The Dollar's Soundness, Liquidity And the Payments-Balance Deficit

By Hon. A. Willis Robertson,* U. S. Senator (D.—Tex.)

Thirty years of close watch of our banking and currency problems back assertion that dollar strengthening and balancing of world payments and monetary measures have ignored these causes in preference for "ease without cure." The Senator would not Government spending here and abroad and not allow futures world liquidity shortage fears interfere with taking necessary action now. He favors an immediate, comprehensive Congressional study of the latter problem assisted, but not dominated by professionals and rejects the Brookings advice as inflationary.

I wish to discuss one of the most serious challenges facing the United States today — the balance-of-payments deficit and the question of international liquidity. My conclusions are simple and easy to state. I am concerned that the Administration so far, despite ingenious actions to borrow time and fend off crises, has emphasized short-term palliatives without going to the roots of the payments problem. Second, we cannot allow the longer-range question of a possible shortage of international liquidity to interfere with prompt and vigorous action to right the payments balance. Third, I agree generally with the Administration's view, stated again only recently at the meetings of the International Monetary Fund and World Bank, that the international liquidity question deserves the most careful and comprehensive study by Fund member governments.

However, I am convinced further that these studies should be undertaken immediately, and that they should also include comprehensive Congressional studies.

The balance of payments and the international monetary system involve high politics; they vitally affect the future of our cherished free enterprise system, our foreign policy, our national defense and our economic prosperity and stability. It is not enough for us to discover technical solutions in these areas. The ultimate issues are those of national goals and interests.

We have much cause for optimism in postwar trade and investment experience. The amazing swift recovery of industrial Europe and Japan after World War II was helped much by the Marshall Plan and resulted in wholesale dismantling of exchange controls and other artificial barriers to trade and capital flows created by depression and war. Since 1950 the growth in world trade and investment has been unparalleled. And this nation's part in that growth has been impressive.

United States exports of $21 billion and imports of $19 billion in 1952 doubled in 1959 — and long-term private investments now amounting to more than $56 billion reflect this fact. Private foreign investments in the United States of more than $21 billion — almost tripled in the decade since 1951 — show the vigor of our trading partners. As our interdependence with the rest of the world grows, more and more of our business enterprises have become international in scope. International activities of United States banks historically have been closely correlated with levels of world investments and investment. The depressed Thirties, with its trend toward self-sufficiency in country after

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**ALFRED SOMAN**

Research & Development, Fidus, Bullard & Smyth, New York City

**Reynolds Tobacco Co.**

Highly regarded as growth equities under 40 years ago, tobacco shares are currently priced drastically below their 1961 highs. This decline is in large part to be attributed to concern regarding the comprehensive report on smoking and health released before year-end by the U.S. Public Health Service. This report is certainly one of the most widely anticipated and anticipated pieces of "bad news" in the history of Wall Street.

Despite the availability of high dividend returns and consistent growth at low price-earnings ratios, the decline is almost unanimously avoiding tobacco equities. In this regard, Reynolds tends to be sellable on balance. The logical question to be asked is: do the industry fundamentals warrant such extreme bearishness?

In the face of a decade of increasing federal and public unfavorable publicity linking cigarette smoking with cancer and heart disease, the consistent growth of the tobacco companies has been, to say the least, an impressive one. Domestic consumption of cigarettes has risen from 294.1 billion in 1952 to 494.9 billion in 1962 and should establish a new yearly record of slightly over 500 billion this year. Since 1954, when the initial effects of the HEW scare had caused a two year drop of 6.5%, the growth rate has been consistent, averaging 3.75% compounded annually. Even more significant, and probably surprising to those who have not had occasion to study the statistics, consumption of cigarettes per capita (15 years old and over) has also risen at an average rate of 2.16%.

The impact of the report cannot, of course, be predicted. What we do know is that a steady stream of reports by various groups has not significantly affected cigarette consumption to date. Certainly none of us is unaware of the possible dangers connected with smoking but we must doubt that this report will cause a large percentage of the public to abandon a habit that is ingrained, and yet the market appears to be taking this possibility seriously. (Should medical or scientific develop a cancer cure the effect on tobacco stocks could be explosive!)

R. J. Reynolds, the largest factor in the industry, manufactures Camel, Winston and Salem cigarettes, respectively, the second, third and fourth largest selling brands. By any yardstick, Reynolds is the outstanding company in the field. A net profit of $7,066,000 in 1961 compared with 10.5% for its nearest competitor. Industry generation has been free of any significant interruptions since 1954, arising from 24.7% of the total production. By any yardstick, Reynolds is the outstanding company in the field. A net profit of $7,066,000 in 1962 compared with 10.5% for its nearest competitor.

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**This Week's Forum Participants and Their Selections**

**Reynolds Tobacco Co.** — Alfred Soman, Security Analyst, Fidus, Bullard & Smyth, New York City

**Weyerhaeuser Company** — Robert F. Taylor, President, Investment Counsel, Inc., President, Financial Analysts Society of Detroit

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Continued on page 9

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Gas Industry Is Meeting
The Challenge of Growth

By John E. Heyke, Jr., Retiring President, American Gas Association, and President, The Brooklyn Union Gas Company

Bullish report on the gas industry's successful resurgence in meeting energy, heating and cooling demands against competition of all electricity, coal and electricity reflects confidence regarding the growth outlook for the industry. Mr. Heyke is placed with developments opening up because of multi-family, shopping centers, office and government building construction; of expanded industrial usage; and of the use of central gas plants to provide service instead of a fuel. He notes competitors' advertising; credits increased industry research for remarkable gains made; forecasts greater measure of price stability; and acknowledges the participation of the electric industry to light government encouragement in the private utility field.

Scanning the industry, it is apparent that the gas industry is dominating the heating market, the water heating market and the cooking business. These have been also a tremendous expansion in the sale of gas dryers and gas lights.

And this economic upturn is also the spontaneous response of Mr. and Mrs. Consumer, the backbone of our industry. Everywhere I've traveled as President this year—Boston, Honolulu, New Orleans, London, and points in between—I've found a great enthusiasm for the growing role of gas, and a great confidence in our ability as an industry to meet the challenges of today.

The continuing increase in the use of gas for commercial and industrial purposes, and our ability to develop a more balanced year-round load through attractive rates to the larger nonresidential customers, has produced an extremely healthy, vigorous industry.

Gas Turbine and Other New Ideas for Gas

Near Aurora and in Glen Ellyn, Ill., for example, Northern Illinois Gas is advancing the industry in the gas turbine field.

Hartford Gas is pioneering the unique concept of providing an energy service instead of a fuel.

Pacifica Lighting is developing the subsidiary idea with its Uni-Plant Corporation to provide air conditioning facilities for large customers.

Rio Grande Valley Gas has the first school bonfire for gas-produced total energy.

And in Brooklyn, New York, we have the world's largest cooper- tive housing project and a new giant customer that will use gas for all energy requirements.

I'm particularly impressed by the many vials—exciting things—going on within our industry. Breakthroughs are occurring in scattered places throughout the nation, breakthroughs that will undoubtedly provide even bigger dimensions to our industry within a very few years. The face of our industry is growing and changing with gas.

Defectors say the gas industry has come of age. Don't believe it. The gas industry has always been the right age for the generation it serves. What's new about "change" in outlook is merely the result of the completion and public announcement of goods, services, and trends that have been in the works for twenty-five years. And by successfully adapting itself to new conditions and markets, the gas industry is a rejuvenated industry, dynamic, daring, filled with new opportunity.

Gas for Higher Temperatures And Cooling

Right now, half of all the gas we sell is used by our industrial customers. Here is one of our important and profitable markets; on which we have tremendous promise for the future. Exciting things are happening in industrial gas use, but one area most intriguing to me is the increasing application of gas to high temperature processing. Gas-fired furnaces operating at 4000°F already have been developed and are in use. Even higher temperatures and far more prospect, thus making the gas industry a continuing and rapidly growing role in such fields as space age technology, where the requirements for high-temperature materials are enormous.

Of more immediate significance is Customer Cooling. I care- fully held off mentioning gas air conditioning because, regardless of how far we have advanced in this important field, the market is still in our future.

Air conditioning is an important load, but it bears a special importance for companies whose sendout curves rise to jagged peaks in winter and dip into hollow valleys in summer. Cooling may be the great leveler and, although we'll never reach a year-round plateau, it will have great bearing on load factors. Whereas gas companies have institutional promoted air conditioning.

Continued on page 39
Shopping for Toy Stocks
By Dr, Ira U. Coldge, Economist

A seasonal look at the $2 billion toy industry: the kinds of toys people are buying and certain public companies prospering thereby.

The toy industry, which many would regard as both big business and the main stream of our economic activity, has come of age. It will do a retail business in 1963 of over $2 billion. This is big business and it's done by some 2,500 private companies and about 35 significant, publicly held ones, some of which have rewarded investors well in the past two years.

Post War Growth
The main upsurge in toys has occurred in the past 15 years principally propelled by three things. The steady rise in personal income, rapid increase in the child population, and the disposition of well heled and indulgent parents to buy more, and more expensive toys, for their children. Add to this the powerful salesmanship of TV advertising and one can see why toys have ballooned.

This TV advertising, which amounted to $12.8 million in 1962, has done two things. It has created annual models in toys, so that last year's hurricanes became obsolete and wind up in closets or attics; and it has created a demand for brand items. You no longer order just a doll, you are urged to buy "Barbie Bath" or a "Barbie Doll". You no longer buy just a toy dog — you buy "Cocker Spaniel" (of which over 300,000 were sold last Christmas with a list price of around $10).

Another result of the post-war merchandising development in toys is the discount house. Hundreds of new discount outlets have sprung up all over the country, changing importantly toy distribution techniques, and driving out some of the older jobbers and retailers out of the business. Discounters themselves have not all succeeded and failure of some of these in the past two years has not been surprising.

Adjustment
For many companies 1962 was a year of adjustment and some disenchanted. Marketing experience showed that the public has had enough of costly toys. Electronic rifle ranges at above $30, a motor speedway at $35, a remote control automobile at $20 or more — these no longer popular at the parent level. There seems to be (1) a major swingback to the old age standards—dolls and guns — and (2) a substantial emphasis on instructive or educational toys. And there's a greater insistence on quality and durability this year. Further, the Federal Trade Commission has now ruled on the flashing of manufacturer's "suggested retail price" on TV commercials, so the discounters have less opportunity to highlight their attractive price concessions below "list."

Bookkeeping has changed too. Used to be that most new toy manufacturers would continue to sell for from mature equities in the industry.

Philadelphia and Reading Corporation has a major subsidiary in Playskool, Deluxe Reading Corp., largest distributor of toys through supermarkets. Other representative corporations include Lionel Corp., which does lot of things besides sell toy trains, Eldon Industries, A. C. Gilbert, maker of Erector sets (now for both boys and girls), Transogram, Inc., with puzzles, mostly below $5; Gabriel Industries, specialist in stamped toys, including beauty kits for girls; and Aurora Plastics, Inc., a rapidly growing plastic toy producer.

In due course of the other well known companies, now privately or family owned, may go public: Selchow & Richter, Parker Bros, Ideal Toy Corp, etc. Meanwhile, you have quite a number to choose from. Examine especially their management and records. They serve a huge market—youth below 14—which is growing at the rate of 10% a year.

Named Directors
Polaroid Electronics Corporation, the owner of the Polaroid name and distributor of Polaroid cameras, w'as created to popularize the idea of the instant photo, to enlarge the board to 11 men. These new directors include:玺en G. Paton, the company's general counsel and a member of the law firm of Parker, Chapin, & Flatbau; Oscar Landon, an independent financial consultant; Herbert W. Pollack, Polaroid Vice-President and head of its Electronic Instruments Division; and Sol S. Ross, Vice-President and Treasurer of the West Chemical Products Company of Long Island City.

Among the directors newly elected were Robert A. Mars, President of the Independent Foundation and Lewis D. Mittmore, a general partner of Kidder, Peabody & Co. Messrs. Maes and Mittmore have been directors of the company since its first financing in 1958.

With McDowell
BOSTON, Mass. — Robert E. Clough is with McDowell & Co. Incorporated, 211 Congress Street.

Gates to Address N. Y. Inv. Assn.

Thomas S. Gates, President and Chairman of the Executive Committee of the Morgan Guaranty Trust Company of New York, will address the 13th annual dinner of the Investment Analysts of New York on Thursday, October 3, 1963 at the Waldorf Astoria Hotel, 301 Fifth Avenue. A. W. Scott Crabbree of Equitable Securities Corporation, who is President of the association.

Mr. Gates was Secretary of Defense during the final year of the Eisenhower administration, concluding a period of public service which began in 1953 when he was appointed Under Secretary of Navy. He was Secretary of the Navy from 1957 to 1959 and Deputy Secretary of Defense from June 1959, until his appointment as Secretary of Defense in December, 1959.

New Tulloch Office
ESSEX JUNCTION, Vt.—Harding Tulloch & Co., Inc. has opened a branch office at 106 Hillcrest Road under the management of Freeman Bailey.

United Secs. Branch
CLINTON, N. C.—United Securities Co. has opened a branch office at 106 Lisbon St. under the management of Everett A. Carr.

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The Commercial and Financial Chronicle... Thursday, October 31, 1963

Observations
By A. Wilfred May

Not Available This Week

Philadelphia and Reading Corporation has a major subsidiary in Playskool, Deluxe Reading Corp., largest distributor of toys through supermarkets. Other representative corporations include Lionel Corp., which does lot of things besides sell toy trains, Eldon Industries, A. C. Gilbert, maker of Erector sets (now for both boys and girls), Transogram, Inc., with puzzles, mostly below $5; Gabriel Industries, specialist in stamped toys, including beauty kits for girls; and Aurora Plastics, Inc., a rapidly growing plastic toy producer.
New Monetary Policy Step
Taken by Bank of England

By Paul Einzig

England's central bank is chartering a new course in regulating the volume of credit. Dr. Einzig approves the lowering of ceilings on clearing banks' liquidity ratio from 30% in effect, coincidentally, for past 30 years—to 28% but hopes that this will be a weapon which will be increased as well as decreased when it warrants. Dr. Einzig also comments on the Hugo Stinnes Bank failure in Germany which he finds reflects a lack of solidity on the part of the German banking system, as well as the broad rise in confidence in the bank's aid and destines it from its precipice.

-LONDON, Eng.—The announcement that British clearing banks would henceforth be entitled to allow their liquidity ratio to decline to 28%, compared with the 30% which has been the limit for over thirty years, indicates an important departure in British monetary policy. Evidently the Bank of England is now inclined to adopt the American device of managing the volume of credit by means of altering the percentage of reserve requirements. One swallow does not make a summer, however, and the British authorities are not prepared as yet to admit such fundamental change. But there is every reason to believe that, having taken the first step, they will continue to proceed in that direction.

Actually the rule that prevailed in Britain prior to this change was not as rigid as it appears on the face of it. The 30% liquidity ratio had no statutory basis, and in fact recently several of the clearing banks actually allowed their ratio to decline below that figure even before they came to be authorized to do so. The Bank of England never took an unyielding grave view of such 'adventures.'

An Anachronism: Today

The maintenance of a 30% liquidity ratio was something of an anachronism. While during the 'thirties it was reasonable to expect the banks to maintain something like one-third of their assets in a liquid form, in post-war conditions that proportion was unnecessarily high. The confidence of the British depositors in the "Big Five," and even in the smaller clearing banks, was not shaken by the series of crises in the thirties, and it became further consolidated during the War. In our days bank failure in Britain has come to be looked upon as something quite inconceivable. Should any British bank ever get into serious difficulties it is certain to be assisted very effectively by the other banks which are naturally anxious to maintain the reputation of the banking community and also by the British authorities. The substantial hidden reserves of the Bank of England are available for participating in any salvage action jointly with the other banks, should it ever become necessary.

Scores German Banks

In this connection the recent suspension of payments by the Hugo Stinnes Bank in Germany came as a cause for surprise in English banking circles. It is felt in London that the German banks and the German authorities...should have intervened to prevent this happening. So, even though the peculiar causes of these isolated incidents are well understood, an excuse is not an excuse. Fortunately, that bank's commitment in the foreign exchange market and in the Euro-dollar market are not nearly as high as they were a few years ago. Even so, the incident discloses a certain lack of solidity which is far from having enhanced the prestige of German banking.

Amidst conditions prevailing in Britain during the thirties, a reduction of the liquidity ratio below its traditional level may be viewed with equanimity. The authorities would be well in a position to make further reductions, at any rate from the point of view of the confidence of the public in the banks. On the other hand, any substantial reduction, by indicating credit inflation, might inspire a certain degree of concern about the prospects of sterling. From that point of view it might be well if the authorities took an early opportunity to show that this new principle of elasticity applies not only in a downward direction but also in an upward direction. Should there be a sign of overloading of the economy, they could discourage it by restoring the 30% limit in preference to raising the Bank rate.

New Liquidity Concept

In any case, the Radcliffe Report and the American Report of Money and Credit have rendered the prevailing conception of 'liquidity obsolete.' It seems probable that in the future, instead of thinking in terms of black and white, banks and the authorities will be inclined to think in terms of the various possible shades between the two extremes. Instead of dividing assets rigidly between 'liquid' and "non-liquid" assets, they will tend to allow for the existence of various degrees of liquidity. Indeed, I can visualize the adoption of a rule under which the liquidity ratio that will matter will be the ratio between the average maturity of total assets and the average maturity of total liabilities. Needless to say, such a rule would be much more complicated than the existing rule. It would, however, be feasible and it would have considerable advantages compared with the present system. Meanwhile, the recent change in Britain, like every change that makes for increased flexibility in monetary policy, has been a step in the right direction. In many quarters the view is held that this opportunity should have been taken to replace the existing conventional liquidity ratio by a statutory liquidity ratio. Since, however, even in the absence of any statutory provision the officially approved limit is well observed by and large, there is really no need for such abandonment. It remains to be seen whether a flexible official limit is subject to frequent changes, would be easily enforceable without any statutory authority. But on the whole it seems probable that the banks would conform faithfully to the Bank of England's wishes even in the continued absence of any statutory provisions to that end.

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Canadian Securities

External Dollar Securities

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1. Except for the depression years, Warner & Swasey has shown a profit every year except 1921 (which was a postwar recession) and 1949, when the plant was closed for six months by a strike.

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**October 31 (Thursday)**

- Atlanta, Ga., 20%, 8%, 1964-1983 11:00 a.m.
- Bethlehem, Pa., 5%, 1965-1985 1:00 p.m.
- Canonsburg-Hill Section A, 1965-1983 8:30 a.m.
- Cleveland, Ohio, 1%, 1965-1983 11:00 a.m.
- Niskin Mills B D, Mich., 1965-1988 8:00 p.m.

**November 1 (Friday)**

- Univ. of Alabama Bd. of Trustees, 4,905,000 1963-2003 11:00 a.m.

**November 2 (Saturday)**


**November 4 (Monday)**

- Bangor Tp. Sch. Dist., Me., 1964-1979 3:30 p.m.
- Cupola Chnsti Ind. S. D., Texas, 1964-1980 4:00 p.m.
- Edina, Minn., 1965-1984 7:30 p.m.
- Greenport, L. I., N. Y., 1965-1988 8:00 p.m.
- Harrison, N. J., 1964-2003 8:30 a.m.
- Oklahoma Turnpike Auth., Okla., 31,000,000 1964-1988 2:00 p.m.

**November 5 (Tuesday)**

- Beverly Hills Library Const., Cal., 1,964,900 1963-2005 11:30 a.m.
- Bloomfield School Dist., Ind., 1961-1979 3:30 p.m.
- New Haven Sch. Bldg. Corp., Ind., 1965-1980 1:30 p.m.
- Van Dyke S. D., Mich., 1964-1983 8:30 a.m.

**November 6 (Wednesday)**

- Bayamon, Puerto Rico, 3,240,000 1962-1984 Noon
- Guaynabo, Puerto Rico, 2,000,000 1963-1984 Noon
- Wyoming, Mich., 1,300,000 1963-2001 8:00 a.m.
- Watertown, C. O., 4,700,000 1962-1984 Noon
- New York, 7,975,000 1964-1988 Noon
- East Side Union H. S. D., Calif., 1,240,000 1965-1978 1:00 p.m.
- Hampton Tp., Mich., 4,000,000 1964-1982 8:00 p.m.
- Maryland (State of), 6,000,000 1965-1985 10:30 a.m.
- Brookhaven UFSD No. 24, N. Y., 2,685,000 1965-1989 2:30 p.m.
- Eastern Illinois Univ., Imp. & Refunding, Ill., 4,700,000 1963-2002 Noon
- Maryville, Mo., 6,000,000 1965-1985 10:30 a.m.
- St. Peter Sch. Dist. No. 508, Minn., 1,405,000 1965-1991 4:00 p.m.
- White Oak, Mo., 1,500,000 1965-1987 10:00 a.m.
- Woodford Co., Ky., 1,508,000 1965-1987 10:00 a.m.
- Brazoria Co. Rd. Dist., Tex., 2,300,000 1965-1988 11:00 a.m.
- Antelope, Calif., 3,300,000 1966-1989 7:30 p.m.
- Lake Okeechobee Co., Fl., 1,000,000 1965-1988 8:00 p.m.
- Lake York, Co., 2,000,000 1965-1989 8:30 p.m.
- Mobile, Ala., 38,270,000 1964-2002 Noon
- Philadelphia, Pa., 31,800,000 1965-1994 Noon

**November 11 (Thursday)**

- Atlantic City, N. J., 2,100,000 1964-1978 8:00 p.m.
- Brealtory Sch. Dist., Mich., 1,275,000 1964-1989 8:00 p.m.
- Hampton Tp., N. J., 3,780,000 1964-1989 8:00 p.m.
- Jefferson Par. Sch. Dist., La., 1,000,000 1964-1989 2:00 p.m.
- Jefferson Par. East Bank Cons. Sch. Dist., La., 2,000,000 1964-1994 2:00 p.m.
- Oklahoma Co. Ind. School District No. 8, Okla., 3,000,000 1964-1977 2:00 p.m.
- Schenectady, N. Y., 1,040,000 1964-1989 8:00 p.m.
- Sarasota, Fla., 1,990,000 1964-1975 11:30 a.m.
- Yuba Co. Court House Bldg., Refunding, Calif., 2,265,000 1964-1989 8:00 p.m.

**November 16 (Friday)**

- Iowa State University, 16,000,000 1960-2003 Noon
- Monterey Co. Flood Control & Water文字被遮挡，无法完全辨认。
- North Brunswick Tp., N. J., 2,000,000 1963-1984 8:00 p.m.

**November 19 (Tuesday)**

- Columbus, Co., N. C., 1,000,000 1965-1988 11:00 a.m.
- Pekin City, Ind. Sch. Bus. Dist., Authority, Pa., 22,650,000 1964-2003 Noon
- Raleigh Utility G. O. N. C., 1,260,000 11:00 a.m.

**November 21 (Thursday)**

- Metropolitan District, Colo., 1,125,000 1963-2002 1:00 p.m.
- Monterey Co. Flood Control & Water文字被遮挡，无法完全辨认。
- North Brunswick Tp., N. J., 2,000,000 1963-1984 8:00 p.m.

**November 22 (Friday)**

- Raleigh Utility G. O. N. C., 1,260,000 11:00 a.m.

**November 23 (Saturday)**

- Raleigh Utility G. O. N. C., 1,260,000 11:00 a.m.

**November 24 (Sunday)**

- Raleigh Utility G. O. N. C., 1,260,000 11:00 a.m.
Tax-Exempt

Continued from page 6

The John Nuneve & Co. and F. S. Smiththers & Co., purchased a portion of the equity stock in the company.


Initial Revenue Issue

These bonds are secured solely by a pledge of a group of assets of the entire Port of Seattle. The Port of Seattle is an independent agency with a statutory responsibility to operate the harbor and port facilities within the jurisdiction of the Port District and this District is coextensive with King County. Proceeds of this issue will be used for capital expenditures to extend facilities at the Seattle-Tacoma International Airport. This is the first issue of revenue bonds outstanding for the District.

Friday was interesting in one minor respect and the successful bidder for the only sale the day consisted of $50,000 Cook County, Illinois School District 350. The bid made by Harry J. Wilson & Co. was the successful bidder for this tiny issue at a net interest cost of 3.175%. This exemplifies what a dull day Friday has become in the tax exempt bond field.

Current Weeks Business

Monday of this week was enlivened with a surprise offering made by a group headed jointly by John Nuneve & Co. and Boettcher & Co. of $25,873,000 Jefferson County, Colorado School District R-1 (Lakewood) Refunding (1963-1983) bonds. This issue was purchased through negotiation at an unannounced price.


An issue of $3,591,000 Texas Technological College, Roaming System revenue (1962-1982) bonds was bought by the Housing and Home Finance Agency at 100 1/2 and 3 1/2%. The additional $2,050,000 bonds of the same issue matured 1965-1985 were purchased by the Rauscher, Pierce & Co. syndicate at 100 1/2 for 3%'s. No reoffering to the public is anticipated.

Monday's final sale to be noted is $1,750,000 Atlanta, Georgia Waterworks revenue (1961-1983) Certificates which were awarded to Halsey, Stuart & Co., Inc. Harman Ripley & Co. and Smith, Barney & Co. at a 3.133% net interest cost. The runners-up bid, a 3.14% net interest cost, came from the R. W. Presprich & Co. account, and there were twelve additional groups which bid for this issue.

Reoffered to yield from 2.00% to 3.20%, the balance at press time was $700,000.

Tuesday was a busy day with three sales of note to be reported. Late Monday evening the account led by the United California Bank, submitted the best bid, a 3.1675% net interest cost, for $15,740,000 Salinas, California (1964-1986) bonds. The second bid, a 3.192% net interest cost, came from the Bank of America National Bank of Rhode Island, Wageneseller & Durst and N. C. Roberts Co. Other major members of the foregoing Bank were: Smith, Barney & Co., Mercantile Trust Co., St. Louis, New York, Harris F. Rothschild & Co., Horbowlow & Weeck, Industrial National Bank of Rhode Island, Wageneseller & Durst and N. C. Roberts Co. The bonds were reoffered to yield from 2.00% to 2.25% and initial sales have brought the balance down to yesterday's figure of $3,085,000.

The First Boston Corp. group was high bidder for $7,150,000 Ramsey County (St. Paul), Minnesota Unlimited Tax (1964-1983) bonds. Continued on page 45

New issue

$39,600,000 State of Hawaii

<table>
<thead>
<tr>
<th>Amount</th>
<th>Coupon</th>
<th>Due</th>
<th>Yield</th>
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<tbody>
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<td>1967</td>
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<td>1968</td>
<td>2.55%</td>
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<td>1969</td>
<td>2.50%</td>
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<td>$1,760,000</td>
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$1,760,000 due semi-annually January 1 and November 1

AMOUNTS, RATES, MATURITIES AND YIELDS OR PRICES

(As issued interest to be paid)

[continued]
INVESTMENT LITERATURE AND RECOMMENDATIONS

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

Common Stock Yielding 4% or More—Tabulation—Carl M. Lock, Rhoades & Co., 42 Wall Street, New York, N.Y. 10005. Also available are reports on Radio Corp. of America, Allied Stores and American Machine and Foundry.

Electric Utilities—Analysis—Calvin Bullock, Ltd., 1 Wall Street, New York, N.Y. 10005.

Funk & Scott Index of Corporations & Industries—Index of articles on corporations, industries, and general business subjects taken from over 200 financial publications, 320 broker's reports, and speeches before analysts societies—1962 revision. Cumulative Volume 76. Further information on the weekly or monthly issues available on request—Investment Index Co., 206 F Columbus Building, Cleveland 6, Ohio.


Japanese Market—Review—Daily, Interolted Oil Co., Ltd., 140 Broadway, New York, N.Y. 10005. Also available are reviews of Canon Camera, Ltd., Hitachi, Ltd., and Harima Heavy Industries, Mitsubishi Bank, Ltd., and others.

Life Insurance Stock Analysis & Information—A service devoted exclusively to the life insurance field—complete 30 years of data; includes complete complete analysis on over 200 life insurance companies. Also available is a report on dividend mergers and earnings; bi-weekly quotations; and a reference book "A Factual Record of 80 Life Insurance Companies"


Stocks with High P/E Ratios—E. O. D. & Co., 11 Marietta Street, N. W., Atlanta, Ga. 30312.

Tax Tactics—Discussion—Moore & Sheley, 120 Broadway, New York, N.Y. 10006.


Allied Chemical Corp.—Analysis of stock performance and operations—Henry H. Coates & Co., 120 Manhattan Plaza, New York, N.Y. 10006. Also available are reports on General Motors, Electric Storage Battery, Dana, Freeport Silver Company, Kimberly Clark, Flintkote.


Asphalt Oil & Refining Co.—Comments—Schweitzer & Co., 200 Broadway, New York, N.Y. 10006. Also available are comments on Dresser Industries and Recull Drug Co.

Avery Adhesive Products Inc.—Analysis—First California Corporation, 588 Post St., San Francisco, Calif. 94129.


Buffalo Ankerite Holdings Ltd.—Analysis—Watt & Watt Limited, 7 King Street, East Toronto, Ont., Canada. Also available is an analysis of E. J. Kerouve Corp.

Caterpillar Tractor—Comments—Henry Gellermann, Dept. CFC, Bache & Co., 36 Wall Street, New York, N.Y. 10005. Also available are reports on Allied Chemical, General Electric, General Motors, Northern & Western, Northwestern Bank, and International Minerals & Chemicals.

Chemtron Corp.—Analysis—Coty & Company Inc., 85 State Street, New York, N.Y. 10001. Also available is a report on Magnavox.


Dominion Stores Limited—Report—Gairdner & Company, Limited, 328 Bay Street, Toronto 1, Ont., Canada.

FMC Corp.—Analysis—Dean & DeWitt, 400 Post St., San Francisco, Calif., 94106.


Imperial Oil Limited—Discussion in October issue of "American Investor"—Ltd., New York, N.Y. 10006.

FROM WASHINGTON

.... Ahead of the News

BY CARLISLE BARGER

Despite the fact that the Supreme Court's decision on June 16, 1963, in a decision banning prayer in Public Schools and brought forth a flood of criticism from the Congress and others, nothing definite has been done to overturn the Court's decision. In fact, at a meeting on June 17, 1963, issued another ruling denying Bible reading in the Public Schools. Except in one State which was affected by the Court's ruling, the other States generally have ignored the Court.

Nearly 100 members of the House of Representatives have introduced resolutions proposing a Constitutional amendment to permit prayer and Bible reading in all public schools. But the House Rules Committee has them all bottled up, presumably awaiting later action by the Supreme Court which will not come until December or January. This all means that Congressman Becker of New York has introduced a resolution to discharge the Committee from further consideration of the measure.

A discharge petition is a parliamentary instrument to bring to the House floor any resolution or bill held without action by a committee. It requires signatures of 218 of the 435 members of the House. At this point many more are needed before the 110th Congress can be discharged. Representative Becker says:

"This is not the first tragic decision to come from the Court, but says that it is most tragic in the history of the United States, and June 23 will go down as a black day in our history."

Congressman Becker issued a national appeal to write to their individual Congressmen urging them to sign. Signatures came a little more rapidly than expected, but not as many as Mr. Becker had hoped to have when he went to Washington. At that time he predicted that the Congressmen would have the petition they were asking for. Mr. Becker is not the only Congressman who know how they feel if we are to succeed."

Greene Wire to Norris, Hirschberg

Greene and Co. 37 Wall St. New York, N.Y. 10005. Greene and Co. have thwarted the installation of a direct Atlanta wire to Norris & Hirschberg, Inc., to which has been vacant, but now. For example, the Atlanta, members of the Midwest Stock Exchange.

Greene and Co. also has private wires to Chicago, Cleveland, Los Angeles, St. Louis and San Francisco.

SENIOR ANALYST

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The Security
I Like Best

Continued from page 2

sawmills, seven pulp and paperboard operations, six softwood plywood plants, 43 carton and container plants, three papermills, two railroads, a steamship line, and vast distribution facilities.

Weyerhaeuser employs several hundred research and technical workers in a broad program ranging from "improving the breed" to utilization of waste. It has found a process to bleach fir pulp white for papermaking. It has developed pressboard that will take color printing; produced a material made from Douglas fir bark which is used in oil well drilling, plastic molding compounds, and orchard culture. It participated in the development of a special corrugated container for packaging bananas at the growing site. Other research efforts have been in chemical by-products, pressed fibre products, new types of containers, and more use for bark which represents 15% of each tree.

In recent years, the company has expanded into a more efficient manufacturer with the country's most diversified line of forest products. Between 1953 and 1962, the company's product mix changed, as indicated in the following breakdown in sales:

<table>
<thead>
<tr>
<th>Year</th>
<th>Lumber</th>
<th>Containers &amp; Cartons</th>
<th>Pulp</th>
<th>Plywood</th>
<th>Softwood Plywood</th>
<th>Hardwood Products</th>
<th>Paperboard</th>
<th>Manufactured Panels</th>
<th>Other Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>1953</td>
<td>29.5</td>
<td>20.8</td>
<td>11.0</td>
<td>8.5</td>
<td>7.6</td>
<td>5.9</td>
<td>5.0</td>
<td>2.6</td>
<td>4.1</td>
</tr>
<tr>
<td>1962</td>
<td>125.0</td>
<td>100.0</td>
<td>50.8</td>
<td>60.0</td>
<td>55.3</td>
<td>29.9</td>
<td>8.1</td>
<td>8.1</td>
<td>8.1</td>
</tr>
</tbody>
</table>

Weyerhaeuser is in excellent financial condition. The sole capitalization is $10.0 million outstanding common shares. All major acquisitions of recent years have been made principally through cash or treasury stock, and on a limited basis, by issuance of additional stock. Working capital of about $117 million supports annual sales in the area of $540 million. Dividends have been paid each year since 1933, the current rate being $1.20 per share.

Reported earnings per share in 1962 were $1.29; adding depreciation and depletion of $1.33 per share brought cash flow to $2.62 per share last year.

While the most compelling argument for Weyerhaeuser is its unequaled timber reserve, its acquisitions since 1957 have put the company into product and marketing areas where it is no longer dependent on the sales of the building cycle. The company's management has put new emphasis on research, increased efficiency, broadened product lines, and aggressive marketing, both domestically and abroad. Particularly for the company, the greatest U. S. population growth is expected to be in the West where Weyerhaeuser's main timberlands are located. In the balance of this decade, and in the '70s, construction of houses is expected to boom on the West Coast.

At about 32, Weyerhaeuser common (traded in the Over-the-Counter Market) is down 34% from its former high. It is a desirable inflation hedge of investment quality for the long-pull investor.

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

NEW ISSUE

1,700,000 SHARES

SUBSCRIPTION TELEVISION, INC.

COMMON STOCK
(Par Value $1.00 per Share)

PRICE $12.00 PER SHARE

Of the 1,700,000 shares, 200,000 shares are being sold by the Company directly to certain shareholders of the Company at the public offering price without underwriting discount, and 1,500,000 shares are being offered by the underwriters.

Copies of the Prospectus may be obtained from the undersigned or other dealers only in States in which the undersigned or others are qualified to act as dealers in securities and in which the Prospectus may legally be distributed.

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BATeman, EICHLER & CO.  HILL RICHARDS & CO., INCORPORATED

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COMMON, DANN & CO.  FIRST CALIFORNIA COMPANY  (INCORPORATED)

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THE KENTUCKY COMPANY

October 30, 1963
Chemical Industry Still Is a Growth Prospect
By Edward B. Maybrook, Vice-President, The Chase Manhattan Bank New York City

The auspicious near term outlook for the chemical industry with operations at higher rates of capacity and substantial firmer prices are believed likely to bring about an upswing in earnings in certain segments of the industry which would warrant selective invest¬
ments in chemical stocks. Though one of the fastest, sustainable growth industries, Mr. Maybrook notes that chemicals have had to withstand aggressive price competition, with successfully, successful price reductions in order to maintain favorable pay
off of a return on capital outlay on a net basis. Returns on investments in 1962 were about 12% compared to 9% for the ten years through 1952. Such price changes occurred. A summary of the 12 companies listed in the "Investment - Chemicals" section of The Commercial and Financial Chronicle for the ten years ending 1962 shows that 72% of the price changes occurred. A summary of the 12 companies listed in the "Investment - Chemicals" section of The Commercial and Financial Chronicle for the ten years ending 1962 shows that 72% of the price changes occurred.

One of the most important seg¬
ments of our economy is the Chemical Industry. In terms of assets, chemicals and allied produc¬
tion ranks fourth and measured by sales in fifth place among manu¬
facturing industries. Such sales of $32.8 billion in 1962 were equiva¬
 lent to about 8% of all indus¬
trial sales. This 8% relation¬
ship is up from 6.6% ten years ago and based on forward estimates by the Manufacturing Chemists Association is expected to exceed 10% by the end of this decade. Our overall industry was estimated to be slightly more optimistic than this. After growing at a compounded rate of 7.1% over the period 1957-62 and rising 10% in 1962 over the previous year, chemical and allied products are expected to increase by about 5% in 1963 to around $34 billion. In the postwar period chemical and allied sales have grown at a rate almost double that of our econ¬
omy as a whole.

From an investor's standpoint the aggregate value of the com¬
mon stocks of the 105 domestic manufacturers listed on the New York Stock Exchange at the end of August 1963 amounted to $50.4 billion. This amount was exceeded only by the $85.7 billion value of 126 utility compa¬
nies' shares and $88.6 billion of petroleum and natural gas com¬
panies' shares so listed. The chemical industry here is estimated to about 14% of the $386 billion value of all listed common shares. Measured on a little different basis—that of the FRB produc¬
tion index, we find that chemical and allied products rose at a compounded rate of 6.7% in the ten years from 1953 to 1962 and 7.9% for the period 1958 to 1962. If we start the period from 1950-1952 base to eliminate the statistical distortion of starting with the recession year 1958, we come up with a 6.3% annual growth rate.

I think you will agree that the Government's policy of Chemi¬
 cal and Allied Products, because of the inclusion of paints and varnishes and miscellaneous items, is not entirely the best measurement of the chemical industry as such. Applying our yardstick to the production of industrial chemicals alone, we find compounded growth rates of 7.7% for ten years, 9.6% for five years (1962-67) and on a "peak-to-peak" basis of 1953-59 to 1963-68 of 10.0%.

With the faster rate of growth and the resulting increase in the size of the chemical industry relative to the whole economy, the chemical industry likewise is increasing in size and importance. Thus, looking ahead at the various factors, both favorable and adverse, it seems to us that we can re¬
sily look for a continuation of the historic growth in industry sales averaging about 7% per annum. A view of the period postwar I over the past fifteen years the rate will be higher than the average in periods of rising gen¬
eral business and lower during reces¬
sionary periods.

Representative Results
Using the 12 companies com¬
prising the Standard and Poor's chemical composite (which here¬
 admit has some weakness but nevertheless includes nine of our largest chemical companies), we can readily measure the results of a cross section of the industry. From a 1957-9 base to sales of these companies rose from $7.3 billion to $9.3 billion or an average of 8.5% a year compounded, pretax income increased by 15% per annum and net income improved by 5% annually. These sales results, it will be noted, are below the experience of the whole industry mentioned earlier. In the first six months of 1963 the Standard and Poor composite companies earned 4.8% ahead of the same period in 1962. Pretax income was up 14% and the overall profitability of sales of chemicals has increased by 21.3% in sales in the first half of 1963 to 1962 in the comparable interval this year. Return on investment (net income and interest charges—total capitaliza¬
tion) for the 12 companies averaged 12.1% in 1962 and ranged roughly between 10% and 15% over the last ten years with the peak reached in 1955 when the industry operated at a very high level of capacity and with a strong price structure and the record was broken in 1965, a recession year.

Price Reductions Spur Cost Cuts
A combination of factors tend to magnify the effects of the busi¬
ness cycle on the financial results of the chemical industry. The indus¬
try has historically built plant well in advance of actual sales and it is not unusual for several months to pass with operations on an an¬
bnormal basic. Industry has been in the habit of building up excess capacities. In the normal course of events, chemicals have expanded slowly but consistently and in the past ten years, chemical companies consider 85 to 90% of the capacity they have built up to be utilized. And it is this rate at which to operate and at the 90% rate can achieve high sat¬
isfactory earnings. A by-product of low level operations in relation to capacity is price competition. A number of these companies have found that any price conscious period of 1962 saw the rate cut to 75% for the years through 1952 looked up to 1957 of the time of the Miller Act. This is the usual trend of chemical prices generally has been down. This has resulted not only in an expanded 6.3% compounded competition but also from postwar periods and a variety of industry production prices also have had the affect of raising the cost of producing these medicines—substantially broadening mediocre.

Here we have one of those "which came first—chicken or egg?" situations. Because chemical prices reductions have almost in¬
vitably spurred investigation as well as the price of raw materials and to a lesser extent the products to be lowered. A number of instances of lower prices follow price cuts could be cited but one illustration that is outstanding in the field of one; one commonly is shown as the plastic producers. Shortly after everyone and his cousin jumped into the plastics market, a major plastics' buying. The plastics market, a major plastics' buying. The plastics market, a major plastics' buying.

Price Increase Pressures
The upward trend in industrial production and operations at high capacity levels in recent weeks, together with the pressure on profit margins and the many factors that determine chemicals to consider increasing prices to record at least part of the heavy load. Two of these actions have been a 3c per pound rise in the price of phthalic anhydride restoring it to its April 1962 level of 11c in liquid form. This prompted an increase in the price of glycine to 19c in 28c, depending on grade. "This is not what a lot of people in the industry are thinking about for the present. This does not mean, how¬
ever, that chemical prices for pro¬
duction in price has been reversed, but we believe a wholesale move of 3c to 1% to 2% per annum, instead of the recent 4% loss witnessed in organic chemicals, can reasonably be expected.

Entry of Oil Companies
A factor of more recent tage than those already mentioned is the entry of petroleum companies into production of chemicals (primarily organic). The wider profit margins of the chemi¬
cal industry were intriguing to the oil companies in that any subsequent price erosion has made many of these at a whole lot less attractive than they appeared on initial investigation and that the price was made to enter the field. This has reflected itself in a material way in the reduction of enormous petrochemical capital expenditures by the petroleum industry for petrochemicals. The Chase Manhattan Bank Petroleum Department has esti¬
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chemical exports increased 11.3% from

8919 million to $14.1 billion and in the five years 1952 increased only 9.7% from $14.1 billion to $15.1 billion. In the earlier period 1957 chemical imports into the United States declined 12.4% from $293 million to $257 million and in the later period 1962 increased 8.3% from $250 million to $417 million. During the short period 1959 to 1962 sales of United States chemical companies from plants abroad increased from

billion to an estimated $4 billion or by 39%.

Research Competition

Competition in the chemical industry is also engendered by the research efforts of its various members. Research for new or better products and new and improved processes creates the intercompany and interproduct competition mentioned earlier and also provides the groundwork for reducing prices through passing along lower costs of production to the consumers. Estimates indicate that over 50% of the products made in the chemical industry today were introduced 15 years ago. Research expenditures amount to about 3% of the average dollar capital investment in sales volume, and in 1962 were equivalent to some $1 billion for the industry. This would compare with $361 million only 10 years earlier. Research is viewed as a high rate of obsolescence prevailing in the industry and for the financing of new expenditures for new plants. Capital expenditures by the chemical industry in 1962 approximated $1.6 billion and totaled almost $7.5 billion over the last five years. However, depreciation charges have been growing in

relation to capital expenditures, and in 1962, with the benefit of new depreciation guidelines, such charges were approximately equivalent to the industry's capital expenditures. By contrast, 10 years ago depreciation charges provided only 44% of the $1.4 billion spent by the industry for plant and equipment and as recent as 1952 depreciation charges fell to not one quarter of a billion dollars short of capital expenditures. Accordingly, the industry as a whole is in excellent financial position and with less demands on net income for capital expansion, better situated companies should have a greater ability to increase dividend payout to their stockholders.

Petrol margins of the companies in the Standard and Poor composite have declined from the 20-22% range in the five years 1953 through 1957 to the 16-20% in five years to 1962. This is not surprising in view of the squeeze that has developed between lower prices and increased labor and other costs. As mentioned earlier, however, efficiency of the use of money invested has held relatively steady with the return on investment in 1962 slightly above 12%5, compared to an average of 12%4 for the 10 years through 1962, and extremes of 10% and 13%. This has resulted primarily from the ability of the industry to approximately maintain its position against declining prices through the development of production cost savings, and in many instances new, lower cost processes. Resulting in another manner, the payout period on a net income basis has not changed materially. In addition, as pointed out earlier, depreciation charges have increased substantially over the same period of time.

Still A Growth Prospect

In summary, the chemical industry continues to have the vital sign of its own present with some more pounding from new and improved products and processes, particularly in the broad areas of plastics, synthetic fibers and agricultural specialties.

Competition was a theme that ran through our comments, however, if you will look at the chemical industry in the cold light of day, it becomes apparent that competition is one of its most pronounced characteristics.

Demand and cyclical trends tend to provide swings in earnings power but, at the present time of lower production and with the outlook favorable at least for the near term, operations at higher levels of capacity are expected to see what firmer prices appear to be setting the stage for an upswing in earnings in certain segments of the industry. On the basis of prospective earnings experience than has been witnessed for several years, a more constructive attitude toward selected chemical stocks is warranted.

*An address by Mr. Mackey before the Fifth Annual Conference of the New York Society of Security Analysts, New York, Oct. 7, 1962.*

Stout Named Pres. of St. Luke's

A. Varick Stout, a partner in Dominick & Dominick, 14 Wall St., New York City, members of the New York Stock Exchange, has been elected President of St. Luke's Hospital, Mr. Stout has been a trustee of the hospital since 1958 and served formerly as treasurer and vice-president. He has been a chairman of the drive to raise funds for new buildings for St. Luke's for two years.

Other officers of St. Luke's are: Jarvis Cromwell, Berlin-Jefferson Financial Company, chairman of the board; Mr. Cromwell was previously president, Henry B. Buith-rie, a former vice-president, has been chosen chairman of the executive committee.

State St. Secs. in New York

State Street Securities Corp. has been formed, with offices at 63 Wall Street, New York City, to act as underwriters and dealers in municipal and corporate securities. Officers are Thomas C. Plowden-Wardlaw, Chairman of the Board and Treasurer; Arthur G. Hageman, President; William B. King, and John C. Ledbetter, Vice-Presidents.

Mr. Plowden-Wardlaw was formerly a partner in William Merson & Co. Mr. Hageman was an officer of Childs Securities Corporation, with which Mr. Ledbetter was also associated. Mr. King was a partner in Byrd Brothers, King.

}
Higher Bond Yields of Minor Proportions Lie Ahead

By Roger F. Murray, S. Sloan Cato Professor of Banking and Finance, Graduate School of Business, Columbus University, New York City

Higher rather than lower yields of modest proportions are to be expected in the coming period for various reasons. Some of these are sufficient to cause the extent of the catalytic impact a tax-cut could have in effectuating an extended, sustainable expansion period ahead.

When the outlook for the bond market appears reasonably clear, experience shows that one should be wary of his convictions. Nevertheless, there appear to be some solid underpinnings to a belief that at least a modest rise in interest rates lies ahead.

In the first place, the economic outlook appears good, especially if the long-awaited tax reduction becomes effective by early 1964. I have been unable to discover serious weaknesses in the general business outlook. Indeed, some signs of strength are evident. For example, corporate profit margins are not succumbing to the pressures usually prevalent at this stage of an extended business expansion. Good profits, even better cash generation should stimulate capital outlays in the months ahead. The combination of stable unit labor costs, firm industrial prices, and higher utilization of capacity practically assures a powerful impetus to business investment.

Tax-Cut as a Catalyst

Tax reform could, therefore, be the catalyst in a rather extended period of expansion at a sustainable rate. Your analysis of the legislative process is probably better than mine, but it appears that the only question of time before the House version of a tax program, truncated as it may be, will come to fruition and to the aid of a sluggish economy. Even though tax reduction may have been oversold, it is bound to supplement other sources of strength and to make a modest contribution to a balanced, nonflationary rate of growth.

Secondly, we know that our balance of payments problem is not going to evaporate in the near future. With long-term interest rates relatively low in this country and capital market machinery more effective as compared with Western Europe, the upward pull on our rates is likely to persist. At the moment, we have turned our attention to other sources of strength. Our complete inability to deal with a complex issue in a reasonable period of time, as evidenced by the fate of the interest Equalization tax, has served to slow the rate of capital exportations very materially. I hope that the success of the Equalization tax will serve to notify the rate of capital exportation and as an instrument of economic policy will not lead to its widespread adoption on a discretionary basis. Nevertheless, it is plausible that a delay rather than a permanent situation on this front has the capital markets is all that has been recovered.

In any event, the role of financing investment abroad is a natural one for the United States and one which we should seek to develop further once the hyperbole about the dollar has subsided. In the meantime, monetary policy and Treasury debt management operations are likely to keep at least a floor under and, more probably upward pressure on, short-term rates. The recent refinancing operations should be interpreted as a method of clearing the way for continued pressure on the money market from an abundant supply of short-term funds.

Finally, up to the present time the rise in short-term rates has been limited by the pressures and entering the late stage of the catalytic impact a tax-cut could have in effectuating an extended, sustainable expansion period ahead.

COMING EVENTS IN INVESTMENT FIELD

Nov. 6, 1963 (New York City) National Association of Mutual Savings Banks Annual Meeting of Members of Congress at the U.S. Capitol.


Nov. 16, 1963 (Philadelphia, Pa.) Investment Traders Association of Philadelphia annual dinner and meeting at the Germantown Cricket Club.

Nov. 20, 1963 (New York City) Association of Stock Exchange Firms Annual Meeting of members for election of new officers and governors; Governors' Dinner at the Commodore Hotel.


April 3-9, 10, 1964 (Houston, Tex.) Texas Group Investment Bankers Association Annual Convention at the Shamrock Hilton Hotel.

THE INVESTOR'S Special Pictorial Supplement, Issue 28, Apr. 22-23, 24-25, 1964 (St. Louis, Mo.) St. Louis Municipal Dealers spring party at the Chase Park Plaza Hotel and Glen Echo Country Club.


Dec. 7-8, 1964 (New York City) National Association of Mutual Savings Banks 18th Annual Mid-Year meeting at the Commodore Hotel.


Now Thornton, Farish MONTGOMERY, Ala.—The firm name of Thornton, Mofr, Farish & Gaunt, Inc., First National Bank Building, has been changed to Thornton, Farish & Gaunt. Inc. The firm maintains a branch in Mobile, Alabama, also.

Pacific Gas and Electric Company

First and Refunding Mortgage Bonds, Series JJ, 4 1/4% Interest

Price 101.72% and accrued interest

$70,000,000

Halsey, Stuart & Co. Inc.

Salomon Brothers & Hutzler

Ladenburg, Thalmann & Co.

Bache & Co.

Hallgarten & Co.

Ball, Krause & Krause

Goodbody & Co.

Gregory & Sons

Ira Haupt & Co.

Sibley Cullom Davis & Co.

October 30, 1963

This announcement is not an offer to sell or a solicitation of an offer to buy these securities. The offer is made only by the Prospectus which may be obtained by any State to which this announcement is circulated from only such if the underwriters and dealer may offer these securities in such State.

LADYBIRD, HUTZLER & HUTZLER

L. F. POTSHCHL

E. P. DAVIES

W. E. POLLOCK & CO.

SHERMAN BROTHERS & CO.

An address by Dr. Murray at the Fifth Regional Convention of the New York Society of Security Analysts, New York City, Oct. 7, 1963.

Now Mutual Fund Brokers

Seattle, Wash.—The firm name of Buettner Brothers Inc., which has been doing business in the Northwest Market St. has been changed to Mutual Fund Brokers Inc.

To Win, Carson, Ga.

OMaha, Neb.—Dale Conner and Reinhold J. Schulte are representing Royal W. Carson Co., Inc., of Omaha, Nebras.

Joins Prescott Staff

Cleveland, Ohio—Son of Senior Bureaute, Jr., has become affiliated with Prescott & Co., National City Bank, members of the New York and Midwest Stock Exchanges.

At the Commercial and Financial Chronicle... Thursday, October 31, 1963
The Market... And You

By WALLACE STREETE

Industrials continued to push ahead this week despite profit-taking and a reluctance on the part of railroads to use the tools at hand. It was largely a case of reaching at any cost for the issues of the best kinds. Apparently investors, particularly if some good news around the year-end seemed likely.

Billion Dollar Class

General Motors was in action for a couple of sessions, including a five-point jump on one day alone. The gains in short order added several billions to the paper value of its giants to $26 million - share capitalization. It was mostly a case of stock split fever, following Chrysler's unprecedented move of voting a new stock split of shares that already were split once before.

General Motors in only nine months of the year has already cleared a profit of a billion dollars, so the company is definitely a candidate for dividend liberalization.

Only General Motors and American Telephone have ever reported listings of the dollar class for a year. GM was the first to reach that pinnacle back in 1955. A.T.&T. has been in the billion-dollar profit category steadily since 1959; it's title as the nation's biggest profit-maker since then will probably return to GM this year.

"Lines Are Busy"

A. T. & T. had its own day in the limelight when talk of dividend increase flared up again, coupled with rumors that shareholders were to participate in valuable rights as the company's next financing move. The company repeatedly since World War II has resorted to rights offerings to raise its expansion capital but has not used that type of operation for some two and a half years now.

In any event, the talk was able to lift the price of Mother Bell's shares close to their all-time high of 1961. In that year the quotation missed by an eighth of reaching 140. In this year's popularity it worked above 135.

The excessive large gains in these normally staid issues kept the brokers busy eliminating them from their "buy" recommendations which inevitably spurred some of the profit-taking that followed the runups. So uphill progress by the industrial average was no runaway affair. It had, however, worked to an area where the statistical probability was a doubling of the famed peak of 1929 that stood inviolate until late in November, 1954, when it was finally battered. The 1929 peak was 381.17 for any closing reading.

There was only mild stirring among the secondary-grade issues except where the news concerning a company was in the sensational area. A case in point was Raytheon which had a more-or-less wild runup when it was disclosed that it was experimenting with lasers to destroy cancer cells. Once the initial runup was over, more sober reflection indicated that this was still only an experimental idea promising nothing immediate to the company earnings status took a hold. And in short order Raytheon was half a score of points under its year's high.

High Hopes

The sulphur prices were the quiet ones for about as long as any other group around. An obvious interest in fertilizer companies by several oil outfits failed to spark much in the market. Freeport Sulphur, one of the giants in the field, however, quietly worked its way to a new high for the year, presumably because it was a quality item with a dividend yield comparable to the bank rates.

Earnings for sulphur companies have been disappointing generally for half a dozen years. Freeport Sulphur's net has held between $1.65 and $1.75 a share with only one exception since 1955. That hardly warrants the stock's growth label so eagerly sought by investors and traders.

But followers of the sulphur stocks have been finding mounting evidence of a growing need abroad for fertilizers to alleviate their crop shortages which, in time, it felt, will work to the advantage of the industry generally. Meanwhile, Freeport offers a sheltered $1.20 annual dividend and a 4% yield.

Way Out in Front

Radio Corp. has been a wonder-worker in recent markets as the rest of the television industry suddenly started turning to color video which had been largely shunned by all but Radio Corp. for so long. In the process, RCA took over around half of the color television receiver market.

With run-ups of the ruthless price war that pinned profits after World War II when black and white television sets were gobbled up by the nation, there were still fears of a similar equilibrium in the color field. So the other makers of color sets weren't overly popular.

The plus in the case of RCA, apart from its pioneering work and dominant position in the field, was the fact that it sells the color picture tube to 30 other manufacturers. If, as expected, sales of color sets double each year for the next few years, RCA's picture tube business seems certain to prosper. At least until some other manufacturers can catch up and produce their own.

In addition, RCA's broadcasting subsidiary, National Broadcasting Co., is by far the dominant color television. Against some 2,000 hours of color television scheduling for this year, the other two competing networks are only dabbling with the medium.

Earnings Uptrend

In the chemical section, one long neglected issue was Olin Mathieson which is a chemical-aluminum-packaging-drug operation, as diverse as any other. The trouble with Olin, and a chronic one, has been no sign of a turn in its fortunes for the better. But with the $2.45 reported in 1951 and $2.46 last year, comparing with $2.10 for the first nine months of this year, the company could have made the long-awaited turn. Projections of its profit capacity next year run over the $3 mark.

Olin was forced, when it went into the aluminum venture at a time when the entire industry was depressed, to halve its former $2 dividend. The supposition is that the company will not move any too quickly to alter its dividend policy after the disagreeable cut it was forced to make. But the $1 present payment certainly is well sheltered and due to be increased some time in the future.

Drug shares had an uncertain time of it, apart from some pin-point attention to Johnson & Johnson when it earned approval of its oral contraceptive pill and the inevitable fanfare in Syntax which supplies ingredients for other varieties to other companies, including Johnson & Johnson.

Pfizer had some heavy offerings of stock to absorb, including one block of nearly 50,000 shares. It kept the price of the issue restrained despite the buoyancy elsewhere in the list. The earnings picture would seem to warrant better regard in the marketplace since its profit and sales for the first half of the year set new records. New products on which Pfizer is awaiting approval are still being delayed so its progress with its old-line ones is impressive. As a matter of fact, its consecutive-executives gains now stretch over eight years. Its dividend yield, as with other drugs, is low but the company has been nudging its payments higher, with 11 increases recorded in the last 12 years.

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

Bell & Farrell Branch

JAMESTOWN, N.Y. — Bell & Farrell Inc. has opened a branch in the Corn Exchange Bldg. under the management of Donald L. McCarthy.

Dempsey-Tegeler Branch

GROSSE ILE, Mich. — Dempsey-
Tegeler & Co., Inc. has opened a branch office at 8970 Macomb St., under the direction of Alexander Dempster.

Janney, Battles Office

LANCASTER, Pa. — Janney
Battles & E. W. Clarke, Inc. has opened a branch office at 22 East Orange Street, under the management of Revere A. Nolan.

The Next Corporate Crop

Celanese Corporation of America

Common Stock

(without par value)

NEW ISSUE

| Quantity | 964,390 Shares |

Holders of the Company's outstanding Common Stock are being offered the right to subscribe at $45 per share for the above shares at the rate of one share of additional Common Stock for each eight shares of Common Stock held of record on October 25, 1963. Subscription Warrants will expire at 3:30 P.M., Eastern Standard Time, on November 12, 1963.

The several Underwriters have agreed, subject to certain conditions, to purchase any unsubscribed shares and, both during and following the subscription period, may offer shares of Common Stock as set forth in the Prospectus.

Copies of the Prospectus may be obtained from any of the several underwriters, including the undersigned, only in States in which such underwriters are qualified to act as dealers in securities and in which the Prospectus may legally be distributed.

The First Boston Corporation

Glore, Forgan & Co.
Merrill Lynch, Pierce, Fenner & Smith
Eastman Dillon, Union Securities & Co.
Kidder, Peabody & Co.
Smith, Barney & Co.
Drexel & Co.

Blyth & Co., Inc.
Goldman, Sachs & Co.
Lazard Frères & Co.
Stone & Webster Securities Corporation
Hemphill, Noyes & Co.

Harriman Ripley & Co.
Incorporated
Incorporated
Incorporated
Incorporated
Incorporated

October 29, 1963
I firmly believe that the commercial banking industry in this country is entering one of the greatest periods of growth and development in its long history. Like any great change, it may occur rapidly at times and slowly at other times, but there can be no doubt, in my opinion, of its ultimate great extent and significance.

"Money makes the mare go." Expansion and development of our economy must be credit-ably financed by the commercial banking industry. All other business and industry depends on the banking industry, and the banking business may be expected to grow at a faster rate than the general economy. But I am counting on considerably more than this generally accepted potential of the banking business when I predict a period of great growth and development of the banking industry.

"Retardation Period Is Over" The commercial banking industry has for a great many years suffered from certain retardation forces which inhibited its profit-

"Brilliant Outlook for Bank Stock Investments" by Frank L. Elliott, Research Department, Paine, Webber, Jackson & Curtis, New York City.

Wall Street bank analyst, foresees promising new era of brilliant prospects for the entire banking industry. He finds bank stock values of major banks attractive to the point where they almost defy interest discrimination, but does favor large New York City banks as a whole with a selective nod to six, others located elsewhere, which he names. Recent developments removing the retarding shackles under which commercial banks were forced to operate, and the growth of versatile certificates of deposits, are seen conducing "commercial" banking into one of the greatest periods of growth and development in its long history. The analyst looks forward to lower capital financing cost as a result of the Controller of the Currency's decision to permit banks to issue preferred and capital debentures. He predicts moderate increase in interest rates in the near future including an increase in the prime loan rate.

Frank L. Elliott

The cost of an improved competitive position for savings and time deposits was partially paid last year, and bank earnings have gone ahead again this year by a much larger margin than ever before. The increase in current and future additions to savings and time deposits should not only help to increase needed deposit growth to supplement a lesser rate of growth of demand deposits, but also make a positive contribution to current earnings as well, particularly, with any improvement in interest rates. Savings and time deposits with large Federal Reserve banks have declined slightly in 1961 to $3,112,219,000 in spite of a $637 million or 10% increase in gross income.

Improved Competitive Position The $637 million increase in interest payments in 1961 reflected the effect of the increase from 3% to 4% at year end 1961 in the maximum permissible rate of savings and time deposits of Federal Reserve banks. The savings and time deposits of Federal Reserve member banks declined slightly in 1961 to $3,112,219,000 in spite of a $637 million or 10% increase in gross income.

Walter E. Heller & Company

$9,000,000 Subordinated Notes due October 1, 1978

New York Securities Co. Dean Witter & Co.

October 30, 1961

Walter E. Heller & Company

$6,000,000 Junior Subordinated Notes due October 1, 1978
financing has been freely available to practically every other type of business. However, the increased credit has not been complete reliance by the banking industry on sale of common stock for capital. At the end of September, it was reported that the United States had sold $56,000,000 of its entire stock of common stock to the public at a price of $30.875 per share, and the United States has also sold common stock. It appears probable that senior securities, particularly capital debentures, will become a large and increasingly important part of the banking capital structure to the great benefit of bank earnings.

Now the banks also have additional capital in the form of retained earnings. Bank earnings are in large part dependent on retained earnings. and it is a very important factor that reduces the cost of capital. Banks that have in their certificate the means of rapidly increasing interest earnings due to the large increase in deposits and capital with debentures have a means of increasing their capital at the same time.

Present operating conditions of the banks are ideal. Bank earnings are in large part dependent on retained earnings, and there is no major factor to affect the earnings. The outlook for the entire banking industry is thus very promising.

A Guide to Bank Stocks

There are 13,150 commercial banks and 1,670 member banks. For purposes of this discussion, I intend to consider the four largest Massachusetts banks, the Massachusetts Banks and the banks outside Massachusetts which provided capital for the Massachusetts savings banks. I also refer to the joint-stock banking "Bank Stocks Legal for Massachusetts Savings Banks," dated September 1962.

In order for the stock of a bank outside Massachusetts to be eligible for investment by banks in that State, the bank must have a membership of the Federal Reserve System; its capital, surplus, and undivided profits must total at least $40 million; and 6 percent of its deposits at the beginning of the year-end; it must have paid cash dividends in each of the four preceding years of 6 percent of its par value of its stock, and it cannot have any preferred stock outstanding.

It is significant that the bank can have capital notes outstanding and that its stock is a legal investment for Massachusetts banks.

As a practical matter, the chief limiting factor governing qualification for Massachusetts legality is the $40 million requirement for total capital and surplus and undivided profits. In fact, the $8 banks listed in the table for "Bank Stocks Legal for Massachusetts Savings Banks" include all of the 100 largest banks in the country. The 100 largest banks, which are wholly-owned by holding companies and are all publicly-owned, and one bank which is apparently disqualified for several reasons even though it has the required $40 million capital, surplus, and undivided profits.

Recommends Legal 13-1/4

It is important to note that the banks have had security notes outstanding for some time. The banks have been increasing their credit note outstanding and will be increased in future years.

Pressures on Prime Loan Rate

I do not expect that there will be a substantial increase in interest rates in the near future, but circumstances clearly favor additional moderate increase probably indicated by the prime loan rate. A continued moderate increase in interest rates will gradually bear in an increasing volume of bank loans and investments because the government is constantly expanding our economy must, and will, be met. The conjunction of both a moderate increase in interest rates and a moderate and increasing volume in the prime loan rate should bring about a substantial increase in bank income. A moderate increase in interest rates will provide an opportunity for banks to maintain their position.

All types of loans are increasing so that the amount of the increase in every income factor is reflected in a similar increase in total income. Total income of the nine large New York banks as a group increased $88,000,000 during the first nine months of this year, compared with the same period last year. This is an accepted rate of growth of 10.1% on interest in loans, one of the highest in years, and interest and dividends on securities, and $3,000,000, or an increase in other operating income. The net operating earnings of the nine large New York banks increased 38.7% from $247,284,000 in the first nine months of 1961 to $369,764,000 in the first nine months of 1963. All of these banks showed impressive earnings increases except Chemical and Morgan Guaranty Trust, which expressed nominal declines for the period that they may well show an increase on the calendar year.

The precision of bank stock values is always compromised by the fact that most major banks are of uniform high quality and there are so many major factors to consider extending this brilliant outlook for the entire banking industry makes informed analysis even more difficult.

Outside of New York Banks

Moving out of town as additional funds are available, I recommend First National Bank of Atlanta, National City Bank of Cleveland, National Bank of Detroit, Security First National Bank of Los Angeles, Bank of Massachusetts National Association of San Francisco, and Chicago.$247,284,000 in the first nine months of 1963. All of these banks showed impressive earnings increases except Chemical and Morgan Guaranty Trust, which expressed nominal declines for the period that they may well show an increase on the calendar year. The 3% increase in earnings of the large New York City banks as a group in the first nine months of this year compared with the same period last year will not be exceeded by the average increase of banks in interior and western cities when available.

Affairs, New York Banks

The same will probably be true for calendar 1963, but looking forward into 1964, I think that conditions favor the New York banks because they are lower cost city banks and their operations are more closely related to the prime loan rate and money rates, which have moved and should increase. The greater relative benefit which the New York banks will derive from increase in basic interest rates should give them a considerable operating advantage over the near-term at least. Therefore, we would give greatest dollar representation in investment accounts to New York City banks in general.

I do not concede outstanding advantage to any one New York City bank. The Guaranty Trust Company, I recommend First National City bank stock because of its current excellent earnings performance and because the bank stock's high price has not reduced the usefulness complete coverage of the entire banking field, both domestic and foreign. For large accounts at present comparative prices, I recommend a managed Manhattan and First National City Bank about equally.

In viewing Chemical Bank New York Trust's current moderate earnings eclipse, I am mindful of its favorable earnings record last year and the admitted excellence of its management. At present comparative prices I recommend this stock as well as Manufacturers Hanover, which at present prices offers a better chance to discount its current problems. I do not mean to exclusively favor these stocks. I recommend all the large New York City banks, and I mean all.

Istel Fund Elects

James M. Phelan, Chicago business leader, has been elected a member of the Board of Directors of Istel Fund, Inc, New York City, Mr. Phelan's election occurred at a meeting of the Fund's board earlier this month but has just been made public by Paul A. Lepesch, Fund President. Mr. Phelan is a Board Chairman of Nuclear-Chicago Corp., the leading firm in nuclear instrumentation, and a director of several other corporations. Professionally, he is managing partner in A. T. Kearney & Co. management consultants, an active member of the Chamber of Commerce of the United States, Mr. Phelan serves on that organization's Committee for Development of Peaceful Uses of Atomic Energy.

Saunders, Silver Adds

Cleveland, Ohio — Harold B. Bregman has been added to the staff of Saunders, Silver & Co., at the Terminal Tower, member of the Midwest Stock Exchange.

Form Professional Planning

Denver, Colo.—Professional Planning Corporation has been formed with offices at 10305 West Colfax to engage in a securities business, Joseph M. Lemsley is a principal of the firm.

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

NEW ISSUE

225,836 Units

Old Florida Rum Company

Each Unit consists of:
One Share of Common Stock, Par Value $.50 per Share
One Stock Warrant

Each Stock Warrant entitles the holder thereof to subscribe for, purchase and receive one share of Common Stock, at $3.00 per share, at any time on or before the close of business on October 25, 1965. The Warrants are transferable.

The Company is offering to holders of its Common Stock the right to subscribe for, and purchase at the Subscription Price, one Unit for each three shares held of record at the close of business on October 31, 1965. The Subscription Offer expires at 3:30 P.M., Eastern Standard Time, on November 14, 1965. Prior to and after the expiration of the Subscription Warrants, the Underwriters may offer Units at the prices and pursuant to the terms and conditions set forth in the Prospectus.

Subscription Price $1.75 per Unit

Copies of the Prospectus may be obtained from the undersigned only in states where the undersigned legally offers or sells these securities to subscribers in such states.

Consolidated Securities Corp.
Noting, Nichols & O'Donnell Inc.

Kenneth B. Stucker Investment Securities

T. Nelson O'Rourke, Inc.
The State of TRADE and INDUSTRY

General state of satisfaction regarding the economy's state of health was recently voiced by the expert clinicians at the Morgan Guaranty Trust Co. of New York, who predicted continuing gains in this last quarter of the year.

According to the latest monthly Morgan Guaranty Survey, published by the Bank, "Business is hitting a smart autumn stride spurred by a sharp acceleration in the output of new-model automobiles. After gearing down to a low 156,000 units in the model-change month of August, auto manufacturers pushed production to 504,000 units in September and are aiming at the unprecedented monthly total of 810,000 units in October.

'No Price Breakout'

The touching-up has not yet assumed proportions likely to have significant effect on general price indices. The present state of market forces augurs against any large-scale breakout of price increases. Enough, upticks have occurred, however, to caution that a more general advance in wholesale prices may be lurking rather close to the surface of the economy. This lends urgency to the growing insistence that reduction of Federal income tax rates be accompanied by a new restraints in government spending. To cut taxes at a time of rising business activity is a daring stroke—one that is not warranted by the prospective long-range benefit to the country's domestic economic health and to the balance of payments, but nevertheless one that carries definite risk. Careful monetary policy can help deal with those risks, but a closer rein on Federal spending will also be needed.

The impact that balance-of-payments consciousness created in the public mind has been strikingly illustrated in recent weeks by the general willingness to see surpluses United States wheat sold to the Soviet Union and other Communist-bloc countries. The prospect of adding some $250 million to U. S. exports during the next six months or so, and in the process working down the burdensome wheat surplus, outweighed—at least in most public comment—misgivings over granting so useful an accommodation to cold war opponents.

Steel Production Electric Output

According to data compiled by the American Iron and Steel Institute, steel output ended Oct. 26 was 1,915,000 tons (102.8%) as against 1,900,000 (102.0%) in the Oct. 27, 1961, ending week. This fractional rise in output was the eighth in as many weeks, and was widely considered as resulting from the weekly advance in the past nine weeks. This steady output, if it continues, is likely to engrave a 110 million ton year—highest since the 112.7 million tons in 1954. The 1,742,000 tons occurred in the week ended Aug. 17, and the high of 2,626,000 tons in the week ended May 25, which was unequalled in the past two years and last equalled in mid-March, 1960. Except for July weeks' 1.6% gain, there was a price downward movement since then. Excluding last week's 8.3% rise, which was from the May trough, the movement for succeeding weeks made up any 

MISCELLANEOUS

Steel Gainings Rise Slightly

Bank clearings in the latest series rose fractionally above the July dip in 1961. At the same time, however, 8.8% below last year's total of $25,139,625. Preliminary figures compiled by the Federal Reserve, based on telegraphic advice from the chief cities of the country, indicate that for the week ended Saturday, Oct. 19, clearing in all branches of the United States for which it is possible to obtain weekly clearings statements 0.6% from those of the corresponding week last year.

Our preliminary totals were $2,043,007,278 against $2,077,072,078 for the same period in 1961. Our comparative summary for some of the principal money centers follows:

<table>
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<tr>
<th>Week End</th>
<th>($00,000 omitted)</th>
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<tr>
<td>Oct. 19</td>
<td>$2,043,072,078</td>
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<td>Oct. 26</td>
<td>$2,077,072,078</td>
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Steel output 8.5% Ahead of Year-Ago Levels

Steel production this week was 8.5% ahead of the year ago levels. The cumulative total output of ingots and castings since Jan. topped the year-ago period with a total of 91,050,000 net tons (113.7%) which is 11.3% above the Jan. 1, 1962 production. A comparative comparison with last week's cumulative index total of 113.9% this week is further tailored at 113.7% (1959-79:100).

Steel Steepens Reaches Plateau

Steelmaking has reached near the peak of its anticipated capacity and is expected to rise only fractionally the next few weeks, Steel magazine said.

Ingot production this week is expected to be slightly less than the 1,915,000 tons that the industry poured last Oct. 26-end- ing week.

October's production of 8.4 million tons increased the total for the year to 92 million ingot tons. That's nearly 12% above production in the same period a year ago (74 million ingot tons). Despite this steelmaking operations, Steel's price composite on No. 1 heavy melting grade of scrap held at 377 14/20 of a cent for the fourth straight week.

Steelmakers are cautiously pre-
dicting November shipments will maintain the present level. In fact, last week's demand has far outstripped the tonnage that had been expected, and the last two weeks, there has been a definite upturn in orders. Some mills are now busy, but they are still far from operating at full capacity. In short, there is no sign of any substantial increase in demand for steel products, at least in the next few weeks. This has led to a moderate increase in prices, which are now up 5 to 10% from last year's levels.

The steel industry is currently

Continued on page 36

QUARTERLY FUND SURVEY

Will Be Published November 14

The November 14 issue of the CHRONICLE will contain a comprehensive analysis of the common stocks bought and sold by 89 mutual funds and closed-end investment companies with combined net assets of over 17 billion dollars on Sept. 30, 1963.

This most penetrating study will spell out the issues which either met with favor or disfavor by the managers of the gigantic fund industry in the third quarter of 1963.

The fund survey to be published in the Nov. 14 issue is another in our continuing quarterly series on the subject.

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The COMMERCIAL and FINANCIAL CHRONICLE

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Banks Should Seek Long-Run Profitability Steps

By Gaylord A. Freeman, Jr.,* Vice-Chairman of the Board, First National Bank of Chicago, Chicago, Ill.

Chicago banker challenges the banking industry to reject, of the two choices facing it, a declining place in the economy with some degree of passivity and respond, fully to the broad changes taking place and competitively brought about which assure long-run growth and a profitable course of operation. Mr. Freeman notes that the successful needs banks have made since 1952 in averting a declining status as a financial intermediary, by attracting savings and providing credit to the public, point out that the higher interest rate and expense should pay for itself, and contemplates impact of such far-reaching changes and possible taxation of savings deposits on different taxation procedures for competing institutions.

Response to change in the needs of the public has been, and will continue to be, the highest expression of the art of commercial banking. The experience of 1962-63 makes it clear that change is now taking place. Until 1957, and for what lesser extent until 1962, two basic trends in commercial banking were evident. Time and savings deposits were becoming increasingly important to commercial banks. The savers were depositing into the banking system and the face of banks was becoming an ever less important feature in the American economy. However, the process was gradual. Banks continued to depend on their classic function—commercial finance—and, in absolute terms, almost doubled in size between 1957 and 1961. Thus, the implications of the changes which were taking place for the commercial banking system were at the time difficult to perceive.

Impact of Changed Regulations

This situation ended in 1962. With the modification of the regulatory framework, commercial bankers made it clear to other intermediaries and to the public and the legislative and legislative authorities, to the public, and perhaps most importantly to the community at large, that they could compete and compete successfully in a new area of activity. At the same time, the substantially increased outlays required by the new regulations and the question of whether the banking system actually wanted to compete with the activities of institutions whose core business was so profitable—and, more broadly, what the long-run role of the noncommercial banking system should be in our economy. Around these issues, a whole host of otherwise unconsidered academic, have assumed great practical importance. Among these is whether savings deposits represent an incremental source of funds for commercial banks or merely replace demand deposits; whether savings deposits are, in fact, more stable than demand deposits in both good times and bad; whether an asset allocation system can be a useful management tool; and whether the velocity of money will rise large enough to largely eliminate the need for an expanding money supply. It is vital that immediate attention be devoted to answering these questions. As I have already said, if these questions cannot be answered clearly, it is important to the public and in the legislative and regulatory aspects of the reorganized commercial banking. If one were to attempt to generalize as to the two important questions of history, they would undoubtedly be as follows: First, the legitimate (and legitimate) demands of the public on the financial intermediary structure will be met, either by existing or newly created institutions. Secondly, the commercial banking system will either consciously or unconsciously, play a major role in determining what this means. The importance of such an answer is, of course, not for the first time, and not merely by the competitive pressure it adopts and service areas it chooses to pursue.

Accommodating to Changing Times

Averting to fulfill a societal need, the influence of commercial banking has centered around changes in the requirements and desires of the public. Initially operated for the benefit of the wealthy, commercial banks have become the primary repositories for the savings of the general public. These savers are motivated by a variety of factors, including rate of interest, convenience, safety (especially from 1961). In providing a package attractive to the general public, commercial banks have played an important role in the development of the national savings. Savings have been provided, and, in the beginning, to provide the funds for the technology and at once had increased capacity necessary for economic growth—necessary, in turn, for an increasingly complex standard of living, as well as the means with which to protect it. Additionally, by educating and encouraging individuals to have a larger portion of their current earnings to provide for future contingencies rather than rely on government doles, commercial banks, together with other savings institutions, have made a significant contribution to the development and maintenance of our democratic system.

But the most important aspect of the public interest in commercial banking is that it does not lie in the system's role in encouraging savings but rather in its unique position in the financial intermediary structure. The commercial bank is the only institution capable of channeling savings funds into any and all areas of the economy. While credit demand, in general, varies in accordance with population growth, the business cycle, trends in the stock and money markets, and a great many factors, the various sectors of the economy are affected quite differently. Further, savers are only indirectly influenced in their choice of a particular type of savings institution by the fact that demand for one particular type of credit or another is strong. Thus, the banking system, possessing the legal sanction and skill necessary to provide virtually all types of credit, operates far more efficiently than would an intermediary system, composed mainly of specialized institutions. It would seem that the public interest would lie in increased competition among financial institutions. Accordingly, if one were to attempt to generalize as to the two important questions of history, they would undoubtedly be as follows: First, the legitimate (and legitimate) demands of the public on the financial intermediary structure will be met, either by existing or newly created institutions. Secondly, the commercial banking system will either consciously or unconsciously, play a major role in determining what this means. The importance of such an answer is, of course, not for the first time, and not merely by the competitive pressure it adopts and service areas it chooses to pursue.

As some Asset Shift Prevented Loss

The commercial banking system, as a whole, gained some $15 billion in time and savings deposits during 1962. To accomplish this, the effective rate of interest paid on demand deposits was increased by about one-half of 1%. This new rate applied to deposits already on the books, as well as those newly attracted, involving roughly $400 million in increased expenses on existing deposits. Further, time and savings deposits had been increasing in previous years by $10 billion in 1961, and by an average of $8 billion a year since 1957. There is no reason to think that this increase would not have continued in 1962 had rates not been raised. Therefore, the incremental increase attributable to the new rates was at best something on the order of $9 billion. To break even, the banking system would have had to earn this $9 billion at a return of 3 1/2% (the effective interest rate), plus the expenses involved in handling the accounts and investing the funds obtained, plus the $600 million of additional interest incurred as a result of the rate increase on existing deposits, which means that the new funds attracted would have been invested in assets whose average yield was in excess of 8%. Given the existing rate of inflation, it is clear that the banking system, as a whole, lost money by raising interest rates (although certain individual banks may well have benefited), and will continue to do so for some time. Certainly, this contention conflicts with the claims of the Federal Reserve for the banking system remained stable in 1962. However, this stability in earnings was ac-
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CHRYSLER CORPORATION
Dual Banking Imperiled
By Controller’s Decisions
By David Rockefeller, President, Chase Manhattan Bank, New York City.

Head of the country’s largest State-chartered bank sharply criticizes
U. S. Currency Controller for disdainfully pushing national bank ex-
pansion and rebuts the Controller’s view that no serious harm to
dual banking is involved. Mr. Rockefeller says Mr. Saxon’s position
leaves States with no choice except to conform regardless of whether
it would be in the best interest of banking. Mr. Saxon is urged to
act cease publicly and, instead, to exercise patience and co-
straining with the States on this and other matters.

In turn, States are advised to stop doing nothing. The banker refers to
present embarrassment and confusion resulting from conflicting
interpretations over revenue bond underwriting, Federal funds and,
worst of all, standards governing mergers and branches, with regard
to which States have to once again define those prin-
ciples, and he suggests the establishment of a Central Board to make
decisions on a Federal level with as much decentralization as
feasible and practical.

When philosopher William James remarked that there were two
topics—religion and education—which immediately
turned eyes to the speaker, he was probably not thinking
primarily of the banking
fraternity. If he had been, I suspect he might have
included a third topic:
Government Regulation.

Yet perhaps in a subtle,
philosophical way, he might have been mindful of our own situation.
For certainly we have known the bankers to discuss regula-
tion with an almost religious fer-
tor. And who among us can say that, especially in the past few
years, we have not had a thorough education in the subject?

First, the Commission on Money and Credit made a searching ex-
arivation of regulation along with other aspects of banking. Then the
Controller’s Advisory Com-
mitee was formed to study the issue. More recently the Presi-
dent’s Committee on Financial In-
stitutions had its way known as the
Heller Committee—surveyed the
field. Last spring Congressional
hearings showed a wide measure
of agreement on the existence of
regulatory duplication and over-
lapping, as well as on the diffi-
culty of defining and coordinating national banking policies.

Confusing As Mark Twain’s Weather Forecast

While each of these studies
made a constructive contribu-
tion to the sum total of our knowledge, the vast proliferation of
recommendations—plus recent decisions by the regulatory agencies—have
left some of us as confused as are
readers of Mark Twain’s very fore-
est of New England weather con-
tions. The forecast, you may remember, went like this: “Pro-
bable northeast to southwest winds, varying to the southwest and westward and eastward and points
between; high and low barometer sweeping around from place to place; probable areas of rain, snow, hail and drought, succeeded
or preceded by earthquakes with thunder and lightning!”

Today, on the theory that all of us can benefit from a little reflexive
temperature, I should like to offer a personal appraisal of the regu-
lation and banking in banking, of the dangers growing out of this clima-
tic, and of the prospects for the
future.

All of us here can readily see


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States Acts Must

Yet I feel it would be inexcus-
able for the states to stand pat and refuse to undertake
the examination and evaluation of their banking laws. The Controller’s aggressive
efforts should not be used as a simple bid for power as some have been disposed to do. They repre-
Continued on page 22
Enlarged Initiative For Banks Should Not Be Fed

By Hon. James J. Saxon,* Comptroller of the Currency, United States Treasury, Washington, D.C.

Mr. Saxon endorses efforts to loosen somewhat the restrictions governing banks. He sets a seal of irremovability to suggest that banks should be entrusted with greater discretion in the performance of their lending and investment functions. In this way, he says, banking can similarly, as other endeavors, make use of its untapped resources of vision and enterprise which can contribute greatly to our future progress. Mr. Saxon finds it unwise to deny banks the same trust and responsibility afforded other private risk activities. In particular, he defends enlarging banks underwriting function in denying that it would lessen competition—or that there is no need for this service. He flays spurious reference made to "past excesses" or to the possibility that bankers would allow, or by allured, irresponsible actions hazardous to solvency and liquidity.

This, the 100th Year of the National Banking System, has been a year of searching self-examination and reappraisal. The publication of "National Banks and the Future," a year ago, inaugurated the process. That study defined the issues confronting the System and laid the bases for decisions. Through public discussions the opposing views have now been clarified. On one side, there are aligned those who believe that the powers of commercial banks should responsibly be broadened so as to enable them to perform more effectively their functions in the economy; and on the other side, there are aligned those who propose further powers for commercial banks in the fear that the commercial banker cannot be trusted to exercise expanded powers without serious abuse.

A clear perspective of the issues requires an understanding of the true nature and purpose of public regulation in the field of banking and of the role which should be preserved for private initiative in this industry. We live under a private enterprise system which has as its cardinal principle a preoccupation in favor of individual initiative and responsibility. The role of government under that system should be confined to circumstances in which there are clear and evident public purposes to be served.

Our commercial banking system has been singled out for a unique form of public control. So that bank solvency and liquidity may be maintained and public confidence in the banking system sustained, entry into banking has been regulated, and the operating policies and practices of banks have in many respects been placed under public supervision. Public regulation of banking has not, however, gone so far as the controls imposed in the public utility industries. There is no authority to require that banking facilities and services must be provided, or that regulations and practices of banks have been applied only partially to the industry of banking. A measure of discretion is thus left to the directors and managers of banks.

A Critical Issue

The critical issue today is how broad the area of discretion for private initiative should be in the banking industry. Banks occupy a central role in economic progress. They represent the chief means through which the Nation's savings are gathered and apportioned among the various segments of their productive uses, and they provide the principal payments instrument for much of our industry and commerce. Any deficiency in the commercial banking system is felt throughout the economy.

The task we face is to fashion a commercial banking system which is sensitively adapted to changing needs and new opportunities. One course would be, as new situations arise, to proliferate further the already detailed and complex rules and regulations which are applied to banking. The other course would be to rest greater discretionary authority with the banks while prescribing only those activities which are clearly hazardous to the solvency and liquidity of the banking system. The former course would lead to increasing reliance upon decisions by the government. The latter course would entrust greater responsibility to the initiative and enterprise of private bankers.

There is an evident thrust today to loosen somewhat the tight reins of public regulation in banking. No one is wise enough to draft rules and regulations which are suitable for all time, and the cumbersome processes of public control are not always readily adaptable to change. We have learned from our experience in other sectors of the economy how productive and fruitful private initiative can be, if it is allowed to function. In banking, as elsewhere, there are untapped resources of vision and enterprise which can contribute greatly to our future progress.

Can Be Trusted

In an industry which has long been accustomed to enforced rules of conduct in virtually every aspect of its operation, it is understandable that greater freedom to commerce should be received with some sense of apprehension. There is no way, however, of escaping the necessity of exercise judgment and discretion in lending and investing. Nor can the element of risk be obliterated from banking without great damage to our economic progress. It is not a counsel of irresponsibility to argue that banks should be entrusted with greater discretion in the performance of their lending and investment functions. Rather, it is an expression of confidence in the capacity of banks to respond to these new tasks with an even greater sense of obligation to carry out the prudent conduct of affairs which has become traditional in this industry. To be prudent is not to be unmindful of new opportunities. Today's risks are often tomorrow's secure investments, and today's secure investments are often tomorrow's risks. Vision, as well as care, is needed, if the responsibilities of banks are to be properly exercised.

The opposition which has developed to the proposal now before the Congress to enlarge the powers of National Banks affords a clear illustration of the principles which are at stake. The opponents of these measures call up visions of "past excesses," question whether this is the time to "relax credit standards," argue the effects on competing financial institutions, raise doubts about the "need" for these added powers, challenge the prudence and probity of the banking fraternity, and seek to impress the fears of depression.

Increased Competition

The most revealing arguments are those which have been advanced in opposition to enlarged underwriting powers for commercial banks. We are presented with the curious contention that entry into this field by commercial banks would actually lessen competition and bring about undue concentration of power in commercial banks. The implication seems to be that the best way to maintain competition is to prevent it, and that we will get the most effective competition by forming privileged cartels which are sheltered from rivalry. This is an ancient view which has long held sway in those countries which have never known the benefits of a vibrant competitive economy.
Dual Banking Imperiled
By Controller’s Decisions

Continued from page 20
sent, I am convinced, an honest attempt to provide added flexibility in a branch banking system of the flexibility that could upgrade the efficiency of banking. And for this, the entire banking system owes Mr. Saxon a debt of gratitude.

I do not propose to recite a brief for branch banking, although I owe a large debt of gratitude to Mr. Saxon and to the American Bankers Association, for their support of this modest proposal that a national bank be authorized to branch within 25 miles of its principal office but only within its own state. The President’s Committee on Financial Institutions concluded that “extreme limitations on branching...may impede the provision of banking services on an effective competition,” and it urged that states, federal and state Governments review present restrictions on branching with a view to developing a more rational pattern.

It seems to me these recommendations of which I have spoken as strong evidence that the individual states cannot adopt a do-nothing attitude on bank legislation. Otherwise, sooner or later, the great American banking system would decline. And if it does, without the states having taken constructive action, the dual banking system as we know it today may well be washed away.

I, personally, feel some states that do not have branch banking at all would profit by allowing at least to a limited extent. Banking autonomy in their own Federal level. If they agree, have every right to use moral suasion in attempting to induce these states to bring about the necessary change. But it would be a bad mistake, in my judgment, if the Federal Government were to force such change by permitting national banks to branch regardless of state laws. Without question, such a use of force would constitute a serious set-back to dual banking. And for which the dual banking system as the guarantor of continued freedom and independence of banking—would be harmfully affected. Moreover, the final cost to banking could far outweigh any benefits that might come in the form of greater efficiency.

Controller’s Lack of Cooperation

I believe the Controller would be well advised to show greater restraint in exercising the immense power he now possesses. It would be a serious disservice to him to go down in history as the man who undermined the dual banking system. Yet some of his policies and actions appear to be calculated to undermine, in precisely that direction.

I have in mind, for example, his refusal to coordinate many of his activities with those of other regulatory agencies, both at the State and Federal levels. This is a new departure. Previous Controllers have been willing to undertake coordination, and the exchange of information that is necessary for it.

The more limited imagination to see that our dual banking system cannot operate effectively without coordination, any more than our dual baseball system. Suppose American and National Leagues refused to coordinate the umpiring of the World Series. When the Dodgers’ Sandy Koufax threw his hard, one to the Yanks’ Mickey Mantle, the National League might call it “strike,” the American League arbiter a “ball.” When Roger Maris homered one down the right field line, the American League scores him a home run, the National League plans a foul ball. Maury Wills tried to steal second base, the National League umpire might call him “safe,” the American League umpire “out.” Such obvious necessity for coordination would be enough to render even Leo (The Lip) Durocher speechless.

In recent months, the noncoordinating policy in banking has led to endless blunders and confusion. There have been conflicting interpretations over the underwriting of revolving credits; conflicting interpretations over regulations governing Federal banks; and, worst of all, conflicting interpretations over the standards governing branches and mergers. No wonder The Wall Street Journal, in commenting on some of these problems in its editorial: “Lo, the Poor Banker!”

Advises Patience to Saxon

For state banks in particular, the lack of coordination on policy has damaging consequences, especially in an area like mergers where there are no adequate benchmarks, no uniform standards, and an attitude of competitiveness on the part of the Controller.

I would respectfully urge the Controller to adopt his policy of noncoordination, to substitute patience and persuasion for the use of outright power.

Fortunately, the problem of coordination at the Federal level has been handled by some committee of the attention it deserves. During the past year, there has been considerable discussion in the relative merits of centralizing under one roof all the supervisory powers which the Federal Government exercises over banking and branches and mergers. No wonder the Federal Reserve Board’s refusal to upgrade the Bank Merger Act of 1960.

I would hope, therefore, that Congress would soon take action to define those principles again. I would hope the Congress would make it unmistakably clear that in a regulated industry like banking, such considerations as safety, soundness, and the needs and convenience of the public cannot be given proper weight along with the competitive factor in judging such policies and other structural changes.

To accomplish this, I would urge Congress to revamp the Merger Act of 1960, making it more realistic, in the hands of a Central Banking Board, to decide regulating power to approve mergers, branches, new national banks, and holding company acquisitions at the Federal level. Such legislation should spell out the various criteria that should be included in the maintenance of competition. It should be made clear, for example, what special procedure and the safeguards are to be provided, if anti-trust laws are such as not to apply to banks.

Prepares Central Merger Board

The Central Banking Board I have in mind is similar to that recently suggested by Howard F. Cross of the Federal Reserve Bank of New York. It would differ greatly from the one advocated by Governor Robertson. It would not consider all the functions of the Controller of Banks and the FDIC, but it would be limited to certain structural questions such as approval of new national banks and holding company acquisitions. Serving on it would be representatives of each of the three Federal banking agencies—the Federal Reserve Bank, the Controller of the Currency, and the FDIC. I would add additional representatives of the general public. Such a Board would automatically provide coordination at the Federal level on most of the decisions relating to structural questions. It would eliminate the extraneous and unnecessary role of the Department of Justice.

I have to confess great doubts about the desirability of shifting all bank supervisory functions to a single agency. The merger of the Controller’s office to the Federal Reserve, for example, would create a powerful new agency at the Federal level and serve to weaken the duality of our banking system.

Permit Decentralized Decisions

At the same time, I believe there is great merit in decentralizing decisions in matters such as Jefferson County, Ohio. That was voiced by Alfred Hayes, President of the Federal Reserve Bank of New York, that decisions on branches, mergers and the like be made in the area where the greatest extent of control is possible. This would be entirely feasible with the kinds of decentralized approaches I have mentioned. Regional boards might, in time, be established in each Federal Reserve district, such as that followed by Mr. Hayes’ idea, has suggested that such regional bodies might be established in the District of Columbia, Chief National Bank Examiner, were recently reappointed by the Supreme Court decision in the Philadelphia case. I agree because that for it to seem to fly in the face of principles Congress itself has enunciated in the Federal Deposit Insurance Corpora-
tion, and the Vice-President in the case of the Federal Reserve Bank. Again two additional members representing states, even if not all of the States, might be added to the Regional Boards. These re-

Newport News Shipbuilding and Dry Dock Company
Quarterly Statement of Bills, Estimated Unbilled Balance of Major Contracts and Number of Employees

Billings during the period from shipbuilding, ship conversions and repairs, hydraulic turbines and other work...

<table>
<thead>
<tr>
<th>Three Fiscal Months Ended</th>
<th>Nine Fiscal Months Ended</th>
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<tbody>
<tr>
<td>September 23, 1963</td>
<td>September 23, 1963</td>
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<tr>
<td>$426,820,772</td>
<td>$931,574,318</td>
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Estimated balance of major contracts as of the close of the period...

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<tr>
<th>At September 23, 1963</th>
<th>At September 23, 1962</th>
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<tr>
<td>$52,949,063</td>
<td>$63,034,303</td>
</tr>
<tr>
<td>$160,063,429</td>
<td>$191,862,697</td>
</tr>
</tbody>
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Equivalent number of employees, on a 40-hour basis, working during full work-week of the period...

<table>
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<tr>
<th>October 25, 1963</th>
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<tbody>
<tr>
<td>19,160</td>
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<tr>
<td>19,293</td>
</tr>
</tbody>
</table>

*The Company reports income from long-term shipbuilding contracts on the percentage-completion basis, such income for any period of time.

By Order of the Board of Directors
R. I. FLETCHER, Financial Vice President

Merger of Blair & Granbery, Marache

On Nov. 1, Blair & Co., Incorporated, 20 Broad Street, New York, N. Y., and Granbery, Marache & Co., Incorporated, 67 Wall Street, New York City, will merge their businesses and continue under the firm name of Blair & Granbery, Incorporated. Both firms are members of the New York Stock Exchange.


Enlarged Initiative for Banks Should Not Be Feared

Continued from page 21

It has no place in our society. If it is the danger of monopoly with which we are concerned, the safeguards should be addressed to the maintenance of competition and not to the preservation of private enclaves.

This argument appears in another form under the guise of a determination of "need." We are told that there is no need for added services from commercial banks, since the services which they are not now allowed to provide are available from other financial intermediaries. The test of public convenience and necessity is properly applied, however, only to bank formation and bank expansion through branching and merger. No public purpose can be served by restricting the range of financial services offered by banks, unless the performance of the service threatens bank solvency and liquidity. Within that limitation, the consumer in a free market should make these choices—they should not be determined by governmental edict. Perhaps the most mischievous basis of opposition to a broadening of the powers of commercial banks is the argument that the present, when our economy is doing so well, is not the time to relax credit standards. This view reflects two varieties of confusion. Broadened investment and lending powers merely enlarge the choices open to banks. Unless it is assumed that bankers are imprudent and the regulatory authorities are lax, this wider horizon of opportunity should permit greater diversification of risk and a better allocation of resources. Activities clearly hazardous to bank solvency and liquidity should, of course, not be sanctioned.

Monetary Policy Not Involved

The matter of timing, moreover, is not an issue here. Enlarged powers for banks are not sought as a means of influencing the course of the business cycle, to be applied at a particular time when the stimulation of business activity is required. This is a function of monetary policy, and not of private banks. If greater or lesser monetary ease is needed, this should be accomplished by influencing the aggregate lending and investment resources of banks, and not by attempting through selective controls to direct the precise forms in which these banks lend or invest.

The reference to "past excesses" as the argument against broader powers for banks raises a serious issue. It has been stated that the restrictions of risk and a better allocation of resources that were designed to safeguard banks and the public from dangers such as we have known in the past. But we surely have learned more from our experience than the mere fact that power can be abused. We have also learned how to employ and to regulate power with discretion. Three decades of experience since the last basic revision of our banking laws have revealed the heavy hand of public regulation. Limitations enacted in the despair of failure have proven incapable of adaptation to change. To immobilize our banks because of past abuses is no proper way to deal with this problem.

We cannot sustain a vital commercial banking system, sensitive to our national needs and alert to the new opportunities which emerge, if our attention is centered on harmless and harmless rules of enforced conduct. The initiative and enterprise which are so essential to economic progress cannot be cultivated and cannot flourish in such an environment. Public controls in banking should be confined to those which are clearly needed to preserve bank solvency and liquidity. Our national banking system should be allowed to act naturally, heedful of its past experience, but not invalidated because of the ills it has known.

No Fear

As our population grows, as our economies advance, and as we take our place in a widening range of world affairs—we shall require, more than ever, a commercial banking system fully capable of performing the many new tasks we shall confront. If the positive role of commercial banks in economic growth and development is to be fulfilled, every scope for private initiative will have to be allowed in banking. This is a responsibility to be sought with confident assurance. It is not one to be feared.

Reply to Rockefeller

That concludes my remarks. I would like to now make a brief comment on the statement of Mr. David Rockefeller. That statement appears to me to be a repetition of questions raised last spring before the Patman Committee. The questions were answered at that time to the satisfaction of that committee. I see no reason why I should make any further comments.*


Minn. Group of IBA Elects

ST. PAUL, Minn. — The Minnesota Group of the Investment Bankers Association has elected Benjamin M. Storey, Jr., Kalman & Company, Inc., Chairman.

Other officers elected were Wil¬

lis P. Jones, Allison-Williams Co., (Minneapolis), Vice Chairman; and Walter R. Hanson, Celanese Phillips, Inc., Secretary-Treas¬

urer.

Elected to the Executive Com¬

mittee were Fred R. Gamble, Bache & Co. (Minneapolis); Law¬

rence E. Shaughnessy, Jr., Shaughnessy & Co. and Preston B. Shute, Shearson, Hamill & Co. (Minneapolis).

Celanese Corp. Rights Offering To Stockholders

Celanese Corp. of America has announced that it is offering hold¬

ers of its common stock the right to subscribe at $45 per share for 964,396 additional shares in the ratio of one new share for each 8 held of record Oct. 25, 1963. The offer, which is being underwritten by a group headed by The First Boston Corp., New York, will expire Nov. 12, 1963.

Net proceeds from the sale of the additional shares will be added to the general funds of the company and will be used pri¬

marily to finance expansion of domestic production facilities in¬

cluding these of subsidiaries and related companies.

Incorporated in Delaware in 1918, the company, together with its related domestic and foreign companies, manufactures and sells a diversified line of petrochemi¬

als, pulps, fibers, polymers and plastics. Domestically, Celanese and its U. S. subsidiaries manu¬

facture and sell more than 150 different products, which are dis¬

tributed in 39 broad market classi¬

fications for use by other manufacturers. In addition, un¬

consolidated foreign subsidiaries, and related companies conduct, substantial operations abroad.

New Bache Office

PHOENIX, Ariz. — Bache & Co. has opened a branch office at 727 North Central Avenue under the management of James C. Bors.
What Corporate Treasurers Look for in Banks

By H. Woodcraft Tallock, Vice-President and Treasurer, The Prudential Insurance Company of America, Newark, N. J.

Treasurers are apprised as to services corporate treasurers would like to have, and should, receive from banks. They range from being kept informed of important matters to handling efficiently such routine things as the cash positions of the companies, not to construct C.D.'s as bank balances, notes that banks are increasingly aware of the service nature of their business, and refers to the use made of "lock box" services.

I approach the subject of what corporate treasurers look for in banks, with some trepidation. I know no corporate assignment in which the functions vary and the expectations differ so widely from company to company; and the job of the treasurer of a large mutual life insurance company, I expect, is further off the expected pattern than any other.

The biggest difference between my job and that of most corporations that have bank relations with rare exceptions we are not borrowers, and therefore have little interest in the services of banks. It follows that we do not have the problem of maintaining compensating balances for that purpose. I think of no service which we can expect with which bankers are not thoroughly familiar. Bankers know the requirements of most corporations and the various technical routine banking services to their other major customers. Beyond these, what corporate treasurers look for is friendly, prompt, and intelligent cooperation in a number of ways.

Keep Treasurer Informed

In my view, the most effective banking institutions are those that maintain close, frequent contact with their depositors to acquaint them with the services of the bank, to keep them advised of new developments in the techniques of banking and informed of economic conditions in their market area.
The one thing I am sure corporate treasurers deplore above all others is the time consumed by some bank visitors who, although pleasant and courteous, have nothing to offer. All too often, I have had the experience of lengthy calls by representatives who had no knowledge of such fundamentals as their trend of deposits, the status of their loan demand or their current policy with respect to various lending situations.

This is not to say that we want to discourage visits from our banks. On the contrary, we welcome every opportunity to further our personal contacts with them. In fact, we follow the practice of frequent personal visits to our banks in their own quarters so that we may talk to them better.

In our treasurer's department we have four main areas of responsibility: the safekeeping and handling of the cash flow, the administration of banking arrangements, the institution of temporary excess cash and the routine of the company's assets.

We maintain accounts with over 1,600 banks in the United States and Canada, and have two key stones in our philosophy with respect to them. First, we attempt to spread our balances geographically, in line with the importance of our business in the various regions of the country. Put another way, we strive to do our banking where we do our business. Second, we endeavor to maintain balances in all situations which are not only adequate to compensate the banks for services rendered, but also to allow a reasonable margin of profit.

We operate through the United States and Canada with 1,580 depositing and investment offices, practically all of which require some banking service. These field offices are serviced from the supervision of eight regional home office directors. Each office, therefore, is divided into two broad categories covering field collections and operations, and home office concentration and disbursement accounts. Some of the things that we look to banks to provide are of mutual benefit...

Successful municipalities relying upon the independent financial consultant enjoy numerous benefits: favorable money rates, increased underwriter and depositor acceptance, wider market acceptance of their bond issues to name a few.

And, the municipal underwriter and dealer benefit equally. For specialized services of the independent consultant are assurance that the myriad of details such as engineering studies, feasibility reports, analysis of over-all debt structure, and financial public relations have been carefully planned and attended to prior to the final negotiations.

Our firm has provided this service for many municipalities throughout the nation for over forty years. We welcome inquiries from bankers about our uniquely complete and independent service.

WAINWRIGHT & RAMSEY Inc.
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WATSON & RAMSEY Inc.
Consultants on Municipal Finance

70 Pine Street
First Nat'l Bank Bldg.
New York 5, N.Y.

McConnel Rejoining Singer, Deane

PITTSBURGH, Pa., W. Bruce McConnel, Jr. on Nov. 1 will return to his former position as a partner in Singer, Deane & Scribner.

Old Florida Rum Rights Offering To Stockholders

Old Florida Rum Co. (Miami) is offering holders of its common stock and a $5 face value, 5% convertible stock warrant, at $7.75 per unit on the basis of one unit for each three shares of common stock held, to subscribe to 225,836 units, consisting of one share of additional common stock and one warrant, for $25,000, at $7.75 per unit on the basis of one unit for each three shares of common stock held.

The subscription offer will expire on Nov. 14, 1961, and the unsold shares and the warrants will be underwritten by a group managed by Consolidated Securities Corp., Pompano Beach, Fla.

Although offered as a unit the common stock and stock warrants are immediately separable and transferrable. Each stock warrant entitles the holder to purchase one share of common stock at $3 a share at any time on or before Oct. 14, 1963.

Net proceeds from the sale of the units, estimated at approximately $32,000, will be added to working capital of the company for general corporate purposes including the financing of the various rum bottling operations in the state of Florida.

FOR YOUR CLIENTS’ INTERIM FINANCING NEEDS

Talk to the man from Talcott about Commercial Factoring • Exporting and Import Factoring • Equipment Financing • Equipment Leasing • Rediscounting
Pacific Gas & Electric Co.
Bonds Offered

Halley, Stuart & Co., Inc., Chicago, bond dealer of the underwriters which is offering $70,000,000 Pacific Gas & Electric Co. 4 1/2% first mortgage bonds, Series JJ, due June 1, 1998 at 101.72% of par value, to yield 4.35% interest. The group was awarded the bonds Oct. 29 on its bid of 101.09%.

Proceeds from the sale of the bonds initially will become part of the treasury funds of the company and will be applied toward the cost of additions to its properties.

The Series JJ bonds will be redeemable at the option of the company and for sinking fund at prices ranging from 106.72% to 100%. However, none of these bonds may be redeemed prior to June 1, 1968 from the proceeds of debt incurred at an interest cost to the company of less than the effective interest cost to the company of the Series JJ bonds.

Pacific Gas & Electric is engaged principally in furnishing electricity and natural gas throughout most of northern and central California. The territory has approximately 4,600,000 customers and approximately 7,500,000 includes the City of San Francisco.

To Be Partners in Tucker, Anthony

Effective Nov. 7 John Usdall, member of the New York Stock Exchange, will become a general partner, and E. Horace Usdall, who will acquire an exchange membership, will become a limited partner in Tucker, Anthony & R. L. Day, 120 Broadway, New York City members of the New York Stock Exchange and other leading Exchanges. Both are partners in the San Francisco office.

Coggshall & Hicks Branch

Coggshall & Hicks have opened an office at 2 Rue du Rhone, Geneva, Switzerland, with Heinrich Imholz, Representative in charge.

Bank and Insurance Stocks

This Week — Insurance Stocks

MONUMENTAL LIFE INSURANCE COMPANY

Monumental Life Insurance Company of Baltimore, Maryland, was incorporated under the laws of Maryland in 1928 and became a stock company in 1928 and adopted its present title in 1930. The company is presently one of the nation's largest life underwriters with life insurance in force of $1 billion at the year-end 1962.

Monumental Life writes life, term and endowment policies in both regular and industrial classes and carries a substantial volume of participating business. Group life and accident and health are also written. Individual accident and health policies are written through an affiliated agency and an industrial company, which is operated through its district offices. With the addition of Florida last year, the company now operates in 17 states and the District of Columbia, with a network of offices and sales representatives in every state, through its district offices. The district offices write weekly and monthly debt business as well as regular premiums, the company, which is represented by Monumental, write ordinary business only. The states of Maryland and Ohio represent nearly one-half of the company's premiums, and a relatively small volume in line with the management's earlier projections. Sales groups in 1962 amounted to $23.8 million, nearly 14% of the company's total. In addition, the company's subsidiaries, First Suburban Life and Health, has increased its operating reserves by about $1,150,000 in the last six months in line with industry experience.

Monumental has traditionally followed a conservative policy in its investment operations. The policy of the company is to own direct ownership of the bonds, which represents 45.8% and 42.1%, respectively, of total investment volume at year end. The net investment yield for 1962 rose to 4.21% before taxes and 3.43% after applicable Federal income taxes. During the year, the company concentrated its new investments in first, and second mortgage loans and government securities, and has invested in commercial and residential mortgages at an average yield of 5.62%. Bond investments were limited to industrials ($41 million) and tax-exempt revenue bonds ($23.1 million).

Overall, 1962 was another excellent year for the company in line with the record of the past decade of steady and moderate gains in annual earnings and dividends. Approximately ($240) per share in 1962, $550,000 in 1961 and $650,000 in 1960 of the total net earnings resulted from a $3 million increase in the market value of the company's investment in tax-exempt bonds at year end. Even with the cost of the new life insurance company, Monumental's income increased $2 million in 1962, bringing the company's total to $8 million, up 103% since 1959.

In addition, the company has increased its investment in commercial and residential mortgages at an average yield of 5.62% in 1962. Bond investments were limited to industrials ($41 million) and tax-exempt revenue bonds ($23.1 million).

Wisconsin Bank

Opens Mun. Dept.

WISCONSIN BANK

WISCONSIN, Wis. — The Wisconsin Bank has established a Municipal Bond Department, it has been announced by William G. Brumberg, Chairman, and Joseph W. Simpson, President. The department will deal in municipal bonds, participating in both underwriting and the secondary market. The new department will be under the direction of Edwin J. Wightle, President of the Investment Division of the First Wisconsin.

Mr. Hiltz pointed out that the addition of the Municipal Bond Department to the Investment Division of the First Wisconsin is consistent with the First Wisconsin's financial and advisory services to various types of financial institutions and other customers.

The department will handle bonds from all parts of the country, it will be of particular service to Wisconsin for providing a stronger market for Wisconsin municipalities.

It is expected that the new department will be in complete operation by the end of the year. Though the First Wisconsin has bought municipal bonds for its own portfolio it has not been a major bond underwriter previously, Mr. Wightle said, "With the addition of this new Bond Department to our Investment Division, there will be less need for Wisconsin banks to go out of the state for their investment requirements."

Walter E. Heller

Private Note Sale

Walter E. Heller & Co. has announced that it has purchased $15,000,000 from institutional investors, comprising $9,000,000 of 6% first mortgage notes and $6,000,000 of junior subordinate notes, both due Oct. 1, 1978. The direct placement was negotiated by New York Securities Co., New York City, and Dean & Witte Co., San Francisco.

Headquartered at 342 Madison Ave., New York, the company is engaged in industrial financing and factoring. It will use the proceeds from the note sale for general corporate purposes.

Ira Haupt to Admit

Ira Haupt & Co., 111 Broadway, New York City, members of the New York Stock Exchange, will admit William Newman to limited partnership Nov. 1.

Life Insurance Stock Analysis and Information

INSURANCE STOCK MARKET SERVICE

By Colle Publishing Company

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The INSURANCE STOCK MARKET SERVICE is the only service in the nation which is directed exclusively to the life insurance field. Based on thousands of insurance exchanges, the INSURANCE STOCK MARKET SERVICE gives you the latest information and statistics on the life insurance market.

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1. The above service includes No. 1 and No. 2 above plus special analytical reports of your choice.

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To take advantage of the current market, check the service you desire and mail today your check or money order payable to COLLE PUBLISHING COMPANY.
Natural Gas Regulation: Problems, Old and New


Federal utility commission head warns the gas industry not to jeopardize its favorable public image by raising its rates. He warns that upward spiraling prices do not hold the key to the industry's future growth or financial success in view of resistance to price hikes and conservation moves by the coal and electric industries.

Mr. Swidler charts a program for the gas industry's future: growth which stresses R & D; reviews the PFC's performance in clear-cut, straightforward processing within the law and in his nuch, he is pointing out, notwithstanding the merits of net passing on refunds to the ultimate consumer, that the PFC is charged with handling all refunds made.

It is one of the great disillusions regnum of the Pennsylvania Public Utility Commission, and perhaps in Pittsburgh and Houston, that nothing moves as fast as except time itself, which moves much faster. I am sure it would greatly enhance the interest of my present remarks if I were able to say that all the problems I discussed at the convention have been completely liquidated, and that now I would deal entirely with new problems and opportunities. The progress has been slower than the Commission would have liked, and perhaps the tackling of questions has not gone as far, but I hope that the public at large will not demand the impossible and that we should continue the constructive efforts of the Commission and the industry.

Some of the problems with which we deal are so intractable as to lend themselves only to a step-by-step solution. On others we have a good deal to show for our efforts. On the whole I take pride in our record.

One question which has produced results—results which have been fully satisfactory—is that of the billing of the rate in the course of the last year. The Commission, disposing of 40 cases and applying refunds aggregating $359,165, including interest, have blacked up gas rates to some extent. I believe that such a record for a regulatory body is one which is not likely to be topped very soon.

Including the 41 cases on which I reported last year, we have disposed of 60 pipeline rate cases either by settlement or adjudication since the present Commission has been in office. These cases represent $1.2 billion of accumulated docketed subject to refund, in which the Commission has ordered $424 million to stand. We have included in our discussion, but excluding the duplications by reason of cross-refunds by one pipeline system to another. This is not left pending before the Commission with one exception; it is perhaps no more than a normal working inventory of cases which are proceeding towards final disposition under the new procedures designed to dispose of such cases in a reasonable amount of time.

To my mind the Commission's pipeline rate case program is a demonstration of the administrative process at its best. It is our experience that a reasonable and realistic target for disposing of an ailing case is one year. I think it fair to say that no time has been wasted and that the case has been handled in such a manner as to reasonably be expected considering the number and complexity of the numerous parties. I offer my judgment based on the experience that a reasonable and realistic target for disposing of an ailing case is one year. I think it fair to say that no time has been wasted and that the case has been handled in such a manner as to reasonably be expected considering the number and complexity of the numerous parties. The right and proper setting of the settlement negotiations and assurance that the consumer interest is protected, which can utilize the settlement procedure with confidence that the results are protective of the public interest.

Improved Pipeline Rate Structure

The city-gate price of natural gas, by pipeline companies today reflects the beneficial impact of our settlement program. The rate of most pipeline companies are lower than they were two years ago—since the rate reductions are $60 million; effect only by $5 million of the savings have been filed during the period and are subject to refund. Moreover many of the settlements included moratoriums against future rate increases in such cases were lodged indelibly in the crypts and caverns of the rate books.

The treatment to be accorded in a rate case to the gas producers affecting the subjects I discussed with you last year is reflected in the facts that the rate is $1.2 billion. The Commission has wrestled with this problem as the rate making problem under the full commission. I think that we are far from having finished with the matter, and that it will take us a long time to get a rate which is satisfactory to all parties. The only conclusion that I can come to is that the Commission does not have sufficient facts about pipeline production to formulate a general policy that would be fair to all pipelines and the consumers they serve. It may very well be that the experience of our own procedures does not tell you that this problem

em has not been solved since 1950, and I am happy to report that we have made progress in a number of respects.

First in importance has been the Supreme Court decision in the Public Service Company of Washington v. United States, which indicated a sympathetic attitude by the Court to the area rate approach. The Court held that the Commission's area rate program is within its competency for the individual company cost of service approach said.

Second is the fact that such a departure from present concepts had little, if any, chance of success, and that the pressure to say that the Commission had not abused its discretion.

"But to declare that a particular method of rate regulation is so sanctified as to make it highly unlikely that any other method could be sustained would be wholly out of keeping with this decision," said the Court.

Regulatory proceedings are characterized by the innumerable difficulties inherent in regulating a product of a commodity such as natural gas, and I am asked to discuss the Commission's considered judgment that the individual company cost of service method is unsatisfactory, that the individual company cost-of-service method is unsatisfactory, and that it is not a suitable one for regulating the rates of independent producers. We rate them by the cost of gas, providing added assurance of supply, and other advantages, and that incentives will contribute to securing such advances. If the parties will demonstrate that there is good reason for consumers to pay an extra return on pipeline production, the Commission would allow it, if we were to read the Commission's opinions correctly.

Stabilized Producers' Prices

Another bright spot has been the Commission's program, which I announced in my talk last year. I have given you emphasis to settle the production of producer cases. This program has shown good progress. The number of cases which have been disposed of by settlement has grown from a very modest stage in the early months of the year. The amount of refunds ordered has increased from $19 million to $38 million as of Oct. 1, 1964. But these statistics do not reveal the full measure of benefit of these settlements. A large gain, from the producer settlement program; in addition to the dollar returns, fund and rate refunds, is the extended moratoriums on future rate increases. The settlements provide for specified moratoriums on future rate increases. Filing subject only to change as a result of the conclusion of the applicable area rate proceeding. The commissioning of rate reductions, plus the assurance of rate stability in these settlements has been a long-term and beneficial move. The direction has been a healthy impact on the operations of the pipelines and the distributing companies, and a sound economy in the production business.

Perhaps the best example of the kind of problem that can't be hurried to solution and is likely to be around for years is the development of a permanent system of regulating producer prices. A producer company can't tell you that this problem

NATURAL GAS COMES TO IDAHO

THE NATION'S YOUNGEST NATURAL GAS UTILITY

- delivered natural gas to its first customer in Dec. 1956
- has connected over 40,000 residential, commercial and industrial customers in less than 7 years
- has installed over 1,500 miles of distribution and service lines, making natural gas available to 70,000 homes and businesses
- is delivering gas to 41 Idaho communities
- has attracted 60 NEW industries to southern Idaho in the past 70 months

*INTERMOUNTAIN GAS COMPANY, Boise, Idaho

Continued on page 28
Major metropolitan areas in the seven-state Northern Plains region have scored population gains well above the national average in the past decade. This is the area served by the pipelines of the Northern Natural Gas Company. Population increases include 29% by Minneapolis and St. Paul . . . 26% by the three cities of Lincoln, Omaha and Council Bluffs . . . 22% by Sioux Falls, South Dakota . . . 22% by Waterloo, Iowa . . . 18% by Des Moines. The population movement from the farms to the cities and suburbs continues. This urban growth is sparked by the increase of manufacturing in the Northern Plains. And the growth of these major markets is attracting even more industry to the area. Northern Natural Gas is serving the growing fuel needs of home and factory in the Northern Plains. And Northern continues to grow with the area it serves.

**SUBSTANTIAL MAJOR MARKETS WITH GROWTH POTENTIAL**

*(make the future look good for NNG)*

![Image of a city street scene]
Tracing Natural Gas Refunds

I hope the bonds of my friendship will be strawed if I now bring up the subject of the ultimate disposition of the $500,000,000 aggregate of refunds ordered by the Commission on the producer pipeline and, in April, 1944, it approached $500,000,000, I must confess that I was at first somewhat doubtful as to most of these refunds, if not all of them, would be passed along to the customer in full. In an effort to confirm this impression, and spurred to a considerable degree, by inquiries received from members of Congress, state and local utility consumers, the Commission during the last year has been attempting to trace the refunds by the pipelines and the producers to their ultimate destination.

The Commission's first refund survey in December, 1962, covered the refunds which had then been made to distributors pursuant to FCC orders. The survey was made in cooperation with the Federal Railroad Administration and the National Utilities Conference. The estimates were made by the companies in the survey and shared with the Commission before a final figure was obtained. The Commission prepared the questionnaire which was submitted to the state commissions in turn sent the questionnaires to the distributors in their respective states. In those states in which there was no state regulation of natural gas rates the Commission mailed the questionnaires directly to the distributors or utilities. Sometimes the questionnaires were returned by the distributors to their state commissions. Corporation Commission, which forwarded them to the FTC, which tabulated and announced the results.

The following figures for this first phase of the survey bear reiterating. In the 16-month period ending November, 1963, local gas distributors in the District of Columbia received approximately $286,000,000. The survey showed that of this amount, there were refunded to ultimate consumers $37,500,000, or approximately 3%. It is stated that others the amount refunded was less than 20%. We are continuing our refund survey for later periods. In late December of 1962 there was a large number made as a result of the disposition of the rate cases of a major pipeline company and our estimate is that approximately $29,000,000 refunded directly to customers, 38% was passed along to ultimate consumers in 13 states. The variations between those states in which the refunds were announced as ironed in the first survey. We intend to continue the survey to determine the extent to which such refunds have been refunded to ultimate consumers.

46% of Refunds Denied

In brief, our survey shows that about 46% of the refunds ordered by this Commission never reached the ultimate consumer.

Even in the face of refunds amounts large and subject to our own jurisdiction it has become apparent that we cannot take for granted that the refunds will be passed along so that ultimately there will be no windfall profit within the money. We have found cases where refunds paid by one pipeline company have been paid to another. In most cases the terms of rate settlements have required that the refund received under this requirement covered the amounts paid by the pipelines to the officers. For the remainder, the Commission is now developing procedures for holding refunds in escrow pending assurance that either the pipeline company to which the refunds would otherwise be paid is entitled to receive it or is entitled to pass it along. This procedure is of particular importance in non-regulated pipelines which may have failed to filter through several pipeline systems on their way to the consumer.

Of course I am aware that in the fact that there are may be increasing the distributor or a pipeline to retain the refund. A common explanation is that the pipeline company is so preoccupied with other absorbing all or part of the increased cost gas during the period, and was being paid subject to refund and the distributors have provided for the recovery. Sometimes this explanation is based on the justifiable fear of refund of the period in which it paid undue rates subject to refund was below to which it was entitled and the company did not increase its rate in this period because of its confidence that ultimately it would be entitled to pass it along. Another competition is claimed to have prudently raised rates to the level which would have justified on a fair return basis reflecting increased gas costs. These claims are being made in most of the cases in which the refunds have been passed on to the distributors. These claims, although I am sure the problem is not a bad faith, involve a wide scope for differences of opinion. At any rate, it is not for us to pass judgment on the adequacy or excessiveness of the earnings of the distributors. The Financial Power Commission may be in full-time job in carrying out our own responsibilities at the national level and under the Natural Gas Act, which the Supreme Court in the CATCO case said was enacted "to afford consumers a fair return on capital employed and to prevent unjust discrimination; "the Commission is necessarily concentrating its efforts on this major phase of the problem. The refunds we order are not at issue. If the distributors are concerned, we have only obtained and reported the facts. This we shall continue to do.

Pipelines' Excellent Economy

The refund survey has not given us any conclusive picture of how the natural gas industry is faring, but I can tell you that the state of health of the natural gas pipeline companies is a good one. We have had a record year and the Commission would like to think

that this is due as much to the warmth of the regulatory climate as to the economic vigor of the industry. At any rate our review of the 1962 annual reports of the pipeline companies has revealed that quite a number may be earning more than 10% of their capital stock from income not allocated to the company. The Commission has accordingly initiated some proceedings to determine in which it is taking the initiative to determine whether rates and earnings at these extraordinary or normal, and to order reductions for the future. It is our program under Section 5(a) has evoked some expressions of regret but we do not believe they were almost entirely unfounded. I hope that the pipelines, in their turn, will not fail to respond to a small silver lining. The industry is aware that every rate reduces a large proportion of earnings and that this year's profits it's competitive position and help it to continue with the present high level of earnings and continue its active growth in the natural gas industry.

Pipeline's Excellent Economy

Coal Competition

In reviewing the developments in the coal industry during the past decade, it seems to me that one of our chief gains in the natural gas industry is the re-emergence of coal competition for house-heating loads, mainly the direct sale to householders, but by prior conversion to electricity. Most of you are aware that the electric power industry is setting its sights on capturing an increasing share of the house-heating market in the future. The power industry's projections call for a large share of this market by 1969 compared with the present small share. The projections of the electric power industry and the gas industry are not in competition, but rather in the future a good many homes in this country are to be heated by the power industry and the gas industry. One or the other of the two industries is destined to be proved right. We have not yet been able to recognize in that industry in which to order their goal that they must not only capture the house-heating load but also make available a lower scale of rates for direct-distribution natural gas, including cooking and water-heating.

Pipeline's Excellent Economy

Reduced Rail Shipment Costs

We must add to this picture the natural gas industry's attempt to reduce costs on rail shipments of coal to electric power plants made possible through the combination of new and better coal cars and other improved equipment and new and more frequent schedules designed to reduce costs. We have been informed by industry that EHV transmission lines will also enable the electric power industry to reduce its transportation costs through its National Power Survey is encouraging the various power companies to contract for coal supplies through rail companies by strongly interindustry interagency in the coal industry. It is no secret that to you the Commission is seeking to assure adequate transportation facilities which will accelerate this effort by the power companies to compete for the electric market. We also encourage the natural gas industry to retain and to extend its own market penetration.

Coal Competition

The Commission holds no brief for either the electric power industry or the natural gas industry in their competition with one another. Both have prospered through the years and divided the market without regard for the preferences dictated. They will continue to do so. The consumers have interest in the competition. The interest of the consumer has only benefits to be derived from a competition between the two methods of distribution of electricity. We are not interested in the stagnation of the electric industry as such, but we would have...
of fossil fuel resources. The harnessing of atomic energy in itself has assured us of energy resources not only for centuries but for millennia to come.

The natural gas industry can look to the future with confidence based on a solid record of achievement. The industry should concentrate its technological and marketing advances which will make the blessings of this inherently low cost form of energy available as widely and cheaply as possible. Such a program will contribute to a lower-cost energy base for this nation's economy, and in my judgment at no sacrifice to future generations whose needs will be met by the continuous advances in the science and technology of converting our enormous energy resources to usable form at reasonable prices.


Aldrich to Direct Chemical N. Y.’s Inter. Business

In recognition of the continuing growth and importance of its role in world trade financing, Chemical Bank New York Trust Co. is

Fluor Corp., Ltd. Note Sold Privately

The Fluor Corp., Ltd., of Los Angeles, has announced that it placed directly with The Prudential Insurance Co. of America an $8,000,000 7½% promissory note, due on Nov. 1, 1978. Francis L. duPont, A. C. Allyn, Inc., New York, assisted in negotiations leading to the placement.

To Be V.-P. of Lieberbaum Co.

Effective Nov. 7, Harold Vann will become a Vice-President of Lieberbaum & Co., Inceporated, 50 Broadway, New York City, members of the New York Stock Exchange.

Natural Gas enters the Space Age

Natural Gas from the Hugoton and Panhandle Fields and the Anadarko Basin has taken on new significance for America as the prime source of helium for its many essential applications in the Space Age.

As a pioneer producer and transporter of natural gas, Panhandle Eastern now charts new vistas as a partner with National Distillers and Chemicals Corporation in the operation of National Helium Corporation whose mission is to extract helium.

In the short span of eighteen months the world’s largest helium extraction plant was completed at Liberal, Kansas. In addition, this operation is the largest practical application of cryogenics—the science of super-cold.

Processing approximately 850 million cubic feet of natural gas daily, and using temperatures ranging to minus 300 degrees Fahrenheit, National Helium will deliver more than one billion cubic feet of helium to the U.S. Bureau of Mines annually.

Yes, natural gas not only supplies the energy needs of millions of homes and scores of industrial plants in Panhandle’s midwest market area, but also serves the nation by contributing a reliable and continuous volume of helium—vital element of the space age!

Panhandle Eastern Pipe Line Company

One Chase Manhattan Plaza, New York 5, N. Y.

Serving Midwest/U.S.A.
Slippery Oilps

Since stocks, as a general proportion, move on news, investors could hardly be blamed last week for expecting the May report to have some bite. After all, the earnings report of the leading oil companies told of record production and sales, record net profits. But the group as a whole was far from happy.

The reason was not hard to find: it was the old story of the mutual funds and other institutional investors losing their enthusiasm for the group.

In recent days, there has been a report in a leading business daily labelled "Retreat from the Oilseeds" and Wall Street has closed to the funds that said the oilseeds were being sold "on balance" for the first time since 1961. While sophisticated investors and brokers around the country keep close tabs on what the funds are doing, even gearing their own actions to the institutions, the Financial District was far from agreement on the new dim view taken of the oil group.

In some quarters it was argued that the oil companies had engaged punitive tax reform, a sizable threat several months ago. Others cited greatly increased export duties. Still others noted the easing of foreign tensions, a not inconsiderable factor if an industry that has vital stakes around the world.

Nobody seems concerned about oil's vast reserves and inventories. In another generation, coal lived consistently with the same problem. Oil companies, aside from time of war, have managed to cope with the supply situation and literally thrive.

Why, then, were institutions selling oil stocks on balance? Summing up the replies from a spot check, the answer was: "Taking profits in stocks that have had a huge run-up is a danger on the bargain counter." One fund manager, who is fond of looking at the cycle of past investment
comparisons. He noted that back in 1911 Gulf Oil sold below 23 and had topped 50 this year. "The stock is up around 50%," he said. "Incorporately, Gulf is one of the few oil stocks that are still popular.

His attention next was focused on Morgan. This issue had moved up from under 23 in 1961 to 75. "That's a rise of nearly 100%," he said with some exci
tement. "And it was happening while its peers of Standard and IBM were seeing their stocks decline."

In the first nine months of this year, Southern sold $4.12 a share, up from the $3.94 shown in the first six months and the $3.33 in the first half of 1961. "That's highly respectable growth," said the fund manager, "but a 100% jump in six months is something we would seem to have discounted a good deal."

High Standard of Jersey, it was pointed out, had done almost as well in the marketplace. Soar
ing from 49 in 1961 to as high as 73 this year. And so it went, every comparison showing that oil stocks, very much in favor after the Suez Canal war in 1956 and remaining in the doghouse for five years, had rebounded with the vigor of glamour stocks.

One fund manager was sure that there was a sales aid in all of this. Said he:

"Sure, stocks move on news. A lot of little investors, who think they're geared to the market be
cause they are avid readers of financial news, often overlook the fact that the news has been dis
counted. You might even say that we are in the news-discount business. Our research people are sup
posed to be able to spot trends and gauge future developments.

Another fund manager, noting a trend agreement, remarked: "We are buying into railroads when all the talk about oil is running in the papers. It has been going on for a long time."

This fund leader insisted that during the past two years a fellow could have made nearly as well in rials as in oil. Of course, that is a period of rising markets. But any study will show that many issues have done little or nothing, no matter what the state of the stock averages say. The problem, as always, is to select the stocks with the greatest promise. In the present figure, blue chip earnings and re
evaluation of companies and management give them a big edge on the individual trying to guess whether the stock market is going up or on the way down.

The Funds Report

Carriers & General Corp. reports that at Sept. 30 total net assets were $106,917,825, or $63.42 a share.

Delaware Fund announces it has "completed a position" in Union Oil of California.

To Admit to Firm

On Nov. 1, Gerald F. Baroff will become a limited partner in Hert, Neumark & Warner, 2 Broadway, New York City, members of the New York Stock Exchange.

N. Y. Secs. to Admit

New York Securities Co., 52 Wall Street, New York City, members of the New York Stock Exchange, will admit Richard C. Patterson, Jr., to limited partnership in the firm.

Gas Industry Is Meeting

The Challenge of Growth

Continued from page 3

conditioning rates, the increase in installations has been more than gratifying. The unusual aspect of the air conditioning market is that it is not a seasonal, but a permanent in the heating market. Our first in
stallations of air conditioning were placed in 1951. Since then we have been fighting the houseinox market. We were equipped to handle the enormous cooling jobs before we could tackle the house-size installations. New, both the public and the gas industry, have an interest in air conditioning for every size build-

Trend Toward Concentrated

Consumers

The trend toward Concentrated Customers is a second new factor. There have been two major changes in the household market. One is happening now, the second later. The trend toward

Financial Industrial Income Fund

The Fund reported assets of $307,050,097, or $9.93 a share. This compares with assets of $4,901, equal to $8.24 a share, in the close of the prior quarter.

Net assets of Madison Fund rose during the quarter ended Sept. 30, 1961 to $317,512,497, or $12.14 a share, compared with $110,351,300, or $10.87 a share, for the period ended June 30.

Oppenheim Fund reports that at Sept. 30, net assets totaled $177,218,637, or $5.05 a share, compared with $162,937,307, or $5.35 a share, at June 30 and $13,109,708 and $12.24 a share at Sept. 30, 1961.

The Putnam Income Fund reports that at Aug. 31, the first quarter of this year, an increase in net assets to $2,902,009, or $9.35 a share, which compares with $2,507,700, or $9.35 a share, and there were 680 shareholders.

The fund started operating on Jan. 1, 1961, with the investment of $227,000, supplied prin
cipally by trustees and members of The Putnam Management Co.

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Oil's Efforts to Survive

For example, local oil dealers are being backed by advertising, a substantial fund appro
prated by oil companies through the National Oil Fuel Institute, Whereas electricity is trying to break into our market, oil is fighting desperately to survive.

Coal has tried to turn to na
tional legislation for help. In the past year we have seen this effort set back, although not finally dis
carded. The new National Fuels and Energy Study Group, which was named by a Senate-released and one of the most important reports in the country, is one of the best documents available on the subject.

Coal certainly would like to get back the markets it has lost to irreparable damage. Sut
view of the results of the Senate study, we doubt that the Federal Government will ever enact a na
tional fuels policy that would die

Government Subsidized

Competition

Since strange things do occur on Wall Street, it is not unlikely that we are seeing an ex
eriment in oil's attempt to perpetrate a form of "just" competition by Federal govern
ment-subsidized oil, a phenomenon that could be called "the government's owner's oil.

The opportunities, more so, for further government encroachment are tremendous. Funds authorized under Title II of the Housing Act and the Area Development Act could add up to an absolute dollars which can be used to establish and develop government-owned utili
ties and other local facilities.

It's incredible that any part of the national government can operate on the peculiar principle of investing taxpayer funds in projects that are deliberately not a part of the national tax income, but it's happening. And government-owned utilities and govern
ment-financed utilities are going to be stronger competitors than ever before.

If anyone is tempted to under
rate the impact of further government involvement, I would call to the memory the point to the REA's modest start in 1935 and the threat it now poses to the existing investor-owned electric industry.

The Rural Electrification Ad

This year, for example, the utilities are expected to install with about $100 million in Federal credit. Today, REA serves five million customers through 900 local electric cooperatives, which is one of the most remarkable stories in the history of mankind.

Joining Electricity to Fight

Government Inroads

Since the oil industry is encroaching upon government's threat thus represents a threat to all investor-owned utilities, it is ob
vious that the oil industry will have to fight for its existence. The electric industry in fighting further inroads into our free enterprise system, we know, that we are in the process of forming a gas and elec
tricity industry committee on gov
ernment encroachment. Members will include presidents of straight gas utilities, electric companies and combination companies.

Gas utilities in other sources, of course, but at least our other competition has the ring of legitimacy.

The electric industry is spending in national advertising media about $6 million a year. Of particular interest is the fact that most of this advertising is placed by individual companies primarily out of profits from the sale of genera
tion in order to hold their markets.

The most important aspect of this promotion is the electric industry has been fighting for six to seven million homes with hot wires by 1980. Our own growth in the past year has been pri
darily in the heating market, and as we continue this growth we will be able to attract a greater com
petition.

Unfair Electric Advertising

The electric industry's "flameless" golf, with its safety im

MUTUAL FUNDS

BY JOSEPH C. POTTER

DIVIDEND SHARES

A mutual fund owning stocks selected for investment, income possibilities. Sold only through registered broker-dealers. Ask your dealer for prospectus or mail this ad to CALVIN BULLOCK, LTD.

ONE WALE STREET, NEW YORK 5, N. Y.

New York — Atlanta — Chicago — Los Angeles — San Francisco

LORD, ABBETT & CO.
The pattern of the money and capital markets is still in the direction of modest firmness, in the opinion of many financial experts. In spite of the beliefs that progress is being made in solving our inflation problem, there is not likely to be any let-up in the general level of short-term rates on the firm side of the foreseeable future. With near-term interest rates still in an upward trend the question is asked as to what is going to be the future pattern of interest rates?

Despite the need to keep short-term interest rates in a modest uptrend, many opinions are that the more distant level of interest rates is not going to change too much. The indications of the balance of payments problem or the fear of inflation comes to the world's attention, the short-term rates would jump and then fall. It is believed that the need for money and credit will continue to increase as we go into the waning days of the year. This is the usual thing to look for at this time of the year because the economy, in order to meet the stepped up demand from business, has to borrow from the banks. And unless the Central Banks supply the reserves to the member institutions there will be a tightening of interest rates and interest rates will go up. Change in Interest Rates in the Offing?

There is in the existing pattern in the money and capital markets many of the symptoms which in the past have brought about moderately higher interest rates. There is a gradual downward trend in excess reserves of the banking system and this, along with the previous upping of the Central Bank rate, have been in the past definite signs that the availability of credit and interest rates are going to be changed. It is being expressed now in an increase in short-term interest rates, with the underwriters in the bill rate which recently hit a three year high being watched very closely by most money market specialists because these near-term rates will move closer to the discount rate as to how much interest rates as a whole are.

In spite of the higher short-term rates which have been in use in future, the troubles with the underwriters in the bill rate which recently hit a three year high being watched very closely by most money market specialists because these near-term rates will move closer to the discount rate as to how much interest rates as a whole are.

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As We See It

continued from page 1

original meaning has through the decades been undergoing erosion. At times it has been quite impossible to tell from a man’s writings whether he was either one or the other—or either for that matter—if the original connotation permitted to hold. The truth is, perhaps, that any attempt to state and rule of Franklin Roosevelt completed a full reversal of the meaning of the words. What used to be termed liberalism has become very definitely conservatism and what used to be conservatism is now liberalism. Of course, a close examination in the philosophies or the programs of the various public figures soon shows that it is quite possible to find in each the assurance with either groups, so mixed and often so similar are positions on basic questions. This is in the modern conception of the so-called moderates.

It would be a good thing, though, if the rank and file would get a more realistic view of what such terms “liberal” and “conservative” used to mean and what they ought to mean now. The foundings of the country on the whole, genuine liberals and so were our national policies for a long period of years. They were liberal in the sense that they were followers of the great father of liberal ideas in the field of economics and of his counterparts in the field of political affairs. The liberal political philosophers used to say that that government was best which governed least, and Adam Smith with his “invisible hand” against mercantilism and associated evils of his era was and is still regarded as the great "liberal" of his day.

No Liberals To Be Found

Now the truth is that it is quite impossible to find in the programs or the philosophies of any of the leading figures or parties in this country—or of political affairs in any of the political parties—very much that resembles the teachings of Adam Smith or any of his once revered opposite numbers in the economic discipline of philosophy. Possibly the most famous of Smith’s passages is familiar: “All systems, either of professing, either of professing being . . . completely taken away, the obvious and simple system of natural liberty establishes itself of its own accord. Every man, it is certain, does whatever he pleases, whether he does not violate the laws of justice, is left perfectly free to pursue his own interests in his own way, and to bring both his industry and his capital into competition with those of any other man or order of men.”

Philosophers interested in observing the shift in which such ideas as these were injected. Let the late Professor E. R. A. Seligman describe them: “The two great systems, liberalism and conservatism, are, or were, at least, in the eighteenth century, outward and antiquated, and emphasis had been gradually put upon restrictive rather than constructive measures, so that it culminated in a most elaborate policy of national exclusiveness. Inquiries custom houses and tariff wars were multiplied. Industry was fairly throttled by minute regulations of details, and in some cases regulation were done with complicated, unintelligible, and contradictory regulations of manufactures.” And they are, in many respects, of the same sort.

"Where the English liberal received legal recognition of the right of a man to work for his living, the American liberal received express recognition of the right of a man to work for his livelihood and the means of his livelihood.”

New Deal Not “Liberal”

One examines in vain the outlooks of the New Frontiersmen, the platforms of both parties and the oratory of any and all the aspirants for office of official or official is in disfavor of very much the sort of programs that the learned professor describes, and the absence of any clear call to the people to rally again to the basic principles upon which this nation was founded and in compliance with which it grew to be the industrial envy of all the world. Where are the most loudly self-proclaimed liberals of this day and generation? They are to be found, of course, among those who would control and direct or limit industry and concentration, who would interfere with commerce, who would pursue their own ends in their own way always, of course, without conflict with the law of laissez faire. But where are they? To be sure, there are voices raised constantly against a good deal that is included in the New Frontier program, and at least some of that which makes up the New Deal and the Fair Deal. But where are the leaders who would voice clear and unequivocal calls for repeal of obstructious laws or the enactment of legislation which would bring in the situation? When it comes to specifies there is a great deal too great a tendency to wrangle and relive rather than lead and arouse the rank and file to the fact that they have been into a wilderness by the founders of the New Deal with its light of leadership. Such leaders should be found of the liberal type. But where are they?

Our thinking has advanced since 1789.

The fact seems to be that we are so advanced in our thinking that we now embrace the long discredited notions of a couple of centuries ago. Our definitive revolution in thought has been taken by the perhaps true that the benefits should be spread over a wider area. But in the context of existing legislation and resolution, which are beyond reason and demand, and which have been passed by an unsuspecting public, the notion of what is now called the "interest rate" in the economic discipline of the new generation is by the regulatory authorities, it is extremely unlikely that the system will move in union; and thus the leaders are likely to fare badly. However, the sheer magnitude of the interest costs involved warns the assumption of these risks.

While the above argument has power, it is essentially concerned with the short run with this year’s earnings and this year’s deposits.

During the post-war period, the commercial banking system saw the real upper limit of the interest rates which could be paid to savers.

In 1962, after the rates paid on time and savings deposits were raised, there was some increased in importance, and this increase has continued into 1963. Further, there is every reason to believe that this increase may continue to increase over the long run.

Competing institutions have, in many instances, been forced to reduce their rates—in most cases to within one-half of 1% of the commercial bank rates.

Choice Facing Banks

Such, then, was the real choice faced by the commercial banking system in January of 1962; and it remains the choice if it faces today further: to increase or to hold the place in the economy with some what higher short-run profits. The large degree of alternative changes which have been taking place in the time in the belief that over the long run the banks would constitute the more profitable course of action.

The question raised by the alternatives posed is momentous. Is it profitable for any industry now itself? What is the importance in the economy as a whole? How will the commercial banking system, what are the implications of allowing such trends to continue? In general terms the answers seem clear. Any industry which does not use enough of the means at its disposal to maintain or increase its general importance in the economy runs a grave risk. The trend may be gradual, for a time being sustained, and being frustrated. It will become more difficult to reverse. Further, the services provided by commercial banks, that is, the availability of the funds for the customers’ needs and for their use in productive fashion in our economy. Thus, should the banking system do more in the way of such services without the service of the banks will be eliminated. Rather, as has happened in the past, they will be provided by others. Competing institutions, which originally arose to meet needs that banks could not or would not fulfill, increasingly took over the aspects of the commercial function provided by commercial banks. When the deposits were on the increase in the durable goods market, and the interest rates increased, the commercial banks were far too low to be competitive. But if the commercial banks increased, the deposit spreads increased, and the commercial banks slowly reduced the spread of the deposit interest rates.

Before taking a second look at the excursions incurred in raising interest rates it is necessary to assess whether doing was indeed more strictly the interest of the commercial banking system. This is, in itself, to have the result of the following: The deposit growth is very likely to gain speed in the future. Turnover has been very high levels of the interest rate, and it would seem that corporate managers must re-examine a point of diminishing returns in their efforts to minimize cash balances. This may well be so, but two points of view in mind. First, the pressure to conserve cash is here to stay. It is basically sound. And secondly, it seems highly unlikely that policies have so far been reached in technological problems in the areas of transportation, communications, and the like. Further, the economic goals and policies of at least the present Administration support the notion that restrictive monetary policy will be employed less frequently than in the past. In any event, growth in demand deposits will remain largely the responsibility of the commercial banking system, and the best chance for the reliability of this source of funds is in a sense to place the future of the banking system largely in the hands of others. In short, increases in demand deposits, to the extent that they are helpful in maintaining economic importance; but it does not seem that competition of others can depend fully on this factor.

Expenditure Justified

Thus, the interest rate seems to be justified at least inasmuch as it seems to have been and to continue to be effective. In this context expenditure appears in a somewhat different light. Other industries, faced with continued reductions in the demand for their goods and services, are making their product more attractive, more saleable. However, banks are not so fortunate. Their increased interest costs now being imposed on the banks in the nature of expenditure? Necessary to preserve and expand the economic role of the commercial banking system, these costs will not be fully recovered out of the earnings on induced deposit increases for several years. Are they so different from that for a computer designed to improve customers or to cut cost reductions over a period of several years? Certainly this line of reasoning is not encouraging the amortization of increased-interest expense. Rather, in the context of the fact that the benefits of the rate increase will not be fully accrued during the future, and that for decision-making purposes the increased costs should be reviewed in this manner.

The interest rate increase of 1963 was seen by many as a component part of the banking system to expand its operations into the durable goods market and by virtue thereof its position in the economy as a whole. As such, it was expected to go far beyond resultant deposit and asset increases. The direction in which competition for these resources may go within the context of existing legislation and resolution, will have a discernible impact on the framework itself. This has been the experience of the last 20 years. What is its implication, and if further proof were needed, it was provided in 1962 with the increase in the Regulation Q limits, decreased mortgage loan restrictions, decreased reserve requirements on
PUBLIC UTILITY SECURITYs BY OWEN ELY

Empire Electric District Company

Empire Electric District, with an annual revenues of $16 million, serves 300,000 residences and commercial communities with a population of 300,000 in the "Empire District" which encompasses four states—Missouri, Kansas, Oklahoma and Arkansas. Joplin, Missouri, is the center of this region. A major industry in the area used to be smelting of lead, which has been deteriorated over the years; currently there seems to be some interest in conserving hydro power and series of price increases in the metals. More important industries include oil pipeline pumping, food processing; aircraft and automotive engine power, and machine shop nitrogen and phosphate fertilizers; and clothing and shoe manufacturing. In addition to a substantial farm economy, the famous Ozark Playgrounds attract the tourist drive of $40 million a year.

The company's revenues are obtained from sales of residential and rural 37%; commercial 23%; oil pipeline pumping 15%; other industries 26%; wholesale 7% and miscellaneous 2%. Lead and zinc ore being the major contributory of about 2% of the earnings. The area is served by seven utility companies of similar lines and airlines and has important national and state highways. Thus the company has direct and ample service to key markets in all parts of the country, with overnight delivery to established markets in the middle west and to the new and developing markets of the southwest, where per capita income is increasing 20% faster than the national average.

System generating capability is about 100,000 kw of which 15,000 kw is hydro. The company purchases about 12% of requirements. No utility companies have been built for some time, but a 15,000 kw gas turbine generator was installed at Riverton (for use in conjunction with the steam generator) which will reduce purchased power in 1964 and 1965.

The company extended its power-pumping arrangements with neighboring utilities in 1962, and in 1965 will obtain access to TVA, with some power during off-peak hours, under the general agreement between the Authority and the electric utilities.

As is normal, most of the company's plants have been built, construction expenditures last year were $2.5 million, and are estimated at $3,000,000 this year. No new financing will be necessary in 1962, principal expenditures being provided by cash flow. It seems evident that the company will not require any substantial amount of new financing for at least the next five years. The company has an equity ratio around 35%.

Considerable progress was made last year in developing new business. While the volume of residential construction was lower than the previous year, the establishment of more electric living features in the homes they constructed. Over 1000 disk-to-disk lighting units were installed. An estimated $10 million was spent by industry in the area for expansion. This program included expansion by four manufacturers of consumer products and three food and processing plants. The company has been under the commissions of four states; the Missouri Commission, as the company has now, recognizes a fair value rate of 3.25% on investment. This plant in 1963 was 65%, having increased from 4.9% in 1954.

Mr. Flaherty served as Director of the Transportation Center at Northwestern University, recently declared.

"Our nation faces a period of growth populations, in which the urban and suburban patterns of living and economic activity. The dimensions of suburban growth that are now clearly fixed for the future, the decentralization of many types of economic activity, of which employment is only one, are promising to make new demands for greater efficiencies in all modes of transportation. These demands will be for innovations in transportation on a far greater scale than has ever been accomplished."

Mr. Flaherty told the Institute students from 13 colleges and universities representing 12 countries from Japan, Brazil, and the United Arab Republic, a "specialized knowledge of many disciplines will have to be combined to bear on transportation planning and development."

"It is difficult to think of any other type of basic economic and social change that will demand as much investment in the development of new thinking in its demand on technology and policy development as is transportation."

His meeting with the Institute group marked Mr. Flaherty's first official appearance as the Center's Director, formerly Director of business research at Chrysler Corporation.

Mr. Flaherty succeeded Franklin M. Kreml, founder and first Director of the Transportation Center, who is scheduled to retire in June 1963.

Form Corporation MONTREYER, Calif.—Andrews In-

vestment Consultants, Inc. is now conducting its securities business at 230 9th Street.

Bures Street. Officers are Jack E. Andrews, President; Frederick K. Andrews, Vice-President; L. L. Andrews, Secretary and Treasurer.

Mr. Andrews was formerly with the California State Planning Commission, which was located in Pebble Beach.

Ware & Keelip to Admit On Nov. 1, Ware & Keelip, 61 Broadway, New York City, members of the New York Stock Ex-

change, will admit Imogene S. Keelip to limited partnership.

P. R. Counsel for Lehman Brothers

Lehman Brothers, 1 William St., New York City, members of the New York Stock Exchange, have revealed to Standard & Poor's, Associates, Inc. as public relations counsel.

The oldest continuing partnership in American investment banking, Lehman Brothers performs a full range of financial services including the management of The Lehman Corporation, a closed-end investment company, and The One William Street Fund, Inc., a mutual fund.

The Cincinnati Gas & Electric Company's 240 million investment in the 1962 proceeds toward the more than a billion dollars of projects under way in the Cincinnati area, as well as 20% of West Ohio's electric generation. The company's three new generating plants.

Chicago Analyst to Attend CHICAGO, Ill.—R. O. Hunt, Presi-

dent of the Crown Zellerbach Corporation, who is attending a meeting of the Investment Analysts Society of Chicago today, will take part in the Maximilian Room of the Bismarck Hotel.

A. F. Bissell Co. will be the subject of the Nov. 7 meeting, and Rextall Drug & Chemical Co. of the Nov. 14 meeting.

Today's boldest new look and outlook in the Midwest—CINCINNATI

Last fall, Cincinnati voters gave the go-ahead to a spectacular $42 million riverfront development project, a dynamic $150 million plan for revitalizing the core area and for the building of a 10 million convention-exhibition hall. Hundreds of millions of dollars of other projects are under way or nearing completion, including a network of new expressways that bring many communities outside the metropolitan city itself. In no other part of the Midwest will you find more unmistakable evidence of an area-on-the-move.

Companies on the move, today, are looking toward the local market by daydreaming about moving abroad, but in which is taking policies, ambitions and actions. They're finding an area here in the area of the movement.

"The Cincinnati Gas & Electric Company has invested $240 million in the 1962 proceeds toward the more than a billion dollars of projects under way in the Cincinnati area, as well as 20% of West Ohio's electric generation. The company's three new generating plants.
The Dollar's Soundness; Liquidity; Payments Deficit

Continued from page 34

The Balance of Payments

It is no news that the United States is such a country. We have a great mass of private and public wealth and a ready supply of liquid funds. As for European wage inflation, we can still easily export capital and hold down exchange rates by sharp increases in interest rates. The French, British, and Italian governments and the European Common Market have also increased their exchange reserves by purchases of dollars. In the end, gold and dollars are no longer the cheaper. Third, dollar balances held by the United States have increased... The problems with the United States, however, have not been solved. The balance of payments deficit has continued to worsen...
SECURITY SALESMAN'S CORNER
BY JOHN DUTTON

Do It Right and You Will Do Business

When you play a game by the book you may lose sometimes but you are right most of the time in the long run. Your skills and strategy are your own, and you must make your own decisions. Your success will depend on your ability to outsmart your opponents and adapt to changing circumstances.

Favors Immediate Study

The Securities Industry Association, Inc. (SIA) has released a new publication titled "Favors Immediate Study". This publication is a comprehensive guide to the securities industry and its various roles in the economy. It is designed for professionals and students who wish to learn more about the securities market and its impact on the economy.

The publication covers a wide range of topics, including the history of the securities industry, the role of securities in the economy, and the regulatory environment in which the securities industry operates. It also provides an in-depth look at the various types of securities, including stocks, bonds, and derivatives, and how they are used in the market.

The publication is available for download on the SIA website, and is a valuable resource for anyone interested in the securities industry.
The Comptroller of the Currency, James R. Saxon on Oct. 29 announced preliminary approval of an application to organize a new National Bank in Kentucky—in Owensboro, with the title First Security National Bank of Owensboro, with an initial capitalization of $500,000.

The Comptroller of the Currency James S. Jaxon on Oct. 20 announced preliminary approval of an application to organize a new National Bank in Florida—First National Bank of Tusla, with an initial capitalization of $1,020,000. Robert A. Huff is the correspondent for the organization.

The Comptroller of the Currency James S. Jaxon on Oct. 29 announced preliminary approval of an application to organize a new National Bank in Kentucky—In Owensboro, with the title First Security National Bank of Owensboro, with an initial capitalization of $500,000.


The Comptroller of the Currency James S. Jaxon on Oct. 29 announced preliminary approval of an application to organize a new National Bank in Washington—At Puyallup, with the title First Union National Bank, with an initial capitalization of $400,000.

The Bank of Montreal, Canada, will establish a representative office in Mexico City on Nov. 1, according to an announcement Oct. 25. It will be under the direction of Morris A. Hack, Representative, and William J. Carr will be Assistant Representative.


Edw. Jones Branch EMPORIA, Kans.—Edward D. Jones has opened a branch office in the Emporia Trust Building under the direction of Edward Wollemann.

McNeel in Nashville Nashville National Bank & Trust Co., Inc. has opened a branch office in the Nashville Trust Building under the management of Carl H. Boone.

Into a National Banking Association. The bank will be operated by the Citizens State Bank, Broken Bow, Okla., with the title First National Bank, Broken Bow.

The consolidated bank will have total capital funds of $16,165,000, including Surplus of $8,895,000 and Unpaid Profits of $7,265,000. Capital stock will amount to $14,160,000 which is represented by shares of stock at par value of $10. Total deposits will be $204,569,000 based on Sept. 30, figures.


The Board of Governors of the Federal Reserve System on Oct. 15, announced its approval of the merger of Palaides Trust Co., of New York, with First National Bank of Newburyport, Mass., at Newburyport, Mass., with the title First National Bank of Newburyport, with an initial capitalization of $500,000.

The Gerhard Trust Core Exchange Bank, Philadelphia, Pa., has announced that Stephen S. Gardner has been elected Senior Vice-President and head of Girard's Banking Department. Herbert W. McNeel, Jr., has been elected as Assistant Secretary of Chemical Bank New York Trust Company, New York, New York.

The Bank of Commerce, New York, elected David S. Smith a Director.

The Comptroller of the Currency James J. Saxon on Oct. 13 announced preliminary approval of an application for the organization of a national bank in New York City.

The institution, to have the title, Chemische Bank New York Trust Company, will be located at 248-254 Ninth Avenue. Initial capitalization is $3,000,000.

Stockholders of the Kings County Trust Company of Brooklyn have voted to increase its authorized capital stock.

The Comptroller authorized the increase of the capital stock from $2,795,100 divided into 279,510 shares, $10 each, to $4,402,906 divided into 440,296 shares $10 par each value.

The Rail-Ten Miles and Freight Car Loadings in the Year-Ago Week

Loading of revenue freight in trains over all railroads, including 626,180 cars, the Association of American Railroads announced. October freight cars or 1.5% below the preceding week.

The reports represented an increase of 12,954 cars or 2.1% above the corresponding week in 1962, but a decrease of 24,778 cars or 3.8% below the corresponding week in 1961.

Ten-miles generated by car loadings in the week ended Oct. 29, 1963, is estimated at approximately 13.8 billion, an increase of 7.1% over the corresponding week of 1962, and 7.9% over 1961.

The 61 class U. S. railroad originating piggyback traffic reported loading 17,214 cars for the week ended Oct. 29, 1963, an increase of 1,817 cars or 10.8% above the corresponding week in 1962, but a decrease of 147 cars or 0.8% below the corresponding week in 1961.

Cumulative piggyback loadings for the first 41 weeks of 1963 is 1,052,533 cars, an increase of 47,923 cars or 13.5% above the corresponding period of 1962, and 189,100 cars or 14.7% above the corresponding period in 1961.

Henry R. Ford II, President of the Ford Motor Co. plants have bailed out for strikes, although notices re¬porting additions to the list of plants (12 days in the case of Chrysler, and two days in the case of Ford) have not been given. Two other Ford plants were scheduled as scenes of labor trouble.

In the face of this, however, and pressed by buyer demand, the manufacturer has announced it will operate its Ba¬tist over Saturday at 31 of 45 active assembly plants; Ford Motor Co. will operate its Ba¬tist over Saturday at 31 of its 16 plants; GM Corp. at seven Chevrolet and three combination complexes; Chrysler Corp. notified Detroit (Jefferson Avenue Chrysler), Hamtramck (Villant-Dart, in Dodge Main) and Los Angeles for the extra day.

The outlook pattern in the auto industry appears to be what, however, Ford has been the first to want to work out, but with its own steel mill work¬ing at capacity, even Ford being in balance. But, it has not brought any real surge up General Motors appears to be working to an extent of 70 to 75% of use. Chrysler has made supplemental orders on domestic steel in the long side with its steel stocks.

As evidence of the effects of the auto strike, 58.2% of the mills are operating at nearly one-third higher than the national average.

The outlook next week is that auto companies present the market more heavily than seen now, there is little chance of a big surge before the end of the year.

After that, the overall market will adjust to the rate of the economy and will be geared to overall industrial demand. This will result in an inventory—controlled rate that has characterized the market, a leveling and liquidation for most of the year.

Reach Six Million Passenger Car Output for the Year to Date

Auto production in the U. S. last week reached the six million passenger car mark since Jan. 1, and combined domestic and import truck production climbed to 7,196,542—within 150,000 units of output in correspondence last week. This week's production is also scheduled 12.7% above 108,968 cars built in the corre¬sponding week of last year.

The statistical agency put car output for the year to date at 6,101,817, well ahead of 5,506,352 a year ago; truck production, trending toward a record of 905,175, 190,725, or 18.3% from a year ago.

The auto industry is about, however, a modest 2 to 4 model production demands, some going over 1963. Stude¬baker—Oldsmobile—Pontiac—Chevrolet— At Dorsey (Ga.) was struck, however. Two other GM plants received five-day strike notices; a five-day strike is set for week at seven other company plants. GM and the UAW resolved last week at Hydra-Matic (Ypsilanti, Mich.)
flects tonnage handled at more than 400 truck terminals of com-
mmon carriers over the freight throughout the county.

The terminal survey for last week found that total volume, from a year ago at 22 localities, with 12 points reflecting decreases from the 1963 levels. Several key centers showed increases of 10% or more, while only one area showed a decline, in excess of this amount.

Compared with the immediately preceding week, 14 metropolitan areas registered increased tonnages, while 20 areas reported decreases.

Augest Truck Tonnage Reflects Continued Gains

Interchange data by the October by truck during August of this year showed an increase of 2.9% compared with that month in August of 1962, the American Trucking Associations reported. Truck tonnage reports indicate this cumulative basis for the period from January through August of 1963 showed an increase compared with the corresponding period last year, August tonnage reflected a 7.7% gain over the highest August 1962, recorded for the month of July.

These findings are based on the ATA Department of Research and Transport Economics' monthly survey of class I and class II common carriers of general freight. The data are not adjusted for seasonal influences nor for variations in the number of working days in each month. However, the data are considered to be greatly largely attributed to more working

days during the month.

The fact that motor freight volume

customarily picks up during the last weeks of the summer is also a contributing factor.

The less comprehensive weekly reports indicate a cumulative increase during September and early October continues to lead the comparable period of 1962 by

narrow margins.

Week's Lumber Output 4.5% Above 1962 Rate and Up 4% in Last Week

Lumber production in the country totaled 228,131,000 board feet in the first eight weeks of August, compared with 225,316,000 board feet in August, 1962, and 6,650,820 board feet in July, 1963. For the first eight weeks of early summer, the similar year-ago．

tonneage reported by these carriers was 53,082,390 tons in volume compared with 52,627,481 tons a year ago.

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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 Iron and Steel Institute:**
- Latest week
- Previous week
- Month
- Year ago

American Railroads:
- Revenue freight
- Other traffic

**Coal Output:**
- Total output

**Industrial Production:**
- Manufacturing
- Nonmanufacturing

**Peaches:**
- Total output

**Stock Transactions for F.O.S. Account of One-Half Million Shares:**

**Stock Exchange and Securities Exchange Commission:**
- Transactions in national stocks

**Other Operations:**
- Sale of securities

**Total Transactions for Odd-Number Account of One Million Shares:**

**Total Stock Transactions on the N. Y. Stock Exchange:**
- Total sales
- Even-number account

**Bond Sales:**
- Total sales

**Total Sales for Odd-Number Account:**

**Total Sales for Odd-Number Account (Odd):**

**American Banking and Manufacturing Merchants Association:**
- Month of September

**American Petroleum Institute:**
- Month of September

**American Rail Car Industry:**
- Month of September

**American Sugar Refining Association, Inc.:**
- Month of August

**Commercial纸张: PRICES: PAPERBOARD:**

**Total Liabilities:**
- Commercial-
- Other-

**Commercial Paper:**
- Issued
- Outstanding

**Cotton Seed and Cotton Seed Products: COMMERCE OF COUNTRY—Month of September:**

**Crop Products—Crop Reporting Board:**
- Barley
- Beans
- Corn
- Cotton
- Flaxseed
- Hazelnuts
- Peanuts
- Rye
- Sorghum
- Tobacco

**Federal Reserve Act of 1913:**
- Amounts divided among 20 districts

**Fortune Magazine:**
- Business
- Finance
- Industrial

**General Electric:**
- Operating revenue

**Gold and Silver:**
- Price of silver

**Hogs:**
- Total number

**Manufacturing Plants:**
- Total number

**Miscellaneous:**
- Price of cotton

**Nordic Paper Corporation:**
- Total sales

**Stockholders' Equity:**
- Total

**Total Sales:**
### Securities Now in Registration

#### ADDITIONS INDICATED

**Preceding Issue**

**Items Revised**

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**NOTE:** Registration statements filed with the SEC since the last issue of the "Chronicle" section of this issue of "Securities Now in Registration." Data shown in parentheses alongside the company's name, and in the index, reflect the expected offering amount, if not otherwise mentioned, for general firm offering dates. Also shown under the caption "Effective Registrations" are those issues which became effective this week and were offered publicly.


**Austral Mining Co., Ltd.** July 31, 1962 filed 100,000 common shares. Price $50c. Business—The company is engaged in exploration, development, mining, and production of gold and silver. Proceeds—For working capital and general corporate expenses. Underwriter—40 Richmond St. W., Toronto.


**Bay State Exchange Fund, Inc.** May 29, 1963 filed 10,000 $1 par capital shares to be offered in exchange for certain acceptable securities on the basis of one share for each 25 of deposited securities. Each share is believed to be worth for the Fund to be tax-free for Federal income tax purposes. Business—A closed-end investment company seeking long-term growth of capital and income. Proceeds—For investment. Underwriter—35 Congress St., Boston, Underwriter—Kidder, Peabody & Co., New York. Note: The exchange will not accept non-commercial securities. Proceeds are deposited and accepted. This means that the Fund will not be required to purchase any of its own common or capital shares. Offering—Indefinite.


**Canaveral Industries, Inc.** May 10, 1962 filed 100,000 common shares. Price—$5. Business—Manufacturer of a variety of products, including a motorized golf cart and golf club, swimming pool and cabana club, used and new synthetic rubber, and real estate developments, including homes, apartment houses, hotel, motels, etc. Proceeds—For debt repayment and expansion. Underwriter—200 E. 52nd St., New York City.

**Canal Bank Corp.** Oct. 9, 1963 filed 304,230 common shares to be offered for subscription by stockholders of the bank on the basis of three new shares for each one held of record Oct. 1. Price—$5.00 per share. Proceeds—For debt repayment, working capital, and other corporate purposes. Address—P. O. Box 133, Aurora, Ohio.


**Citadel Life Insurance Co. of New York** March 26, 1963 filed 40,000 capital shares being offered by subscription for purchase of two new shares for each $100 held of record on March 25. Rights will expire May 23. Proceeds—For expansion and general corporate purposes. Underwriter—Alex. Brown & Sons, Baltimore.


**Community Health Associations, Inc.** April 12, 1963 filed 100,000 common shares, of which 100,000 are to be offered to the public $40,000 by Harry K. Wilson, President. Price—$15. Business—Sale of hospital and surgical insurance policies. Proceeds—For investment, sales promotion, and other corporate purposes. Underwriter—400 Aurora Ave., Seattle, Wash.

**Continental Reserve Corp.** May 12, 1963 filed 45,000 Class B common stock. Price—$40. Business—Company plans to acquire, organize, and manage various small and medium-sized companies to be acquired at prices not to exceed $500,000 per company. Proceeds—For investment in subsidiaries. Underwriter—East 49th St., New York.

**Craft Master Corp.** (12-15) Sept. 30, 1963 filed $1,000,000 of 6% convertible subordinated debentures due 1972; also 125,000 common shares. Proceeds—For investment. Underwriter—$500,000 to $1,000,000 (max. $50,000 per company). Business—Manufacturer of paint by-products, furnish a variety of mesquite kits, crushed brick mosaic tiles, and wooden picture frames. Proceeds—For debt repayment. Underwriter—529 W. Woodward Ave., Toledo, Ohio. Underwriter—Fulon, Reid & Co., and William T. Robbins & Co., Inc., Cleveland.


**Deuerberg Corp.** Dec. 22, 1962 filed 123,000 common shares with attached warrants to purchase additional 123,000 shares to be offered for subscription to one holder of each share in units of (one share and one warrant) on the basis of one new share for each share held of record Nov. 1. Price—$4 per share. Proceeds—For one share for each five preferred A stock held and 40 units for each $1,200 face amount of non-interest bearing subordinate debentures held. At the same time, the company will offer the securities to the public. Price—

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**Firm Trading Markets in over-the-counter securities**

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Georgia Power Co. (11/7)

[The rest of the text continues with similar entries for various companies and events related to business and finance.]

**Life Affiliates Corp. (11/18-22)**


**Life Insurance Co. of Florida (11/18-22)**


**Logos Options, Ltd.**


**Lunar Films, Inc.**


**Mahoning Corp.**


**Marshall Press, Inc.**


**Massachusetts Electric Co. (12/4)**

Oct. 21, 1963 filed $100,000,000 of first mortgage bonds, series H. Proceeds—For loan repayment. Office—441 Stuart St., Boston. Underwriters—Kidder, Peabody & Co., Inc. First Boston Corp.; Merrill Lynch; Pierce, Fenner & Smith; and Kidder, Peabody & Co., Inc.; Blyth, Easton & Co. and E. R. Beekman, Ltd. (jointly). Bls.—Dec. 4 (11 a.m. EST) at above address. Information Meeting—Nov. 7 (11 a.m. EST) at above address.

**Mid-Continent Telephone Corp.**


**Middlewest Technical Development Corp.**


**Midwest National Life Insurance Co. (11/15-22)**


**Midwest Technical Development Corp.**


**Million Dollar Savings & Loan Association**


**Morgan & Makers, Inc.**


**Morgan & Makers, Inc.**


**Morgan & Makers, Inc.**


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Texas Plastics, Inc.  

U tetane of Texas, Inc.  

Valley Investors, Inc.  

Western Steel, Inc.  

Western Transmission Corp.  

William Penn Racing Association  
Aug. 23, 1963, filed 175,000 debentures due 1970 and 100,000 common A non-voting common shares to be offered in units of one $100 debenture and 10 shares. Price—$220 per unit. Business—Company has been licensed to conduct harness racing with pari-mutuel betting. Proceeds—For debt repayment and other corporate purposes. Address—1001 16th Ave., Seattle Underwriter—McCann, N. J. Underwriter—Bache & Co., New York.  

Windsor Electronics, Inc.  

Young Industries, Inc.  
Sept. 1, 1963, filed 100,000 class A common and warrants to purchase an additional 50,000 class A shares, 1,000,000 common shares and 7,000 warrants to purchase 25,000 shares. Price—$5.25 per unit. Business—Commercial development of real estate, primarily shopping centers and other income-producing properties. Proceeds—For debt repayment and property acquisitions. Address—909 Jefferson St., Louisville, Ky. Underwriter—None.  

Federal Reserve Bank of St. Louis  

Issued With SEC  
This Week  

All States Money Order Corp.  

American Capital Corp.  
Oct. 1, 1963, filed 232,560 shares of beneficial interest to be offered in units of 100 shares by stockholders on an unlimited basis. Price—At par. Business—A holding company formed for the purpose of acquiring broker-dealer which sells mutual funds) and United Capital Life Insurance Co. of Minnesota. Proceeds—To increase capital and surplus and for general corporate purposes. Address—1200 New York Ave., S. E., Washington, D. C. Underwriter—None.  

Ampal-American Israel Corp.  
Oct. 14, 1963, filed $1,000,000 of 6% sinking fund debentures due 1974, and 650,000 common shares. Proceeds—To sell American television programs and concerted series to foreign governments participating in the economic development of the country. Address—The Inter-American Bank, New York. Underwriter—Israel Securities Corp. (same address).  

Applied Technology, Inc.  

Bergen Drug Co., Inc. (12-26)  

Connecticut Western Mutual Fund, Inc.  

Dixie G. K. Golf & Country Club, Inc.  

Gas Hills Uranium Corp.  

Impar Cap'040 National Inc.  

Insurance City Life Corp.  

Insurance Securities, Inc.  
Oct. 24, 1963, filed 1,000,000 common A common. Price—$3. Business—Company plans to acquire or organize life, accident and health insurance subsidiaries. Proceeds—For debt repayment, advances to a subsidiary and investment. Address—19 Molton St., Montgomery, Ala. Underwriter—Various local securities services, Inc. (same address).  

Jade Oil & Gas Co.  

Kinetic Corp.  

Mineral Enterprises, Inc.  

Musical Brokers  

Pacific Northwest Bell Telephone Co. (11/19)  
Nov. 10, 1963, filed 2,073,500 common to be offered for subscription by stockholders on the basis of one new share for each four held of record Nov. 26, 1963. Price—By amendment (max. $11). Business—Common stock issued for the purpose of furthering development of the Pacific Union Bank of Nevada. Proceeds—For general corporate purposes. Address—1206 Third Ave., Seattle. Underwriter—None.  

Applied Science Corp.  
Effectiveness

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.”

Brewer (C.) & Co., Ltd. 148,736 common being offered to stockholders at $6 per share, on the basis of one new share for each five held of record Oct. 5. Rights will expire Nov. 12. Blyth & Co., Inc., New York, and Butcher & Sherrerd, Philadelphia, are the principal underwriters.

Brookton (B. & W.) Inc. 8,000,000 shares of 4½% first mortgage and collateral trust bonds due Oct. 1, 1989, offered at 101.50% of face value and 150% of interest from Sept. 1, by Eastman Dillon, Union Securities Co.-Equitable Securities Corp., Chicago, and Thomas & Co., at $20.25 per share.

Capitol Food Industries, Inc. $75,000,000 of 6½% convertible subordinated debentures due Oct. 1, 1978, offered at 100% plus accrued interest from Walter & Co., Inc., Chicago.

CitiLife Building Corp. New York, 40,000 common shares being offered for subscription by stockholders at $45 per share, on the basis of one new share for each eight held of record Oct. 25. Rights will expire Nov. 19. Boston Corporation, New York, is the principal underwriter.

Associated Trucking Lines. Inc. 1,100,000 shares of common stock offered at $12 per share by William B. Stasdy & Co., Los Angeles. B. Stasdy & Co., New York, and J. M. Dain & Co., Minneapolis, are the underwriters.

Prospective Offerings

Associated Trucking Lines, Inc. Subscribed by 1,100,000 common shares of Associated will be sold publicly, of which 40,000 will be by the company and 1,060,000 by San Francisco & San Jose Salvage & Storage Co., of which 275,000 by the company and 785,000 by W. L. C. Corp., and 500,000 by Western Van Lines, of which 125,000 will be by the company and 375,000 by American Van Lines. Offer.—Nov. 15. Proceeds — For the company, to retire $1,000,000 of 6¼% first mortgage bonds due Oct. 15, 1989, of First National Bank of California and to provide working capital.

Chicago & Quincy RR (11/12) Oct. 7, 1963, it was reported that the company announced plans to sell $5,000,000 of 1¼ year equipment trust certificates. Offer.—Oct. 15. Proceeds — To refinance $4,900,000 of first mortgage bonds due Oct. 15, 1964. Underwriters—(Competitive).

Cold Gas System, Inc. 300,000 shares of common stock offered at $8 per share by Morgan & Co., New York, and J. L. H. Ford & Son, Chicago, and E. A. W. Britton, New York, as the underwriters.

Communications Satellite Corp. Oct. 7, 1963, it was reported that a registration statement will be filed to December covering about $200,000,000 of capital stock of the company. Offer.—Dec. 31. Proceeds — To produce space exploration equipment and other non-communica
tions concerns. Series II will be issued to FCC-approved carriers at a minimum of $1 million per share. Proceeds from the sale will be used to finance the development of a number of long-wave and short-wave radio stations.

Interpublic Inc. Oct. 22, 1963, it was reported that the company is planning its first public stock offering. Business—A holding company for advertising agencies, public relations firms and other media. Offer.—Early 1964. Proceeds — To purchase 50% of the outstanding stock of a Boston firm. The sale will include both a non-operating and an operating company. Proceeds are to be used to finance the purchase of additional stock in both companies. The company will issue $5,000,000 of common stock, and the offering will be made in December. Proceeds will be used to finance the purchase of additional stock in both companies.

International Milling Co. July 8, 1963, the company announced that it expects to issue 1,000,000 shares of its common stock at $15 per share. The issue will be made in December. Proceeds will be used to purchase additional stock in the company. The company will issue 500,000 shares of preferred stock, and the offering will be made in December. Proceeds will be used to finance the purchase of additional stock in both companies.

Inexemption from the Public Utility Holding Company Act by permitting the sale of $500,000 of the firm's bonds. The issue will be made in December. Proceeds will be used to finance the purchase of additional stock in both companies.
Irving Air Chute Co., Inc.  
Sept. 11, 1963 It was reported that the company plans to file a registration statement with the SEC for the sale of 16,000 5-year convertible debentures due 1968 to be offered for subscription by stockholders. Office—1201 Vine St., Cincinnati, Ohio. Underwriter—S. D. Pulver Co., New York, N.Y.

Japan (Government)  
May. 18, 1963 It was reported that the Government plans to sell an additional $35,000,000 of external loan bonds in the U.S. during July, 1963. It is expected that the majority would be sold by Dec. 31, 1963. Underwriter—Merrill Lynch, Pierce, Fenn & Smith (Jointly).

Kanawha City Power & Light Co.  

Norfolk & Western Ry. (11/13)  

Northern States Power Co. (Minn.)  
May 14, 1963 It was reported that the company plans to sell about 771,110 additional shares to stockholders or others. Probable bidders: Morgan Stanley & Co.;- Blyth & Co., Minneapolis;- Senior Securities & Co.;- Kidder, Peabody & Co., Minneapolis.

Otter Tail Power Co.  

Pennsylvania Power & Light Co.  
March 18, 1963 It was reported that the company expects to sell approximately $6,000,000 of 1-5 year equipment trust certificates beginning May 9, 1963. Proceeds—For construction and the retirement of $6,000,000 of the company's 4.12% bonds due 1964. Probable bidders: Morgan Stanley & Co.;- Blyth & Co., Minneapolis;- Senior Securities & Co.;- Kidder, Peabody & Co., Minneapolis.

Philadelphia Electric Co.  
Sept. 18, 1963 It was reported that the company is planning to sell approximately $10,000,000 of first mortgage bonds in mid-1964. Office—1600 Chestnut St., Philadelphia. Underwriter—To be named. Probable bidders: Morgan Stanley & Co.;- Drexel & Co. (Jointly); Halsey, Stuart & Co. Inc.;- Blyth & Co., New York.

Potomac Edison Co. (3/10/64)  
Oct. 16, 1963 It was reported that this subsidiary of Al¬


New York State Electric & Gas Corp.  
April 3, 1963 It was reported that the company plans to sell $8,000,000 of 1-5 year equipment trust certificates beginning Dec. 31, 1963. Office—401 West Street, New York. Underwriter—Competitive.

New York Central R.R. (12/4)  


Southern California Edison Co.  

Zaytev, Inc.  
Oct. 3, 1963 It was reported that this firm plans to sell about $10,000,000 of securities in January. The type of securities to be sold has not been decided. Business—Manufacture of cosmetics, supplies and equipment for fragrances and perfumes. Office—435 S. Dearborn St., St. Paul, Minn. Underwriter—Allen & Co., New York.

Rochester Telephone Co.  
Continued from page 45

Southern Pacific Co. (11/6) Oct. 15, 1963 it was reported that this company would sell $970,000,000 of 1-15 year equipment trust certifi-
cates—Program No. 91 (Competitive). Probable bidders: Salomon Brothers & Co., Inc.—Bids—Nov. 6 (noon EST), at above address.

Southwestern Public Service Co. Oct. 6, 1963 It was reported that this company plans to issue approximately $30,000,000 of first mortgage bonds. Bankers: Texas City National Bank, Texas City, Tex.—Bids—Nov. 6 (noon EST).

Texas & Pacific Ry. (12/2) Oct. 28, 1963 it was reported that this road plans to sell $7,679,000,000 of 30 year $300 unid. mand. bonds—Unlimited Ad-
pected Dec. 1, noon CDT, Dallas—F. C. T. Corporation—Portland, Ore.—Bids—Nov. 6 (noon CST), at above address.

Tokyo (City of) May 1, 1963 it was reported that the Diet had authorized the sale of $90,000,000 City of Tokyo in the U.S. during the fiscal year ending March 31, 1964. Under-
writers—To be sold in New York on March 27, 1963 was reported by Kuhn, Loeb & Co. Offer-
er—Indefinite.

Trans World Airlines, Inc. Oct. 21, 1963 the company announced that it may offer some of its $10,000,000 of 6% debentures due Dec. 1, 1993. The right to subscribe for up to $5,500,000 of 4% convertible subordinated debentures due Oct. 1, 1981. Hughes Tool Co. was reported to have subscribed for these debentures, but would not subscribe for these debentures, but would pay $1,250,000 for the amount of the issue. Proceeds—to help finance the purchase of 12 Boeing 707 jet aircraft. Office—300 Madison Ave., New York. Underwriter—None.

Transcontinental Gas Pipe Line Corp. Sept. 25, 1963 the company announced that it plans to sell $75,000,000 of 100 year 4% debentures and some preferred in the first half of 1964. Business—Construction of the transcontinental gas pipe line to be represented. Office—3100 Travis St., Houston, Texas. Underwriters—First National Bank of Houston, & Stone & Webster Secur-
ities Corp., New York.

Union Planters National Bank (Memphis) (11/6) Oct. 23, 1963 it was reported that the company had authorized the $10 par capital stock to provide for sale of 150,000 additional shares to stockholders. Proceeds—for each $7 1/2 shares held of record Nov. 6. Rights will expire Nov. 27. Price—$40. Proceeds—to increase capital. Office—61 Madison Ave., Underwriter—M. A. Saunders Co., Inc., Memphis.

United States Steel Corp. Oct. 21, 1963 the company announced that it may offer some of its $100,000,000 of 6% debentures due Dec. 1, 1990. The right to subscribe for up to $60,000,000 of 3% convertible subordinated debentures due Oct. 1, 1983. The right to subscribe for up to $20,000,000 of 6% convertible subordinated debentures due Oct. 1, 1993. One-half of these debentures would be offered to the public, the other one-half to the public as well as the present bondholders. The proceeds, in the event these debentures were not subscribed for, would be used to purchase additional preferred stock. Proceeds—to finance construction and expansion. First National Bank & Trust Co. of Chicago. Underwriter—Fidelity Union Trust Co., Newark, N. J.

Valley Gas Co. Aug. 29, 1963 it was reported that the SEC had scheduled a hearing for Oct. 10, a plan under which Blackstone Valley Gas & Electric Co., would sell 400,000 shares of common stock to stockholders. Blackstone and Eastern Utilities Associates, the other parent. Proceeds—to be used to finance the construction of the company's new power plant.

Valleystate of Hawaii-Bond Offer To Investors An underwriting group headed by H. N. T. & S.A. joined with a syndicate jointly managed by Smith, Barney & Co. to offer some of the $3,000,000 of first mortgage bonds due 1994. Proceeds—to be used by the company to purchase additional equipment. Proceeds—to pay all interest due on the bonds. Office—First National Bank of Hawaii, Honolulu. Underwriters—Trask, Smoot, & Co., Inc.—Analysis—Brand, Forgan & Co., 130 S. La Salle St., Chicago, Ill.

Utah Power & Light Co. July 2, 1963 it was reported that this utility plans to sell $22,500,000 of bonds and $10,000,000 of preferred stock in this issue. The offer in the Portland-Oregon area (jointly); First Boston Corp.—Blyth & Co. (jointly); FREEHILL, & Co.-Smith, Barney & Co. (jointly); Lehman Brothers-Harris & Co., First National Bank & Smith, Barney & Co.-Stone & Webster Securities Corp. (jointly); First Boston Corp.—STB & Co. (jointly); Eastman Dillon, Union Securities & Co.-Smith, Barney & Co.—Salomon Brothers & Hutzler (jointly); Leh-

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General Motors Acceptance Corp.

Debenture Offered

Morgan Stanley & Co., New York, as manager of an underwriting group has announced the public offering of $150,000,000 General Motors Acceptance Corp. 4% debentures due Nov. 1, 1963 at 99.5% and accrued interest yield approximately 4.05% to maturity. Proceeds from the sale will be added to the general funds of the company and will be available for the purchase of receivables or for maturing debt. Proceeds initially may be applied to reduction of short-term borrowings or invested in short-term securities.

The debentures will not be redeemable for eight years, except pursuant to a special redemption provision applicable at any time under certain conditions of declining receipt receivables. On and after Nov. 1, 1971, the debentures will be redeemable at the option of the company at a price of 102% for one year and thereafter at prices declining to the principal amount on and after Nov. 1, 1981. GMAC finances the distribution of new products manufactured by General Motors to dealers for resale, and finances such dealers' retail installment sales of new products as well as used units of any make. Financing related to automotive vehicles comprised 90% of the volume of receivables purchased by GMAC in the first six months of 1963.

Subscribed TV

Current Offered

Public offering of 1,700,000 common shares of Subscription Television, Inc., at $12 per share is being made by William R. Staats & Co., Los Angeles, and associates. An additional 400,000 shares are being sold to certain stockholders at the regular offering price. Net proceeds from the sale will be used to complete developmental work in establishing the initial system, and in discharging certain obligations in connection with the acquisition of the assets of Home Entertainment Co., America, Inc. Subscription TV is engaged in the establishment of a subscription television system in the Los Angeles and San Francisco metropolitan areas. It plans to operate the system in those areas, and to establish and operate it in other areas of the United States. The company plans to present sporting events, current movies and cultural and other special attractions to subscribers over channels in a closed circuit coaxial cable network to be leased from telephone companies. A program selector is to be installed in the premises of each subscriber who will be able to choose among three television programs and music during the hours of transmission. Each subscriber will pay a fixed weekly rate, and an additional charge for each television set program which he views. A centrally located interdiction equipment will, through disconnection and electronic impulses, record each subscriber's use of the system and will provide the company with data for the automatic preparation of a monthly bill to each subscriber.


DIVIDEND NOTICES

UNITED STATES PIPE AND FOUNDRY COMPANY

11th Consecutive Quarterly Dividend

Common Stock—35¢ per share

Payable November 15, 1963 to Stockholders of record November 1, 1963

R. Gould Monathed

Financial Vice President

The United Gas Improvement Company

DIVIDEND NOTICE

A dividend of 22¢ per share on the Common Stock has been declared payable December 30, 1963 to holders of record November 29, 1963.

A dividend of $1.06½ per share on the 4% Preferred Stock has been declared payable January 15, 1964 to holders of record at the close of business on November 30, 1963.

J. H. Mackenzie

Treasurer

Philadelphia, October 22, 1963

11th Dividend

Pullman Incorporated

97th Consecutive Year of Quarterly Cash Dividends

A quarterly dividend of thirty-five cents (35¢) per share will be paid on December 13, 1963, to stockholders of record November 22, 1963.

W. Irving Ghirone, Jr.

President

Dividends and Sibiidiaries: Pullman Standard Division

The M. W. Kellogg Company

Transportation and Industrial Division

Tractoflame Finance Company

Swedel-Drewel Corporation

Transport Leasing Division

Uncion, Inc.
WASHINGTON AND YOU

BEHIND-THE-SCENES INTERPRETATIONS
FROM THE NATION'S CAPITAL

WASHINGTON, D. C.—The 1962 calendar year was the first year since Congress established the Federal Deposit Insurance Corp. in 1933 that insured banks would not have to face the possible liquidation of insured banks resulting from disbursements by the FDIC.

There were no new bank failures in deep trouble, but its deposits were assumed by another insured bank without requiring disbursements.

Since the FDIC was created there have been 465 bank failures. These banks had 1,460,244 depositors and deposits totaling $11,000,000. Thus far 99.6% of the depositors have fully recovered all the funds they had in those defunct banks. About 5,244 depositors with deposits in excess of the insured amount had to wait for liquidation.

While the banking industry generally is in a sound and strong position, it is inevitable that there will be bank failures in the future, particularly in years when there may be a recession or a depression. Even without a big dip in the economy we may expect an intermittent institution having to be placed in liquidation.

A few days ago Jesus P. Wolfcott, Director of the Federal Deposit Insurance Corporation, announced an FDIC policy involving "offsets" that is of marked interest to the banking industry, to depositors, and to depositors.

Mr. Wolfcott, a former Republican Congressman from Michigan and one-time Chairman of the House Banking and Currency Committee, retired voluntarily from Congress on Jan. 3, 1957, after 25 years of distinguished service. He had planned to travel and catch up on his fishing.

However, former President Eisenhower asked him to become a Director of the FDIC. He did and he has been serving continuously since Jan. 20, 1955. Now he is getting ready to step down and "retire for good" in January, 1964, when his present term expires.

New FDIC Policy

Mr. Wolfcott, in the FDIC policy statement, disclosed that depositors in closed insured banks whose deposits are insured by the FDIC will receive all funds up to the legal limitation of $10,000 per depositor, which has been done without any withholding of funds to cover loans due the bank, if the loans are current and in good standing.

Mr. Wolfcott, who is still called "Mr. Coffin" by former colleagues in Congress, made the disclosure in a letter the text of which was released by the FDIC. The letter was written to Oscar E. Goodman, Associate Professor of Finance at Northwestern University’s School of Business, Chicago, III.

Professor Goodman had written a letter to James J. Saxon, the Comptroller of the Currency and the acting Chairman of the FDIC, since the retirement of Earle Cooke, Sr., of Georgia, whose term as a Director expired in August.

Illinois Banks Prompted Inquiry

Mr. Goodman wrote Mr. Saxon in connection with offsets and withholdings in the payoffs of the First State Bank of Westmont, III., and the First Bank of Illinois.

The letter of Mr. Wolfcott pointed out that there are two forms of holding out deposits to cover loans. One of these it stated, matter of statutory requirement, is the "offset" which is both in the FDIC Act, and in various state laws concerning receiverships.

This requires that all loans or notes due to a bank placed in receivership must be "offset" against claims if the note or loan is due within 60 days, and in the event of a deposit in the same, a depositor having deposits of $10,000, and a loan outstanding of $30,000, if that loan were due for payment or were in default, the loan would be "offset" by the deposit.

The other or second form of withholding out of funds is called "withholding." It involves the temporary withholding of the insured deposits of a depositor, whose loan is not due. Where such withholdings are made, the depositor may request his deposit be offset against his debt.

A number of state Legislatures during the 1930s passed similar "offsets" type of legislation when banks were closed in those states. Many people who had deposits in banks being liquidated and were on notes for paychecks that were in default, used their deposits as "offsets.

Revised Procedure on "Withholdings"

Mr. Wolfcott explained in his letter to Professor Goodman that for years it had been the policy of FDIC to make "withholdings" mandatory, but corporation studies in recent years resulted in the Corporation changing its policy. Therefore, in cases where a loan is adequately secured and on a current status, and even where the loan is unsecured (signature loan, primarily) but that the credit standing of the depositor warrants it, deposit funds will not be withheld pending refinancing, but will be paid out immediately.

The former chairman of the Home Banking Committee, who was voted by his former Committee colleagues as a lifelong member of the committee with all the privileges except a vote, ordered the withholding policy change in September after the Chicago bank closed its doors.

His letter said that many depositors request offsets, against deposit funds, finding these to be of advantage to them. Mr. Wolfcott pointed out that offsets and withholding procedures together involve only a small minority of the funds involved in a bank receivership case. He cited the Chicago bank as an example. About 95% of the insured deposits of the bank were immediately available to depositors, with only 5% subject to offset or withholdings.

Procedure With Respect to S-L. ASA

"You mention some savings and loan associations in Chicago," replied Mr. Wolfcott to Professor Goodman, "and the fact that apparently immediate payment is being made in one or more of them which are closed by the Federal Savings and Loan Insurance Corporation without offset."

Our information leads us to believe that in the first place practically all of the accounts of such associations were within the insurance limit of $10,000, so that they could be taken over by the insurance corporation without a loss by reason of any excess accounts over insurance limits, and, of course, there are no personal loans to be considered, all loans being secured by real estate. Had the circumstances been similar at the Chatham Bank, the Federal Deposit Insurance Corporation also could have arranged full payment for all deposits.

Higher F. D. I. C. Guarantee Possible

When the FDIC was established the temporary plan, effective Jan. 1, 1934, limited insurance to $2,500 for each depositor until July 1, 1934, when the permanent plan was scheduled to become effective. The effective date, however, was postponed and the temporary plan was extended with coverage increased to $5,000.

The records of the Corporation show that the original permanent plan provided for full coverage of each depositor, 75% on the next $40,000 of deposits and 50% coverage on all deposits in excess of $50,000. This plan never became operative.

It was in 1935 that the insurance coverage was increased to $10,000 for each depositor. There have been many proposals advanced in and out of Congress to increase the coverage to $25,000. It has made no substantial headway.

It is not unlikely that the day will come when the deposit insurance will be raised.

[This column is intended to reflect the "behind the scene" interpretation of the nation's Capitol and may or may not coincide with the "Chronicle's" own views.]

Coven Co. to Absorb J. Coo

Jacques Coo & Co. will be merged with Coven & Co., 45 Wall Street, New York City, members of the New York and American Stock Exchanges, it has been reported. Mr. Coo, senior partner of Jacques Coo & Co., which is also a member of the New York Stock Exchange, will become a partner in Coven & Co.