peabody & Co.; First Boston Corp.; Halsey, Stuart & Co. Inc.; First Western Transportation 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 a group of independent gas companies in the Pacific Northwest. Office—2081 Whirley Blvd., Beverly Hills, Calif. Underwriter—None.

Western Union Telegraph Co. March 6, 1963 the company announced that it had ar¬ ranged to borrow a total of $160,000,000 by the sale of debentures maturing serially, one-third at each of the end of the first, second and third years. Proceeds—For the purchase of securities. The issue will be registered with the Securities and Exchange Commission on the basis of one share of common stock for five bonds. Office—50 Hudson St., New York. Underwriters—Kuhn, Loeb & Co., Inc. and Lehman Brothers, New York.
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:

### American Home Laundry Manufacturer's Association
- **April 20**:
  - Total home laundry appliance factory shipments: 410,048
  - Washers: 266,610
  - Dryers: 143,438
  - Central and automatic-steam: 266,610
  - Tubular and others—steam: 143,438
  - Petroleum gas and others—steam: 143,438
  - Electric: 10,975
  - Electricity: 36,570

### American Railway Car Institute
- **Monthly**:
  - Orders of new freight cars: 2,348
  - New freight cars delivered: 2,701
  - Receipt of new freight and underwriters: 2,701

### Banks and Banking
- **Monthly**:
  - Bank deposits—Board of Governors of the Federal Reserve System:
    - May: 35,000,000
    - June: 35,000,000
  - Bankers' acceptances outstanding—Federal Reserve Bank of New York:
    - May: 2,000,000
    - June: 2,000,000

### Building Construction—U.S. Dept. of Labor—Monthly
- **June**:
  - New construction: 5,154
  - Private construction: 4,152
  - Residential buildings: 2,647
  - Non-residential buildings: 2,462
  - Non-residential buildings, factories: 1,371
  - Manufacturing and assembling: 1,070
  - Others: 720
  - Public works: 496
  - Bridges: 243
  - Miscellaneous: 34
  - Office buildings and warehouses: 211
  - Retail stores and commercial: 208
  - Industrial: 203
  - Schools: 201
  - Hospital and institutional: 91
  - Parks and playgrounds: 85
  - Miscellaneous: 53
  - Greenhouses and farm buildings: 40
  - Public works: 34
  - Other public: 34

### Bulk COAL (P. S. Bureau of Mines)
- **June**:
  - Volume of production: 638,666,450
  - Iron and steel: 24,802,200
  - West: 606,370
  - Electric: 112,36
  - Other: 6,302

### Coal Stock Exchange (U. S. Bureau of Mines)
- **June**:
  - Total coal shipped: 9,775,000
  - Stock of coal for St. Louis, etc.: 24,802,200
  - Total volume: 638,666,450

### Cotton
- **June**:
  - Total volume: 638,666,450
  - Principal cotton countries: 332,089,000
  - United States: 24,802,200
  - Major cotton countries: 638,666,450

### Crop Reporting Service
- **June**:
  - Wheat: 2,851,000
  - Corn: 6,728,000
  - Soybeans: 2,081,000
  - Cotton: 2,851,000

### Distribution
- **June**:
  - Total distribution: 638,666,450
  - Domestic: 638,666,450
  - Foreign: 0

### Stock Exchange
- **June**:
  - Total volume: 638,666,450
  - Principal exchanges: 638,666,450
  - New York: 638,666,450

### Wholesale Prices
- **June**:
  - Total volume: 638,666,450
  - Principal articles: 638,666,450
  - Foodstuffs: 638,666,450
  - Clothing: 638,666,450
  - House furnishings: 638,666,450

### Indications of Business Activity

### American Iron and Steel Institute
- **June**:
  - Net production: 638,666,450
  - Net production of steel: 638,666,450

### Association of American Railroads
- **July**:
  - Total freight shipments: 638,666,450
  - Carload freight: 638,666,450

### Table 372: American Textile Mills

<table>
<thead>
<tr>
<th>Description</th>
<th>June 1957</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Total volume</td>
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### Table 373: Coal Stock Exchange

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### Table 374: Cotton

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### Table 375: Distribution

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Due to widespread shutdowns of plants for vacations, a pickup in shipments, and a decrease in the number of mill operations, the steel industry is expected to continue strong production levels in the steel industry. The national steel trade is expected to continue strong production levels in the year ahead.

Steel shipments will Drop Shippings with '64 models. And July steel shipments will drop sharply from the year's high of 8 million tons shipped in May and June.

Shipments of finished steel are expected to fall by 10 million tons. August will see the same drop, with 10 million tons.

Even so, 1963 should shape up as the best steel-producing year on record. The nation's 80 million tons, in another good year, in terms of steel tons, the top the 71 million tons shipped in 1960, the best year since then. The steel industry should ship, and half shipments totaled 41 million tons. This means second-half shipments needed reach 20 million tons to match 1960.

But there is every chance the steel industry will be able to sell that figure by as much as 2 million tons, Irons Age said. This would raise total sales 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 new mill construction. New steel plants are beginning to raise their estimates of the amount of steel needed to produce an annual tonnage of one million tons. One mill has added 400,000 tons to its earlier auto estimate and another is moving into the 100,000-ton bracket.

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, Irons Age said.

Mill reports vary widely regarding incoming orders, but the range is from 30% to 50% of capacity. The large drop-off comes from seasonal factors that have continued to restrain the nation's steel mills.

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 out as long a month.

Monthly inventories have dropped from the February low of over $300 million to $250 million, a decrease of over $50 million in the past 6 months. Following are the figures in thousands of board feet for the weeks indicated:

**Week** | **Production** | **Shipments** | **Ending Inventory**
--- | --- | --- | ---
July 7 | 364,000 | 364,000 | 183,449
July 14 | 364,000 | 364,000 | 183,449
July 21 | 364,000 | 364,000 | 183,449

Electric Output Soars 10.4% Over Last Year's Level To a Record High

The amount of electric energy produced by the electric light and power industry for the week ended Saturday, July 19, was 1,060,000,000 kwh, or 10.4% above the corresponding week in 1962, according to figures published by the Edison Electric Institute. Output for the first 30 weeks of the year was slightly more than the previous year's total of 17,437,000,000, an increase of 1.6% over the same period in 1962.

Wholesale Commodities Price Index Remains Nearly Flat Despite Fractional Rise in Latest Week

Continuing a downward drift, the general wholesale commodity price level edded on Tuesday last week to the lowest trough since mid-1958. The index stood up to register the first week-to-week rise in two months, reported Dun & Bradstreet. In the wholesale movement came from steel scrap, where prices for some raw and secondary inventories have resulted in steady gains, largely due to tight and speculative positions for rubber and hogs.

The overall commodity price index edded on to 188.881 on Monday this week, July 22, from 188.09 a week earlier, and fell again low, its month-to-month level of 269.73 and fell considerably short of the 271.74 on the comparable Monday last year.

Wholesale Price Food Index Rebounds to New 1962 High

The Wholesale Price Food Index of the Dun & Bradstreet, Inc., bounced back after slipping a week ago to reach a new high of 178.56 on July 23. Up 0.8% from 5.85 in the prior week, the index exceeded the level registered on the similar date of 1962. An upward trend showed a comparable year-to-year levels has now persisted for two months.

Stable increases in wholesale prices for such as milk, eggs, and other dairy items has been most noticeable. Of 10 foodstuffs quoted lower at wholesale markets:

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<tr>
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The Dun & Bradstreet Index Wholesale Food Price Index

The Dun & Bradstreet Index of Wholesale Food Prices released on Thursday, July 24, was up 0.8% from 5.85 in the prior week, the index exceeded the level registered on the similar date of 1962. An upward trend showed a comparable year-to-year levels has now persisted for two months.

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An Analysis of Major Japanese Industries—1963

The Samuel Bank, Ltd., Tokyo, is a recent and vital 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 transport industry, the manufacturing of bills which would help develop and bolster those industries not enjoying the full benefits of 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 picture 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 lower rate, but this growth will be evident towards the latter part of the year.

2) Continuous over-production will be avoided, even though 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 high 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 electrical 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.

Sleep upward climb from deep bottom: Iron, aluminum, precious metals, cotton, wool, textile.

Declining (because of decrease in plant investment): Industrial machinery, heavy engineering.

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.

Profit

Profit is slowly 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 volume of demand brings profits to cement, domestic electric tool and drug industries, although profit ratios are declining slowly.

Investment on Capital Goods

Tremendous increases in investment on capital goods will be seen in petroleum, electricity, automobile, petroleum and synthetic fiber industries.

On the other hand, steel, machinery, rubber, paper and pulp industries will be slowed.

DIVIDEND NOTICES

INTERNATIONAL HARVESTER COMPANY

The Board of Directors of International Harvester Company have declared quarterly dividend No. 180 of one dollar and seventy-five cents ($1.75) per share on the preferred stock, Series D. November 1, 1963, to stockholders of record at the close of business on September 25, 1963.

THOMAS R. CAMPBELL, Secretary
One Broadway, New York 6, N.Y.

DIVIDEND NOTICES

UNITED STATES LINES COMPANY

The Board of Directors of United States Lines Company have declared the payment of a dividend of fifty cents ($0.50) per share payable September 20, 1963, to stockholders of record at the close of business on September 6, 1963.

HERBERT J. ROSSER, Secretary

DIVIDEND NOTICES

AMERICAN & FOREIGN POWER COMPANY INC.

The Board of Directors of the Company, at a meeting held this day, declared a dividend of 16 cents per share on the Common Stock for payment September 30, 1963, to shareholders of record at the close of business August 9, 1963.

H. W. BALDOWEN, Chairman of the Board and Secretary


DIVIDEND NOTICES

CENTRAL LOUISIANA ELECTRIC COMPANY, INC.

The Board of Directors of the Central Louisiana Electric Company, Inc., has declared the payment of a quarterly dividend No. 88 of 35 cents per share on the Preferred Stock, Series D, July 29, 1963, to stockholders of record as of the close of business on July 15, 1963.

4 1/2% PREFERRED STOCK

COMMON DIVIDEND No. 50.

1953 SERIES PREFERRED DIVIDEND No. 33

The regular quarterly dividend of $1.125 per share on the 4 1/2% Preferred Stock, series D, Preferred Stock, payable September 15, 1963, to shareholders as record as of the close of business August 15, 1963.

1958 SERIES PREFERRED DIVIDEND No. 27

The semi-annual dividend of $1.1575 per share on the 3% Preferred Stock, payable September 15, 1963, to shareholders as of record as of the close of business August 15, 1963.

8 1/4% PREFERRED STOCK

The semi-annual dividend of $2.15 per share on the 7% Preferred Stock, payable September 15, 1963, to shareholders as of record as of the close of business August 15, 1963.

The above dividends are payable September 9, 1963 to stockholders of record August 19, 1963.

N. E. J. MAIER, Vice President & Secretary

Cities Service Company

DIVIDEND NOTICE

The Board of Directors has authorized the payment of the following quarterly dividends:

COMMON STOCK—$0.60 per share

$4.40 CUMULATIVE CONVERTIBLE PREFERRED STOCK—$130 per share

$2.35 CUMULATIVE CONVERTIBLE PREFERRED STOCK—$72 per share

The above dividends are payable September 29, 1963 to stockholders of record August 9, 1963.

July 23, 1963

DIVIDEND NOTICE

Southern Railway Company

DIVIDEND NOTICE


A dividend of Seven Cents ($.07) per share on the Common Stock without par value of Southern Railway Company has been declared by the Board of Directors in accordance with the resolution of the Tennessee Valley Authority as provided by the act of July 1, 1937, as stockholders of record on September 3, 1963.

The transfer books will remain open, Southern Savings Trust Company, John W. Bresnan, Secretary.

Panhandle Eastern Pipe Line Company

Dividend No. 102

55e per Common Share

Payable Sept. 15, 1963

Record Aug. 30, 1963

Declared July 22, 1963

WILLIAM C. KEEFE, Vice President & Secretary

Pioneer Long Distance Transporter and Producer of Natural Gas

The American Red Cross

Carries on

Panhandle Eastern Pipe Line Company

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Payable Sept. 15, 1963

Record Aug. 30, 1963

Declared July 22, 1963

WILLIAM C. KEEFE, Vice President & Secretary

Pioneer Long Distance Transporter and Producer of Natural Gas
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, somehow 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 has 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 in a monetary crisis, a definite crisis is building up unless something is done to stop the outflow.

Too Many Outgoing Dollars

The probable thing that could happen to the economies of this country and our Allies would lead us to be afraid of war.

The lags last year was more than the President and Congress have been to the point where the world picture gets very dark.

The world outflow has been taking place at the various markets.

The Washington economist insists that it is not feasible to raise short-term interest rates for long without subsequent pressures on all interest rates.

The paramount way to solve a balance of payments situation is to impose our economic conditions.

Higher interest rates and tighter money stifle economic growth and increase unemployment, Mr. Keystones contends.

LATEST SEC REPORT

The past week was a rough one for capital Washington, with 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, chairman of the SEC, which accompanied the report to Congress, despite the criticism of some of the alleged undesirable practices that have been taking place, Mr. Cowen said

“As we stated in our letter of transmittal, this report should not impair the public confidence in the securities markets but should strengthen it as suggestions for raising standards and put into practice.”

[This column is intended to reflect the “behind the scenes” interpretation of the nation’s Capital and may or may not coincide with the “Chronicle’s own views.”]

Mr. Cackles

Mr. Cackles said that the phone numbers have increased so that by the time I get a customer I’ve forgotten what you wanted me to tell him about his stock!”

WASHINGTON AND YOU

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